Financial Statements of

# NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Year ended March 31, 2015

# NICOLA VALLEY INSTITUTE OF TECHNOLOGY
Financial Statements

Year ended March 31, 2015

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 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, 2015.

On behalf of Nicola Valley Institute of Technology:

| | |
|---|---|
| *Board Chairperson* | *Director, Finance & Administration* |

May 13, 2015

**KPMG LLP**
**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, 2015, 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.

KPMG

**Opinion**

In our opinion, the financial statements of Nicola Valley Institute of Technology as at March 31, 2015 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 Accountants

Kamloops, Canada

May 13, 2015

# NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Financial Position

March 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|---|---|---|
| **Financial assets:** | | |
| Cash and cash equivalents | $ 4,369,380 | $ 1,083,717 |
| Accounts receivable (note 2) | 1,667,422 | 737,065 |
| Inventory for resale | 89,912 | 129,804 |
| Portfolio investments (note 3) | 1,050,000 | 5,118,345 |
| | 7,176,714 | 7,068,931 |
| **Liabilities:** | | |
| Accounts payable and accrued liabilities (note 4) | 1,164,796 | 1,279,255 |
| Employee benefit obligations (note 1(g)(ii) | 10,000 | 10,000 |
| Deferred revenue (note 5) | 1,281,891 | 1,200,288 |
| Long-term debt (note 6) | 2,873,942 | 2,948,005 |
| Deferred capital contributions (note 7) | 13,999,172 | 12,347,357 |
| | 19,329,801 | 17,784,905 |
| Net debt | (12,153,087) | (10,715,974) |
| **Non-financial assets:** | | |
| Tangible capital assets (note 8) | 16,611,842 | 15,110,014 |
| Endowment investments (note 9) | 230,511 | 230,511 |
| Prepaid expenses and deposits | 131,002 | 110,276 |
| | 16,973,355 | 15,450,801 |
| **Accumulated surplus** (note 11) | $ 4,820,268 | $ 4,734,827 |

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, 2015, with comparative information for 2014

| | Budget (note 1(l)) | 2015 | 2014 |
|---|---|---|---|
| Revenue: | | | |
| Province of British Columbia grants | $ 8,209,049 | $ 8,598,296 | $ 9,948,233 |
| Government of Canada grants | - | 120,995 | 4,915 |
| Tuition and student fees | 1,077,539 | 944,836 | 961,505 |
| Contract services | 700,000 | 861,240 | 928,861 |
| Sales of goods and services | 535,900 | 640,239 | 547,156 |
| Recognition of deferred capital contributions | 532,000 | 517,605 | 657,388 |
| Investment income | 82,000 | 83,912 | 83,919 |
| Other | 144,000 | 113,583 | 107,643 |
| | 11,280,488 | 11,880,706 | 13,239,620 |
| Expenses (note 14): | | | |
| Instruction and instructional support | 10,601,152 | 11,110,489 | 12,309,631 |
| Ancillary operations | 542,836 | 552,909 | 535,437 |
| Interest on debt | 136,500 | 136,210 | 139,585 |
| | 11,280,488 | 11,799,608 | 12,984,653 |
| Annual surplus before the undernoted | - | 81,098 | 254,967 |
| Endowment and interest contributions (note 9) | - | 4,343 | 6,897 |
| Annual surplus | - | 85,441 | 261,864 |
| Accumulated surplus, beginning of year | 4,734,827 | 4,734,827 | 4,472,963 |
| Accumulated surplus, end of year | $ 4,734,827 | $ 4,820,268 | $ 4,734,827 |

See accompanying notes to financial statements.

# NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Changes in Net Debt

Year ended March 31, 2015, with comparative information for 2014

| | Budget (note 1(l)) | 2015 | 2014 |
|---|---|---|---|
| Annual surplus | $ - | $ 85,441 | $ 261,864 |
| **Capital activities** | | | |
| Acquisition of tangible capital assets | - | (2,220,151) | (211,652) |
| Amortization of tangible capital assets | 716,000 | 718,323 | 924,068 |
| | 716,000 | (1,416,387) | 974,280 |
| **Changes in non-financial assets** | | | |
| Net acquisition of prepaid expenses | - | (20,726) | (81,111) |
| Endowment investments | - | - | (53) |
| | - | (20,726) | (81,164) |
| Net change in net debt | 716,000 | (1,437,113) | 893,116 |
| Net debt, beginning of year | (10,715,974) | (10,715,974) | (11,609,090) |
| Net debt, end of year | $ (9,999,974) | $ (12,153,087) | $ (10,715,974) |

See accompanying notes to financial statements.

# NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|---|---|---|
| Cash provided by (used in): | | |
| **Operating activities:** | | |
| Annual surplus | $ 85,441 | $ 261,864 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 718,323 | 924,068 |
| Revenue recognized from deferred capital contributions | (517,605) | (657,388) |
| Change in non-cash operating assets and liabilities: | | |
| Accounts receivable | (930,357) | 39,544 |
| Inventory held for resale | 39,892 | (27,487) |
| Prepaid expenses and deposits | (20,726) | (81,111) |
| Accounts payable and accrued liabilities | (114,459) | 354,321 |
| Deferred revenue | 81,603 | (972,798) |
| | (657,888) | (158,987) |
| **Financing activities:** | | |
| Repayment of long-term debt | (74,063) | (70,701) |
| Additions to deferred capital contributions | 2,169,420 | 10,327 |
| | 2,095,357 | (60,374) |
| **Capital activities** | | |
| Acquisition of tangible capital assets | (2,220,151) | (211,652) |
| **Investing activities** | | |
| Net disposition (acquisition) of portfolio investments | 4,068,345 | (300,054) |
| Increase (decrease) in cash and cash equivalents | 3,285,663 | (731,067) |
| Cash and cash equivalents, beginning of year | 1,083,717 | 1,814,784 |
| Cash and cash equivalents, end of year | $ 4,369,380 | $ 1,083,717 |

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: 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.

## 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 and long-term debt 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 | 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 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 portfolio investments, 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 May 14, 2014. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

## 2. Accounts receivable:

| | 2015 | 2014 |
|---|---|---|
| Trade receivables | $ 30,214 | $ 270,053 |
| Government entities | 1,204,921 | 116,441 |
| Commodity taxes recoverable | 92,274 | 43,984 |
| Other receivables | 340,013 | 306,587 |
| | $ 1,667,422 | $ 737,065 |

## 3. Portfolio investments:

| | 2015 | 2014 |
|---|---|---|
| Portfolio investments: | | |
| Guaranteed investment certificates with various maturity dates with interest rates ranging from 1.25% to 1.50% | $ 1,050,000 | $ 3,250,000 |
| Restricted guaranteed investment certificates, earning interest at 1.55%, matured during the year | - | 1,868,345 |
| | $ 1,050,000 | $ 5,118,345 |

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:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Trade payables | $ | 548,445 | $ | 641,099 |
| Salaries and benefits payable | | 386,951 | | 311,237 |
| Other | | 229,400 | | 326,919 |
| | $ | 1,164,796 | $ | 1,279,255 |

## 5. Deferred revenue:

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

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Tuition | $ | 127,174 | $ | 122,690 |
| Contributions | | 1,141,517 | | 1,060,878 |
| Rent | | 13,200 | | 16,720 |
| Total deferred revenue | $ | 1,281,891 | $ | 1,200,288 |

Continuity of deferred revenue is as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Balance, beginning of year: | | | | |
| Tuition | $ | 122,690 | $ | 123,963 |
| Contributions | | 1,060,878 | | 2,039,903 |
| Rent | | 16,720 | | 9,220 |
| | | 1,200,288 | | 2,173,086 |
| Receipts: | | | | |
| Tuition | | 949,320 | | 960,232 |
| Contributions | | 1,852,340 | | 2,170,363 |
| Rent | | 248,073 | | 123,807 |
| | | 3,049,733 | | 3,254,402 |
| Amount recorded as revenue | | 2,968,130 | | 4,227,200 |
| Balance, end of year | $ | 1,281,891 | $ | 1,200,288 |

## 6. Long-term debt:

| | 2015 | 2014 |
|---|---|---|
| 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 | $ 2,873,942 | $ 2,948,005 |

