

Financial Statements of

**NICOLA VALLEY INSTITUTE
OF TECHNOLOGY**

Year ended March 31, 2014

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Financial Statements

Year ended March 31, 2014

Financial Statements

Statement of Administrative Responsibility for Financial Statements	1
Independent Auditors' Report	2
Statement of Financial Position	4
Statement of Operations	5
Statement of Change in Net Debt	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 25

STATEMENT OF ADMINISTRATIVE RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Nicola Valley Institute of Technology (the "Institute") is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and Treasury Board direction outlined in note 1(a). This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting measurement of transactions in which objective judgment is required. In fulfilling its responsibilities and recognizing the limits inherent in all systems, the Institute's management has developed and maintains a system of internal controls designed to provide reasonable assurance that Institute's assets are safeguarded from loss and that the accounting records are a reliable basis for preparation of financial statements. The system of internal controls is monitored by the Institute's management.


The Board of Governors carries out its responsibility for review of the financial statements principally through its Audit and Risk Management Committee. The members of the Audit and Risk Management Committee are not officers or employees of the Institute. The Audit and Risk Management Committee meets with the management and with the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit and Risk Management Committee, with and without the presence of management.

The financial statements have been examined by KPMG LLP, Chartered Accountants, the external auditors appointed by the Institute's Board of Governors. The Independent Auditor's Report outlines the nature of their examination and their opinion on the financial statements of the Institute for the year ended March 31, 2014.

On behalf of Nicola Valley Institute of Technology:



Board Chairperson



Director, Finance & Integrated Systems

May 14, 2014



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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, Province of British Columbia

We have audited the accompanying financial statements of Nicola Valley Institute of Technology (“the Institute”), which comprise the statement of financial position as at March 31, 2014, and the statement of operations, changes in net debt and cash flows for the year then ended, 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 the 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 in our audit 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, 2014 and for the year ended March 31, 2014 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.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Accountants

Kamloops, Canada

May 14, 2014

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Financial Position

March 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash	\$ 1,083,717	\$ 1,814,784
Accounts receivable (note 2)	737,065	776,609
Inventory for resale	129,804	102,317
Portfolio investments (note 3)	5,118,345	4,818,344
	<u>7,068,931</u>	<u>7,512,054</u>
Liabilities:		
Accounts payable and accrued liabilities (note 4)	1,279,255	924,934
Employee benefit obligations (note 1(g))	10,000	10,000
Deferred revenue (note 5)	1,200,288	2,173,086
Long-term debt (note 6)	2,948,005	3,018,706
Deferred capital contributions (note 7)	12,347,357	12,994,418
	<u>17,784,905</u>	<u>19,121,144</u>
Net debt	(10,715,974)	(11,609,090)
Non-financial assets:		
Tangible capital assets (note 8)	15,110,014	15,822,430
Endowment investments (note 9)	230,511	230,458
Prepaid expenses and deposits	110,276	29,165
	<u>15,450,801</u>	<u>16,082,053</u>
Accumulated surplus (note 11)	\$ 4,734,827	\$ 4,472,963

Employee future benefits (note 12)

Contractual obligations (note 13)

See accompanying notes to financial statements.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

	Budget (note 1(l))	2014	2013
Revenue:			
Province of British Columbia grants	\$ 8,661,736	\$ 9,948,233	\$ 8,792,633
Government of Canada grants	-	4,915	-
Tuition and student fees	842,869	961,505	811,537
Sales of goods and services	515,206	547,156	530,722
Contract services	1,100,000	928,861	909,110
Investment income	82,000	83,919	81,405
Recognition of deferred capital contributions	498,000	657,388	549,900
Other	21,000	93,943	41,999
	<u>11,720,811</u>	<u>13,225,920</u>	<u>11,717,306</u>
Expenses (note 14):			
Instruction and instructional support	11,007,123	12,309,631	10,830,714
Ancillary operations	573,688	535,437	522,550
Interest on debt	140,000	139,585	142,806
	<u>11,720,811</u>	<u>12,984,653</u>	<u>11,496,070</u>
Annual surplus before the undernoted	-	241,267	221,236
Restricted endowment contributions	-	20,597	4,236
Annual surplus	-	261,864	225,472
Accumulated surplus, beginning of year	4,472,963	4,472,963	4,247,491
Accumulated surplus, end of year	<u>\$ 4,472,963</u>	<u>\$ 4,734,827</u>	<u>\$ 4,472,963</u>

