College of New Caledonia
Financial Statements
For the year ended March 31, 2016

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Contents

The financial statements of the College of New Caledonia (the "College") are the responsibility of management and have been prepared in accordance the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available as at June 3, 2016.

Management has developed and maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel, and appropriate delegation of authority and segregation of responsibilities within the organization.

The financial statements have been examined by an independent external auditor. The external auditors' responsibility is to express their opinion on whether the financial statements fairly present, in all material respects, the College's financial position, results of operations, change in net debt and cash flows in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. Their Independent Auditor's Report, which follows, outlines the scope of their examination and their opinion.

The College Board, through the Finance and Audit Committee, monitors management's responsibility for financial reporting and internal controls. The Finance and Audit Committee meets with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the College Board. The external auditors have full and open access to the Board, with and without the presence of management.

Sue McAllister
Vice President, Administration and Finance

June 3, 2016

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Independent Auditor's Report

To the Board of the College of New Caledonia

We have audited the accompanying financial statements of the College of New Caledonia, which comprise the Statement of Financial Position as at March 31, 2016, and the Statements of Operations and Change in Accumulated Surplus, Change in Net Debt and Cash Flows for the year ended March 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the College of New Caledonia as at March 31, 2016, and for the year then-ended are prepared, in all material respects, in accordance with the accounting requirements 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 to the financial statements which discloses that the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia are in accordance with Canadian public sector accounting standards except in regard to the treatment of government transfers. Note 2 to the financial statements discloses the impact of these differences.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 3, 2016

College of New Caledonia
Statement of Financial Position
($ in thousands)

March 31	2016	2015
Financial Assets		
Cash and cash equivalents	$ 23,223	$ 20,170
Portfolio investments (Note 3)	1,000	1,000
Accounts receivable	2,906	2,922
Inventory for resale	462	364
	27,591	24,456
Liabilities		
Accounts payable	7,929	6,981
Accrued leave entitlement	2,080	2,111
Employee future benefits (Note 6)	2,135	2,072
Deferred revenue (Note 7)	13,266	12,571
Deferred capital grants (Note 8)	54,018	50,795
Deferred capital grants-debt repayment (Note 8)	8,642	8,923
Long-term debt (Note 9)	1,601	1,760
	89,671	85,213
Net Debt	(62,080)	(60,757)
Non-Financial Assets		
Investments - endowment (Note 4)	3,702	3,725
Long-term usage rights	33	40
Tangible capital assets (Note 5)	73,533	70,119
Prepaid expenses	311	260
	77,579	74,144
Accumulated Surplus (Note 14)	$ 15,499	$ 13,387

Approved on behalf of the Board:

_______________ Chairman of the Board

_______________ Vice President, Administration and Finance

The accompanying notes form an integral part of these financial statements.

College of New Caledonia
Statement of Operations and Change in Accumulated Surplus
($ in thousands)

For the year ended March 31	Budget 2016	2016	2015
	(Note 12)		
Revenue			
Ministry of Advanced Education and ITA grants	$ 33,435	$ 34,245	$ 35,777
Ancillary services	3,529	3,330	3,458
Amortization of deferred capital grants (Note 8)	1,698	1,726	1,779
Tuition fees	10,281	11,661	10,396
Specific projects	152	171	169
Other	6,155	9,707	8,304
	55,250	60,840	59,883
Expenses (Note 15)			
Instruction	33,708	38,436	37,486
Student and institutional support	10,767	9,377	11,604
Facilities operations, maintenance & infrastructure	5,193	5,210	6,169
Amortization	2,201	2,331	2,345
Ancillary services	3,277	3,110	3,337
Specific projects	102	397	204
	55,248	58,861	61,145
Excess (deficiency) of revenue over expenses before endowment	2	1,979	(1,262)
Endowment donations and matching grants	-	133	34
Annual surplus (deficit)	2	2,112	(1,228)
Accumulated surplus, beginning of year	13,387	13,387	14,615
Accumulated surplus, end of year	$ 13,389	$ 15,499	$ 13,387

The accompanying notes form an integral part of these financial statements.