Scheduled principal payments over the next three years to maturity are estimated as follows:

| | |
|---|---|
| 2016 | $ 77,585 |
| 2017 | 81,275 |
| 2018 | 2,715,082 |

## 7. Deferred capital contributions:

| | 2015 | 2014 |
|---|---|---|
| Balance, beginning of year | $ 12,347,357 | $ 12,994,418 |
| Contributions received during the year | 2,169,420 | 10,327 |
| Revenue recognized from deferred capital contributions | (517,605) | (657,388) |
| | $ 13,999,172 | $ 12,347,357 |

## 8. Tangible capital assets:

| 2015 | 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 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | | | | |
| Balance, beginning 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 |
| Additions | - | 283,485 | 55,424 | - | - | 275,336 | 71,650 | 197,411 | 32,888 | 1,303,957 | 2,220,151 |
| Disposals | - | - | - | - | - | - | (26,119) | - | - | - | (26,119) |
| Balance, end 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 |
| **Accumulated amortization:** | | | | | | | | | | | |
| Balance, beginning of year | $ - | $ 3,993,369 | $ 361,051 | $ 243,706 | $ 577,261 | $ 257 | $ 58,671 | $ 1,115,069 | $ 394,926 | $ - | $ 6,744,310 |
| Amortization | - | 440,306 | 22,137 | 35,897 | 115,595 | 15,066 | 28,445 | 48,544 | 12,333 | - | 718,323 |
| Disposals | - | - | - | - | - | - | (26,119) | - | - | - | (26,119) |
| Balance, end of year | - | 4,433,675 | 383,188 | 279,603 | 692,856 | 15,323 | 60,997 | 1,163,613 | 407,259 | - | 7,436,514 |
| Net book value, end of year | $ 432,000 | $ 13,438,402 | $ 89,610 | $ 110,186 | $ 456,194 | $ 290,852 | $ 80,471 | $ 217,594 | $ 36,780 | $ 1,459,753 | $ 16,611,842 |

## 8. Tangible capital assets (continued):

| 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 |

## 8. Tangible capital assets (continued):

(a) Assets under construction:

The Institute had $1,459,753 (2014 - $155,796) in assets under construction at March 31, 2015. 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:

| | 2015 | 2014 |
|---|---|---|
| Balance, beginning of year | $ 232,151 | $ 230,458 |
| Interest earned | 4,343 | 6,896 |
| Use of endowment funds | (4,157) | (5,203) |
| Balance, end of year | $ 232,337 | $ 232,151 |

Endowment investments of $230,511 (2014 - $230,511) consist of Central Deposit Program deposits earning interest at bank prime minus 1.50% (March 31, 2015 - 1.35%)

## 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:

| | 2015 | 2014 |
|---|---|---|
| **Operating fund:** | | |
| Unrestricted surplus | $ 2,119,094 | $ 1,975,785 |
| Restricted | 641,886 | 624,017 |
| Equity in tangible capital assets | 1,607,073 | 1,682,996 |
| | 4,368,053 | 4,282,798 |
| **Reserves set aside for operating purposes:** | | |
| Self funded building maintenance | 219,878 | 219,878 |
| | 219,878 | 219,878 |
| Endowments (note 9) | 232,337 | 232,151 |
| Total accumulated surplus | $ 4,820,268 | $ 4,734,827 |

**12. Employee future benefits:**

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusteed pension plans (the "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. As at August 31, 2014, the College Pension Plan has about 14,000 active members from college senior administration and instructional staff and approximately 6,000 retired members. As at December 31, 2013, the Municipal Pension Plan has about 182,000 active members, with approximately 5,800 from colleges.

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 $505,389 for employer contributions to the Plans in fiscal 2015 (2014 - $493,331).