See accompanying notes to financial statements.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Changes in Net Debt

Year ended March 31, 2014, with comparative information for 2013

	Budget (note 1(l))	2014	2013
Annual surplus	\$ -	\$ 261,864	\$ 225,472
Capital activities			
Acquisition of tangible capital assets	-	(211,652)	(115,807)
Amortization of tangible capital assets	700,000	924,068	793,671
Gain on disposal of tangible capital assets	-	-	(2,500)
Proceeds on disposal of tangible capital assets	-	-	2,500
	700,000	974,280	903,336
Changes in non-financial assets			
Net acquisition of prepaid expenses	-	(81,111)	(3,082)
Endowment investments	-	(53)	(384)
	-	(81,164)	(3,466)
Net change in net debt	700,000	893,116	899,870
Net debt, beginning of year	(11,609,090)	(11,609,090)	(12,508,960)
Net debt, end of year	\$ (10,909,090)	\$ (10,715,974)	\$ (11,609,090)

See accompanying notes to financial statements.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 261,864	\$ 225,472
Items not involving cash:		
Amortization of tangible capital assets	924,068	793,671
Revenue recognized from deferred capital contributions	(657,388)	(549,900)
Gain on disposal of tangible capital assets	-	(2,500)
Change in non-cash operating assets and liabilities:		
Accounts receivable	39,544	37,478
Inventory held for resale	(27,487)	(21,879)
Prepaid expenses and deposits	(81,111)	(3,082)
Accounts payable and accrued liabilities	354,321	299,102
Deferred revenue	(972,798)	401,082
	(158,987)	1,179,444
Financing activities:		
Repayment of long-term debt	(70,701)	(67,490)
Additions to deferred capital contributions	10,327	61,725
	(60,374)	(5,765)
Capital activities		
Acquisition of tangible capital assets	(211,652)	(115,807)
Proceeds on disposal of tangible capital assets	-	2,500
	(211,652)	(113,307)
Investing activities		
Net acquisition of portfolio investments	(300,054)	(400,384)
Increase (decrease) in cash	(731,067)	659,988
Cash, beginning of year	1,814,784	1,154,796
Cash, end of year	\$ 1,083,717	\$ 1,814,784

See accompanying notes to financial statements.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2014

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. 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.

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:

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

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. If the depreciable tangible capital asset funded by a deferred capital contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.
- (ii) Contributions externally 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 Government Transfers;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with PS3100 Restricted Assets and Revenues; and
- deferred contributions meet the criteria in accordance with PS 3200 Liabilities

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.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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 Institute to treat endowment contributions as described in Note 1(h)(iii) and
- (ii) the Institute to apply the discount rate for employee future benefits at the next valuation date.

(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.

(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.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

- (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. 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.

(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%
Other non-instructional equipment	10%
Automotive	25%
Office equipment and furniture	20-25%
Computers and software	33 1/3%-50%
Leasehold improvements	50%

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(f) Tangible capital assets (continued):

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.

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.

(h) 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.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(h) Revenue recognition (continued):

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.

(i) 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.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of the financial statements 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, estimated useful lives of tangible capital assets and the recognition of related deferred capital contributions and the present value of commitments. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(k) 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 15.

(l) 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 19, 2013. The budget is reflected in the Statement of Operations and the Statement of Changes in Net Debt.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

2. Accounts receivable:

	2014	2013
Trade receivables	\$ 270,053	\$ 101,285
Government entities	116,441	288,387
Commodity taxes recoverable	43,984	81,132
Other receivables	306,587	305,805
	<u>\$ 737,065</u>	<u>\$ 776,609</u>

3. Financial instruments:

	2014	2013
Portfolio investments designated to fair value:		
Guaranteed investment certificates with various maturity dates with interest rates ranging from 1.0% to 2.03%	\$ 3,250,000	\$ 2,950,000
Restricted guaranteed investment certificates, earning interest at 1.55% with a maturity date of August 2014	1,868,345	1,868,344
	<u>\$ 5,118,345</u>	<u>\$ 4,818,344</u>

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 portfolio investments 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.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

4. Accounts payable and accrued liabilities:

	2014	2013
Trade payables	\$ 641,099	\$ 402,268
Salaries and benefits payable	311,237	327,712
Other	326,919	194,954
	<u>\$ 1,279,255</u>	<u>\$ 924,934</u>

5. Deferred revenue:

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

	2014	2013
Tuition	\$ 122,690	\$ 123,963
Contributions	1,060,878	2,039,903
Rent	16,720	9,220
Total deferred revenue	<u>\$ 1,200,288</u>	<u>\$ 2,173,086</u>

