Financial Statements of

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Year ended March 31, 2017

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Financial Statements

Year ended March 31, 2017

Financial Statements

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 Professional Accountants, the external auditors appointed by the Institute's Board of Governors. The Independent Auditor's Report outlines the nature of their examination and expresses an opinion on the financial statements of the Institute for the year ended March 31, 2017.

On behalf of Nicola Valley Institute of Technology:

Board Chairperson	*Director, Finance & Administration*

May 15, 2017

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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, 2017, and the statements of operations and accumulated surplus, 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 Institute’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 Institute'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, 2017 and for the year then ended 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 Professional Accountants

Kamloops, Canada

May 15, 2017

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Financial Position

March 31, 2017, with comparative information for 2016

		2017		2016
Financial assets:				
Cash and cash equivalents	$	5,593,562	$	4,085,351
Accounts receivable (note 2)		775,016		1,825,880
Inventory for resale		115,095		152,033
Portfolio investments (note 3)		2,584,362		1,050,000
		9,068,035		7,113,264
Liabilities:				
Accounts payable and accrued liabilities (note 4)		1,303,326		1,434,878
Deferred revenue (note 5)		2,082,816		1,371,163
Debt (note 6)		2,715,083		2,796,357
Deferred capital contributions (note 7)		16,762,896		16,154,796
		22,864,121		21,757,194
Net debt		(13,796,086)		(14,643,930)
Non-financial assets:				
Tangible capital assets (note 8)		18,435,038		19,130,125
Endowment investments (note 9)		205,511		205,511
Prepaid expenses and deposits		95,311		130,907
		18,735,860		19,466,543
Accumulated surplus (note 11)	$	4,939,774	$	4,822,613

Employee future benefits (note 12)
Contractual obligations (note 13)

See accompanying notes to financial statements.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Operations and Accumulated Surplus

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

	Budget (note 1(l))	2017	2016
Revenue:			
Province of British Columbia grants	$ 8,935,600	$ 10,899,702	$ 10,332,386
Tuition and student fees	1,121,545	975,515	901,033
Contract services	1,000,000	438,786	1,162,113
Sales of goods and services	567,900	633,978	586,281
Recognition of deferred capital contributions	870,000	982,545	637,532
Investment income	68,000	46,665	62,749
Other	200,619	131,912	118,021
	12,763,664	14,109,103	13,800,115
Expenses (note 14):			
Instruction and instructional support	12,104,684	13,384,976	13,084,090
Ancillary operations	529,480	480,598	559,091
Interest on debt	129,500	128,972	132,675
	12,763,664	13,994,546	13,775,856
Annual surplus before the undernoted	-	114,557	24,259
Other income (expenses):			
Endowment and interest contributions (note 9)	-	2,604	3,086
Endowment repayments (note 9)	-	-	(25,000)
	-	2,604	(21,914)
Annual surplus	-	117,161	2,345
Accumulated surplus, beginning of year	4,822,613	4,822,613	4,820,268
Accumulated surplus, end of year	$ 4,822,613	$ 4,939,774	$ 4,822,613

See accompanying notes to financial statements.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY
Statement of Changes in Net Debt

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

	Budget (note 1(l))	2017	2016
Annual surplus	$ -	$ 117,161	$ 2,345
Capital activities			
Acquisition of tangible capital assets	-	(518,138)	(3,355,455)
Amortization of tangible capital assets	1,070,000	1,213,225	837,172
	1,070,000	812,248	(2,515,938)
Changes in other non-financial assets			
Net consumption of prepaid expenses	-	35,596	95
Endowment repayment	-	-	25,000
	-	35,596	25,095
Change in net debt	1,070,000	847,844	(2,490,843)
Net debt, beginning of year	(14,643,930)	(14,643,930)	(12,153,087)
Net debt, end of year	$ (13,573,930)	$ (13,796,086)	$ (14,643,930)

See accompanying notes to financial statements.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY
Statement of Cash Flows