College of New Caledonia
Statement of Changes in Net Debt
($ in thousands)

For the year ended March 31	Budget 2016 (Note 12)	2016	2015
Annual surplus (deficit)	$ 2	$ 2,112	$ (1,228)
Acquisition of tangible capital assets	-	(5,738)	(2,978)
Amortization of tangible capital assets	2,201	2,331	2,345
	2,201	(3,407)	(633)
Net effect of endowment contributions	-	23	36
Net effect of prepaid expenses	-	(51)	(28)
Decrease (increase) in net debt for year	2,203	(1,323)	(1,853)
Net debt, beginning of year	(60,757)	(60,757)	(58,904)
Net debt, end of year	$ (58,554)	$ (62,080)	$ (60,757)

The accompanying notes form an integral part of these financial statements.

College of New Caledonia
Statement of Cash Flows
($ in thousands)

For the year ended March 31	2016	2015
Cash provided by (used in)		
Operating transactions		
Annual surplus (deficit)	$ 2,112	$ (1,228)
Non-cash items:		
Amortization of tangible capital assets	2,331	2,345
Amortization of deferred capital grants	(1,726)	(1,779)
Net change in non-cash working capital items	1,542	4,957
	4,259	4,295
Capital transactions		
Tangible capital asset additions	(5,738)	(2,978)
Investing transactions		
Decrease in investments	23	36
Financing transactions		
Debt principal payments	(159)	(45)
Receipt of capital grants	4,668	2,905
	4,509	2,860
Net change in cash flow	3,053	4,213
Cash and cash equivalents, beginning of year	20,170	15,957
Cash and cash equivalents, end of year	$ 23,223	$ 20,170

The accompanying notes form an integral part of these financial statements.

1. Significant Accounting Policies

(a) Description of Organization

The College of New Caledonia ("the College") is designated as a post-secondary educational institution under the College and Institute Act of British Columbia (the "Act"), and as such is subject to the terms and conditions of the Act. The College is a not-for-profit organization and, as such, is exempt from income taxes under section 149 of the Income Tax Act (Canada).

(b) Basis of Accounting

These financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act (BTAA) of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it. This requires that these financial statements be prepared in accordance with Canadian public sector accounting standards (PSAS) issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants except that the contributions received or receivable by the College for the purpose of acquisition of tangible capital assets are accounted for as deferred capital contributions as described in Notes 1(c) and 2.

(c) Revenue Recognition

Operating grants

These grants are unrestricted and are recognized when received or receivable. If received for a future period, the grants are deferred and reported in the relevant future period.

Unrestricted contributions and pledges

These amounts are recorded as revenue when received.

Other unrestricted revenue

Student tuition, sales of good and services, and other unrestricted revenues are recognized when services are provided.

1. Significant Accounting Policies (Continued)

Gifts in kind

Gifts in kind are recorded at their fair market value at the time of the donation or at nominal value if fair value cannot reasonably be determined.

Endowment contributions

Restricted revenues from endowments, matching grants and any related restricted investment earnings are recognized in the period they are received or earned.

Contributions restricted for capital purposes

As described in Note 1(b) the College is required to defer recognition of these contributions and to amortize them to revenue at the same rate as the underlying tangible capital asset is amortized.

Other restricted contributions

Other restricted contributions are deferred and recognized in the period that the related expenses are incurred.

Investment income and statement of remeasurement gains and losses

Investment income includes interest recorded on an accrual basis, dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where a loss of value is determined to be other than temporary. For investments recorded at fair value, unrealized gains and losses are recorded in the Statement of Remeasurement Gains and Losses. Currently such fair value differences are not material and therefore a Statement of Remeasurement Gains and Losses has not been prepared.

(d) Inventory

Inventory held for resale is valued at the lower of actual cost and net realizable value. Other inventory, held for consumption, is charged as an expense in the year in which it is acquired.

(e) Interest on Debenture Debt

Interest on debenture debt is recorded on the accrual basis.