Continuity of deferred revenue is as follows:

	2014	2013
Balance, beginning of year:		
Tuition	\$ 123,963	\$ 72,720
Contributions	2,039,903	1,689,863
Rent	9,220	9,422
	<u>2,173,086</u>	<u>1,772,005</u>
Receipts:		
Tuition	960,232	862,780
Contributions	2,170,363	2,461,332
Rent	123,807	132,976
	<u>3,254,402</u>	<u>3,457,088</u>
Amount recorded as revenue	4,227,200	3,056,007
Balance, end of year	<u>\$ 1,200,288</u>	<u>\$ 2,173,086</u>

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

6. Long-term debt:

	2014	2013
BC Immigrant Investment Fund term loan, repayable in quarterly instalments of \$52,636, including interest at 4.9%, unsecured, due September 2017	\$ 2,948,005	\$ 3,018,706

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 are estimated as follows:

2015	\$	74,063
2016		77,585
2017		81,275
2018		2,715,082

7. Deferred capital contributions:

	2014	2013
Balance, beginning of year	\$ 12,994,418	\$ 13,482,593
Contributions received during the year	10,327	61,725
Revenue recognized from deferred capital contributions	(657,388)	(549,900)
	\$ 12,347,357	\$ 12,994,418

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

8. Tangible capital assets:

2014	Land	Buildings	Site and leasehold improvements	Library acquisitions	Mobile instructional equipment	Other non-instructional equipment	Automotive	Office equipment and furniture	Computers and software	Construction in progress	Total 2014
Cost:											
Balance, beginning of year	\$ 432,000	\$ 17,563,575	\$ 417,374	\$ 389,789	\$ 1,149,050	\$ -	\$ 95,937	\$ 1,183,796	\$ 411,151	\$ -	\$ 21,642,672
Additions	-	25,017	-	-	-	30,839	-	-	-	155,796	211,652
Balance, end of year	\$ 432,000	\$ 17,588,592	\$ 417,374	\$ 389,789	\$ 1,149,050	\$ 30,839	\$ 95,937	\$ 1,183,796	\$ 411,151	\$ 155,796	\$ 21,854,324
Accumulated amortization:											
Balance, beginning of year	\$ -	\$ 3,363,481	\$ 336,846	\$ 186,922	\$ 461,666	\$ -	\$ 37,952	\$ 1,049,412	\$ 383,963	\$ -	\$ 5,820,242
Amortization	-	629,888	24,205	56,784	115,595	257	20,719	65,657	10,963	-	924,068
Balance, end of year	-	3,993,369	361,051	243,706	577,261	257	58,671	1,115,069	394,926	-	6,744,310
Net book value, end of year	\$ 432,000	\$ 13,595,223	\$ 56,323	\$ 146,083	\$ 571,789	\$ 30,582	\$ 37,266	\$ 68,727	\$ 16,225	\$ 155,796	\$ 15,110,014

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

8. Tangible capital assets (continued):

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	\$ 95,937	\$ 1,183,796	\$ 411,151	\$ 21,642,672
Accumulated amortization:									
Balance, beginning of year	\$ -	\$ 2,924,392	\$ 315,688	\$ 147,943	\$ 346,070	\$ 40,081	\$ 920,595	\$ 351,274	\$ 5,046,043
Amortization	-	439,089	21,158	38,979	115,596	17,344	128,817	32,689	793,672
Disposals	-	-	-	-	-	(19,473)	-	-	(19,473)
Balance, end of year	-	3,363,481	336,846	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	\$ 80,528	\$ 202,867	\$ 687,384	\$ 57,985	\$ 134,384	\$ 27,188	\$ 15,822,430

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

8. Tangible capital assets (continued):

(a) Assets under construction:

The Institute had \$155,796 (2013 - \$nil) in assets under construction for the 2013/14 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.

9. 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:

	2014	2013
Balance, beginning of year	\$ 299,134	\$ 298,302
Contributions during the year	13,700	1,000
Interest earned	6,896	3,236
Use of endowment funds	(7,903)	(3,404)
Balance, end of year	\$ 311,827	\$ 299,134

Endowment investments of \$230,511 (2013 - \$230,458) consist of guaranteed investment certificates with various maturity dates earning interest at rates ranging from 1.00% to 4.00%.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

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 its 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.