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

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 117,161	$ 2,345
Items not involving cash:		
Amortization of tangible capital assets	1,213,225	837,172
Revenue recognized from deferred capital contributions	(982,545)	(637,532)
Change in non-cash operating assets and liabilities:		
Accounts receivable	1,050,864	(158,458)
Inventory held for resale	36,938	(62,121)
Prepaid expenses and deposits	35,596	95
Accounts payable and accrued liabilities	(131,552)	260,082
Deferred revenue	711,653	89,272
	2,051,340	330,855
Financing activities:		
Repayment of debt	(81,274)	(77,585)
Additions to deferred capital contributions	1,590,645	2,793,156
	1,509,371	2,715,571
Capital activities:		
Acquisition of tangible capital assets	(518,138)	(3,355,455)
Investing activities:		
Net acquisition of portfolio investments	(1,534,362)	-
Disposal of endowment investments	-	25,000
	(1,534,362)	25,000
Increase (decrease) in cash and cash equivalents	1,508,211	(284,029)
Cash and cash equivalents, beginning of year	4,085,351	4,369,380
Cash and cash equivalents, end of year	$ 5,593,562	$ 4,085,351

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. 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.

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.

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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:

(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 accumulated surplus and certain related deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

1. Significant accounting policies (continued):

(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: Financial 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. As there are no unrealized gains or losses on portfolio investments as of March 31, 2017 and 2016, a Statement of Remeasurement Gains and Losses has not been presented.

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, portfolio investments not quoted in an active market, accounts payable and accrued liabilities and debt are measured at amortized cost. 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	10-25%
Computers and software	33 1/3%-50%
Leasehold improvements	33 1/3%-50%

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 to net realizable value 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:

i) 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.

ii) 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.

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.

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 and the reported amounts of revenue and expenses. Key areas where management has made estimates and assumptions include those estimated useful lives of tangible capital assets and the recognition of related deferred capital contributions. 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 February 19, 2016. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

2. Accounts receivable:

		2017		2016
Trade receivables	$	178,499	$	419,380
Government entities		325,701		1,053,602
Commodity taxes recoverable		55,430		96,200
Other receivables		215,386		256,698
	$	775,016	$	1,825,880

3. Portfolio investments:

		2017		2016
Portfolio investments:				
Guaranteed investment certificates with various maturity dates with interest rates ranging from 1.35% to 1.75%	$	2,584,362	$	1,050,000
	$	2,584,362	$	1,050,000

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.

4. Accounts payable and accrued liabilities:

		2017		2016
Trade payables	$	710,643	$	951,842
Salaries and benefits payable		409,561		307,452
Other		183,122		175,584
	$	1,303,326	$	1,434,878

5. Deferred revenue:

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

		2017		2016
Tuition	$	130,518	$	78,091
Contributions		1,937,298		1,266,865
Rent		15,000		26,207
Total deferred revenue	$	2,082,816	$	1,371,163

Continuity of deferred revenue is as follows:

		2017		2016
Balance, beginning of year:				
Tuition	$	78,091	$	127,174
Contributions		1,266,865		1,141,517
Rent		26,207		13,200
		1,371,163		1,281,891
Receipts:				
Tuition		1,027,942		851,950
Contributions		4,055,763		3,975,442
Rent		265,005		230,939
		5,348,710		5,058,331
Amount recorded as revenue		4,637,057		4,969,059
Balance, end of year	$	2,082,816	$	1,371,163

6. Debt:

	2017	2016
BC Immigrant Investment Fund term loan, repayable in quarterly instalments of $52,636, including interest at 4.76% effective interest rate, unsecured, due September 2017	$ 2,715,083	$ 2,796,357

Scheduled principal payments over the next year to maturity are $2,715,083.