1. Significant Accounting Policies (Continued)

(f) 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.

(g) Tangible Capital Assets

Tangible capital assets are a category of non-financial assets. They are recorded at cost, or in the case of donated assets, at their fair market value. Long-term usage rights are amortized on a straight line basis over the term of the rights. Buildings and equipment are amortized at the following rates:

Buildings	straight-line basis over 20-70 years
Furniture, fixtures and equipment	straight-line basis over 5-30 years
Work-in-progress	not amortized until put in use

(h) Impairment of Tangible Capital Assets

Tangible capital assets are tested for impairment whenever circumstances indicate that the service potential has declined. When events or circumstances indicate that the service potential has declined, the tangible capital assets are written down based upon the relative loss of service potential and a related expense recognized in the statement of operations. A tangible capital asset taken completely out of use is written down to its residual value. There was no write down of tangible capital assets in 2016 or 2015.

(i) Annual Leave

Annual leave entitlement for employees are accrued as they are earned by the employees.

(j) Employee Future Benefits

The College provides certain benefits, including accumulated sick leave for certain employees pursuant to certain contracts and union agreements. The College accrues the cost of these employee future benefits over the period which the employees earn the benefits. These costs are actuarially determined using the projected benefit cost method prorated on the length of service and management's best estimate of salary escalation, retirement ages of employees and expected plan benefits costs. The most recent valuation of the obligation was performed for March 31, 2016. The plans are partially funded. Employer contributions are made based upon expected annual benefit payments.

1. Significant Accounting Policies (Continued)

(k) Financial Instruments

The College's financial instruments consist of cash and cash equivalents, portfolio investments, accounts receivable, accounts payable, long-term debt, and investments - endowment. Financial instruments are classified into two categories: fair value or cost/amortized cost.

Fair value category

Investments - endowment that are equity instruments and are quoted in an active market are reflected at fair value as of the reporting date. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income. Gain and losses arising from changes in fair value would be recognized in the Statement of Remeasurement Gains and Losses however there are currently no items in this category.

Cost/amortized cost category

Investments - endowment such as bonds and guaranteed investment certificates as well as other financial instruments are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method.

(l) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Areas requiring the greatest degree of estimation include provisions for doubtful accounts receivable, estimated lives of tangible capital assets, and assumptions made in the accrual of employee future benefits.

($ in thousands)

2. Impact of Accounting for Capital Contributions on a Deferral Basis

As set out in Notes 1(b) and (c), the College is required to defer recognition of government transfers for capital and recognize them in revenue over the life of the funded asset. This policy is not in accordance with PSAS which requires that such transfers be deferred only if the funding agreements contain stipulations that create a liability and then to recognize revenue over the period that the liability is extinguished.

The impact of this difference from PSAS is as follows:

March 31, 2016	overstate liabilities, overstate net debt and understate accumulated surplus by $62,660 thousand
March 31, 2015	overstate liabilities, overstate net debt and understate accumulated surplus by $59,718 thousand
Year ended March 31, 2016	understate revenue and understated annual surplus by $2,942 thousand
Year ended March 31, 2015	understate revenue and understated annual surplus by $1,126 thousand

3. Portfolio Investments

Portfolio investments consist of GICs which are held at a Canadian chartered bank, earn interest rates ranging from 1.75% to 1.96% (2015 - 1.63% to 1.85%), and mature in November 2016.

4. Investments

	2016	2015
Prescribed long-term securities	**$ 3,702**	$ 3,725
The following items also relate to the endowment fund:		
Interest bearing bank account	**603**	396
Accounts receivable less accounts payable	**18**	49
	$ 4,323	$ 4,170

($ in thousands)

4. Investments (Continued)

The College has established a permanent endowment fund to provide income from which scholarships and bursaries can be awarded to students at the College. The capital of the fund is provided partly from designated funds, partly through donations from third parties and partly by matching government or other grants; the capital cannot be used for any other purpose. See also Note 14.

Long-term securities are comprised mainly of GICs and federal, provincial and municipal bonds. Effective interest rates are between 1.25% and 4.75% (2015 - 1.35% and 4.85%) with maturities from 2016 to 2019.