(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.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

11. Accumulated surplus:

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

	2014	2013
Operating fund:		
Unrestricted surplus	\$ 1,975,785	\$ 1,759,092
Restricted	544,341	517,209
Equity in tangible capital assets	1,682,996	1,677,650
	<u>4,203,122</u>	<u>3,953,951</u>
Reserves set aside for operating purposes:		
Self funded building maintenance	219,878	219,878
	<u>219,878</u>	<u>219,878</u>
Endowments (note 9)	311,827	299,134
	<u>\$ 4,734,827</u>	<u>\$ 4,472,963</u>

12. Employee future benefits:

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

The most recent actuarial valuation for the College Pension Plan as at August 31, 2012 indicated a \$105 million funding deficit for basic pension benefits. The next valuation will be as at August 31, 2015 with results available in 2016. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the 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 with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plans.

The Institute paid \$493,331 for employer contributions to the Plans in fiscal 2014 (2013 - \$439,890).

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

13. Contractual obligations:

The Institute is committed under operating leases for premises, vehicles, office equipment and maintenance contracts extending for various periods to the 2019 fiscal year. Estimated future minimum annual lease payments required over the next five years to maturity are as follows:

2015	\$	491,487
2016		237,237
2017		182,017
2018		168,976
2019		28,163
	\$	1,079,717

14. Expenses by object:

	2014	2013
Expenses:		
Salaries and wages	\$ 5,451,007	\$ 5,067,730
Supplies and services	2,231,183	2,157,465
Fees and contract services	2,053,636	1,368,703
Employee benefits	1,239,322	1,161,684
Amortization of tangible capital assets	924,068	793,672
Professional and contracted services	414,408	396,725
Scholarships, bursaries and prizes	227,272	123,466
Rental	160,469	140,583
Utilities	141,918	140,840
Interest on long-term debt	139,585	142,807
Foreign exchange loss	1,785	2,395
	\$ 12,984,653	\$ 11,496,070

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

15. 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.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2014

15. Segmented information (continued):

	2013/ 2014 Budget	Base Instruction & Instructional support	CE, CS, SP Instruction & Instructional support	Ancillary operations	Capital	2014	2013
Revenue:							
Province of British Columbia grants	\$ 8,661,736	\$ 8,387,451	\$ 1,560,782	\$ -	\$ -	\$ 9,948,233	\$ 8,792,633
Tuition and student fees	842,869	908,987	52,518	-	-	961,505	811,537
Contract services	1,100,000	-	928,861	-	-	928,861	909,110
Recognition of deferred capital contributions	498,000	-	-	-	657,388	657,388	549,900
Sales of goods and services	515,206	-	-	547,156	-	547,156	530,722
Other	21,000	37,422	56,521	-	-	93,943	41,999
Investment income	82,000	83,919	-	-	-	83,919	81,405
Government of Canada grants	-	-	4,915	-	-	4,915	-
Total revenue	11,720,811	9,417,779	2,603,597	547,156	657,388	13,225,920	11,717,306
Expenses:							
Salaries and wages	5,391,680	5,048,179	312,072	90,756	-	5,451,007	5,067,730
Supplies and services	3,059,465	1,547,012	280,771	384,017	19,383	2,231,183	2,157,465
Fees and contract services	392,650	369,876	1,674,901	8,859	-	2,053,636	1,368,703
Employee benefits	1,185,968	1,120,566	114,135	4,621	-	1,239,322	1,161,684
Amortization of tangible capital assets	700,000	-	-	-	924,068	924,068	793,672
Professional and contracted services	435,463	406,847	6,192	1,369	-	414,408	396,725
Scholarships, bursaries and prizes	120,105	28,812	198,460	-	-	227,272	123,466
Rental	153,000	160,469	-	-	-	160,469	140,583
Utilities	142,480	96,102	-	45,816	-	141,918	140,840
Interest on long-term debt	140,000	-	-	-	139,585	139,585	142,807
Foreign exchange gain/losses	-	1,785	-	-	-	1,785	2,395
Total expenses	11,720,811	8,779,648	2,586,531	535,438	1,083,036	12,984,653	11,496,070
Annual surplus (deficit) before other items	-	638,131	17,066	11,718	(425,648)	241,267	221,236
Endowment contributions	-	13,700	6,897	-	-	20,597	4,236
Transfers	-	(451,591)	91,297	-	360,294	-	-
Annual surplus (deficit)	\$ -	\$ 200,240	\$ 115,260	\$ 11,718	\$ (65,354)	\$ 261,864	\$ 225,472