7. Deferred capital contributions:

	2017	2016
Balance, beginning of year	$ 16,154,796	$ 13,999,172
Contributions received during the year	1,590,645	2,793,156
Revenue recognized from deferred capital contributions	(982,545)	(637,532)
	$ 16,762,896	$ 16,154,796

At March 31, 2017, $1,157,315 of funding received during the year, remained unspent.

8. Tangible capital assets:

2017	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 2017
Cost:											
Balance, beginning of year	$ 432,000	$ 19,785,388	$ 742,638	$ 389,789	$ 2,821,859	$ 437,729	$ 165,371	$ 2,149,964	$ 479,073	$ -	$ 27,403,811
Additions	-	-	59,494	-	-	-	-	172,413	14,631	271,600	518,138
Balance, end of year	432,000	19,785,388	802,132	389,789	2,821,859	437,729	165,371	2,322,377	493,704	271,600	27,921,949
Accumulated amortization:											
Balance, beginning of year	-	4,888,437	417,328	313,877	831,882	49,415	92,578	1,250,231	429,938	-	8,273,686
Amortization	-	494,635	57,463	34,276	282,184	47,954	30,529	234,555	31,629	-	1,213,225
Balance, end of year	-	5,383,072	474,791	348,153	1,114,066	97,369	123,107	1,484,786	461,567	-	9,486,911
Net book value, end of year	$ 432,000	$ 14,402,316	$ 327,341	$ 41,636	$ 1,707,793	$ 340,360	$ 42,264	$ 837,591	$ 32,137	$ 271,600	$ 18,435,038

8. Tangible capital assets (continued):

2016	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 2016
Cost:											
Balance, beginning of year	$ 432,000	$17,872,077	$ 472,798	$ 389,789	$ 1,149,050	$ 306,175	$ 141,468	$ 1,381,207	$ 444,039	$ 1,459,753	$ 24,048,356
Additions	-	1,913,311	269,840	-	1,672,809	131,554	23,903	768,757	35,034	(1,459,753)	3,355,455
Balance, end of year	432,000	19,785,388	742,638	389,789	2,821,859	437,729	165,371	2,149,964	479,073	-	27,403,811
Accumulated amortization:											
Balance, beginning of year	-	4,433,674	383,185	279,603	689,347	15,323	60,997	1,167,125	407,259	-	7,436,513
Amortization	-	454,763	34,143	34,274	142,535	34,092	31,581	83,106	22,679	-	837,173
Balance, end of year	-	4,888,437	417,328	313,877	831,882	49,415	92,578	1,250,231	429,938	-	8,273,686
Net book value, end of year	$ 432,000	$14,896,951	$ 325,310	$ 75,912	$ 1,989,977	$ 388,314	$ 72,793	$ 899,733	$ 49,135	$ -	$ 19,130,125

8. Tangible capital assets (continued):

(a) Assets under construction:

The Institute had $271,600 (2016 - $nil) in assets under construction at March 31, 2017. 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:

Endowments included as part of accumulated surplus is as follows:

		2017		2016
Balance, beginning of year	$	206,996	$	232,337
Contributions (refunds) during the year		-		(25,000)
Interest earned		2,604		3,086
Use of endowment funds		(2,717)		(3,427)
Balance, end of year	$	206,883	$	206,996

Endowment investments of $205,511 (2016 - $205,511) consist of Central Deposit Program deposits earning interest at bank prime minus 1.50% (March 31, 2017 - 1.20%) and GIC's with Canadian Western Bank (CWB) earning interest at 1.75%.

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 and interest rate 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.

11. Accumulated surplus:

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

	2017	2016
Operating fund:		
Unrestricted surplus	$ 1,862,978	$ 1,699,741
Restricted	667,318	648,684
Equity in tangible capital assets	1,982,717	2,047,314
	4,513,013	4,395,739
Reserves set aside for operating purposes:		
Self funded building maintenance	219,878	219,878
	219,878	219,878
Endowments (note 9)	206,883	206,996
Total accumulated surplus	$ 4,939,774	$ 4,822,613

12. Employee future benefits:

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trusteed pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2016, the College Pension Plan has about 14,000 active members, and approximately 7,000 retired members. As at December 31, 2015, the Municipal Pension Plan has about 189,000 active members, including approximately 5,800 from colleges.