## 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 four years to maturity are as follows:

| | |
|---|---|
| 2016 | $ 1,091,480 |
| 2017 | 322,017 |
| 2018 | 308,976 |
| 2019 | 28,163 |

## 14. Expenses by object:

| | 2015 | 2014 |
|---|---|---|
| Expenses: | | |
| Salaries and wages | $ 5,393,993 | $ 5,451,007 |
| Supplies and services | 2,069,799 | 2,231,183 |
| Fees and contract services | 1,395,844 | 2,053,636 |
| Employee benefits | 1,253,870 | 1,239,322 |
| Amortization of tangible capital assets | 718,323 | 924,068 |
| Professional and contracted services | 371,995 | 414,408 |
| Scholarships, bursaries and prizes | 119,184 | 227,272 |
| Rental | 194,022 | 160,469 |
| Utilities | 143,149 | 141,918 |
| Interest on long-term debt | 136,210 | 139,585 |
| Foreign exchange loss | 3,219 | 1,785 |
| | $ 11,799,608 | $ 12,984,653 |

## 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):

| | 2014/ 2015 Budget | Base Instruction & Instructional support | CE, CS, SP Instruction & Instructional support | Ancillary operations | Capital | 2015 | 2014 |
|---|---|---|---|---|---|---|---|
| **Revenue:** | | | | | | | |
| Province of British Columbia grants | $ 8,209,049 | $ 8,005,426 | $ 544,682 | $ - | $ 48,188 | $ 8,598,296 | $ 9,948,233 |
| Tuition and student fees | 1,077,539 | 924,886 | 19,949 | - | - | 944,836 | 961,505 |
| Contract services | 700,000 | 102,000 | 759,240 | - | - | 861,240 | 928,861 |
| Recognition of deferred capital contributions | 532,000 | - | - | - | 517,605 | 517,605 | 657,388 |
| Sales of goods and services | 535,900 | - | - | 640,239 | - | 640,239 | 547,156 |
| Other | 144,000 | 64,208 | 40,375 | - | 9,000 | 113,583 | 107,644 |
| Investment income | 82,000 | 83,912 | - | - | - | 83,912 | 83,919 |
| Government of Canada grants | - | - | 120,995 | - | - | 120,995 | 4,915 |
| Total revenue | 11,280,488 | 9,180,432 | 1,485,241 | 640,239 | 574,793 | 11,880,706 | 13,239,621 |
| **Expenses:** | | | | | | | |
| Salaries and wages | 5,376,559 | 5,063,518 | 240,993 | 89,482 | - | 5,393,993 | 5,451,007 |
| Supplies and services | 2,646,798 | 1,359,518 | 271,826 | 368,876 | 69,579 | 2,069,799 | 2,231,183 |
| Fees and contract services | 466,650 | 592,631 | 760,756 | 42,458 | - | 1,395,844 | 2,053,636 |
| Employee benefits | 1,146,416 | 1,142,778 | 107,943 | 3,149 | - | 1,253,870 | 1,239,322 |
| Amortization of tangible capital assets | 716,000 | - | - | - | 718,323 | 718,323 | 924,068 |
| Professional and contracted services | 386,463 | 370,626 | - | 1,369 | - | 371,995 | 414,408 |
| Scholarships, bursaries and prizes | 93,622 | 37,299 | 81,885 | - | - | 119,184 | 227,272 |
| Rental | 165,000 | 179,538 | 14,484 | - | - | 194,022 | 160,469 |
| Utilities | 146,480 | 95,574 | - | 47,575 | - | 143,149 | 141,918 |
| Interest on long-term debt | 136,500 | - | - | - | 136,210 | 136,210 | 139,585 |
| Foreign exchange gain/losses | - | 3,219 | - | - | - | 3,219 | 1,785 |
| Total expenses | 11,280,488 | 8,844,701 | 1,477,887 | 552,909 | 924,112 | 11,799,608 | 12,984,653 |
| Annual surplus (deficit) before other items | - | 335,731 | 7,354 | 87,330 | (349,319) | 81,098 | 254,968 |
| Endowment contributions and income earned | - | - | 4,343 | - | - | 4,343 | 6,896 |
| Transfers | - | (305,612) | 97,281 | - | 208,331 | - | - |
| Annual surplus (deficit) | $ - | $ 30,119 | $ 108,978 | $ 87,330 | $ (140,988) | $ 85,441 | $ 261,864 |

## 16. Comparative figures:

Certain 2014 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.