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 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 Institute paid $531,428 for employer contributions to the plan in fiscal 2017 (2016 – $501,482).

13. Contractual obligations:

The Institute is committed under operating leases for premises, vehicles, office equipment and maintenance contracts extending for various periods to the 2022 fiscal year. Estimated future minimum annual lease payments required over the next five years to maturity are as follows:

2018	$ 415,529
2019	112,105
2020	60,084
2021	26,504
2022	25,818

14. Expenses by object:

	2017	2016
Expenses:		
Salaries and wages	$ 5,368,620	$ 5,421,289
Supplies and services	2,358,747	2,247,609
Fees and contract services	2,778,135	3,110,890
Employee benefits	1,305,250	1,162,693
Amortization of tangible capital assets	1,213,225	837,172
Professional and contracted services	276,430	403,793
Scholarships, bursaries and prizes	240,406	122,182
Rental	162,207	189,119
Utilities	163,265	148,284
Interest on debt	128,972	132,675
Foreign exchange (gain) loss	(711)	150
	$ 13,994,546	$ 13,775,856

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.

15. Segmented information (continued):

	2016/ 2017 Budget	Base Instruction & Instructional support	CE, CS, SP Instruction & Instructional support	Ancillary operations	Capital	2017	2016
Revenue:							
Province of British Columbia grants	$ 8,935,600	$ 8,622,825	$ 2,226,877	$ -	$ 50,000	$ 10,899,702	$ 10,332,386
Tuition and student fees	1,121,545	843,767	131,749	-	-	975,515	901,033
Contract services	1,000,000	100,000	338,786	-	-	438,786	1,162,113
Recognition of deferred capital contributions	870,000	-	-	-	982,545	982,545	637,532
Sales of goods and services	567,900	-	-	633,978	-	633,978	586,281
Other	200,619	34,049	93,363	-	4,500	131,912	118,021
Investment income	68,000	46,665	-	-	-	46,665	62,749
Total revenue	12,763,664	9,647,306	2,790,775	633,978	1,037,045	14,109,103	13,800,115
Expenses:							
Salaries and wages	5,532,005	5,142,846	119,070	106,703	-	5,368,620	5,421,289
Supplies and services	3,005,283	1,678,396	279,965	312,673	87,714	2,358,747	2,247,609
Fees and contract services	1,044,546	596,315	2,171,557	10,263	-	2,778,135	3,110,890
Employee benefits	1,225,590	1,187,862	114,202	3,185	-	1,305,250	1,162,693
Amortization of tangible capital assets	1,070,000	-	-	-	1,213,225	1,213,225	837,172
Professional and contracted services	344,863	274,676	-	1,753	-	276,430	403,793
Scholarships, bursaries and prizes	76,272	36,119	204,287	-	-	240,406	122,182
Rental	189,125	162,207	-	-	-	162,207	189,119
Utilities	146,480	117,244	-	46,021	-	163,265	148,284
Interest on debt	129,500	-	-	-	128,972	128,972	132,675
Foreign exchange (gain) losses	-	(711)	-	-	-	(711)	150
Total expenses	12,763,664	9,194,954	2,889,081	480,598	1,429,911	13,994,546	13,775,856
Annual surplus (deficit) before other items	-	452,352	(98,306)	153,380	(392,866)	114,557	24,259
Endowment contributions and income earned	-	-	2,604	-	-	2,604	3,086
Transfers	-	(368,236)	116,739	-	251,496	-	-
Endowment refunds	-	-	-	-	-	-	(25,000)
Annual surplus (deficit)	$ -	$ 84,116	$ 21,037	$ 153,380	$ (141,370)	$ 117,161	$ 2,345