Not included elsewhere in these financial statements are investments with the Prince George Community Foundation with a market value of $473 thousand (2015 - $465 thousand) and the Vancouver Foundation with a market value of $458 thousand (2015 - $468 thousand). These amounts are held in perpetuity by the stated Foundations and because they are not controlled by the College are not included as assets of the College. The College does receive payments from these investments based on investment earnings of the Foundations and reports this as income when declared. During the year, the College received $21 thousand (2015 - $20 thousand) in interest income from these investments.

5. Tangible Capital Assets

Net Book Value	2016	2015
Buildings	**$ 63,583**	$ 61,798
Furniture, fixtures and equipment	**7,244**	5,615
Land	**2,706**	2,706
Total	**$ 73,533**	$ 70,119

($ in thousands)

5. Tangible Capital Assets (Continued)

The following table details the costs of tangible capital assets to determine their net book values:

Cost	Balance at March 31, 2015	Additions	Disposals	**Balance at March 31, 2016**
Buildings	$ 89,293	$ 3,171	$ -	**$ 92,464**
Furniture, fixtures and equipment	30,897	2,567	-	**33,464**
Land	2,706	-	-	**2,706**
Total	$ 122,896	$ 5,738	$ -	**$ 128,634**

The following table details the accumulated amortization of tangible capital assets to determine their net book values:

Accumulated Amortization	Balance at March 31, 2015	Amortization Expense	**Balance at March 31, 2016**
Buildings	$ 27,495	$ 1,386	**$ 28,881**
Furniture, fixtures and equipment	25,282	938	**26,220**
Total	$ 52,777	$ 2,324	**$ 55,101**

($ in thousands)

6. Employee Future Benefits

The College provides accumulated sick pay for certain employees pursuant to certain contracts and union agreements. Information about these future benefits is as follows:

	2016	2015
Accrued sick leave obligation, beginning of year	**$ 1,812**	$ 2,123
Current service cost	**140**	143
Interest cost	**60**	79
Benefit payments	**(112)**	(273)
Actuarial gain	**-**	(260)
Accrued sick leave obligation, end of year	**$ 1,900**	$ 1,812
Unamortized net actuarial gain	**235**	260
Accrued sick leave liability, end of year	**$ 2,135**	$ 2,072

The significant actuarial assumptions used to determine the College's accrued sick leave are as follows:

	2016	2015
Discount rate	**3.40%**	3.40%
Rate of salary escalation	**2.25%**	2.25%

7. Deferred Revenue

Contributions subject to external restriction and pursuant to legislation or agreements are deferred and recognized in revenue in the period in which the stipulations are met. These amounts are included in deferred revenue.

Funding Source	Specific Purpose	Endowment Funds	Other Funds	**2016**	2015
Ministry of Advanced Education	$ 3,433	$ -	$ -	**$ 3,433**	$ 4,000
Other Provincial Ministries and Corporations	1,467	-	-	**1,467**	1,520
Other	1,999	7	611	**2,617**	3,036
	$ 6,899	$ 7	$ 611	**$ 7,517**	$ 8,556

($ in thousands)

8. Deferred Capital Grants

		2016		2015
Deferred capital grants, balance beginning of year	**$**	**50,795**	$	49,388
Capital grants used to finance acquisition of assets		**4,668**		2,905
Amortization to revenue		**(1,445)**		(1,498)
Deferred capital grants, balance end of year	**$**	**54,018**	$	50,795
Deferred capital grants - debt repayment, balance beginning of year	**$**	**8,923**	$	9,204
Amortization to revenue		**(281)**		(281)
Deferred capital grants - debt repayment, balance, end of year	**$**	**8,642**	$	8,923

9. Long-term Debt

The long-term debt relates to the Student Residence loan of $2.575 million, bears interest at 9.00% per annum, and is due on August 23, 2024. The debt is reported net of sinking fund balance of $974 thousand (March 31, 2015 - $815 thousand).

Future annual payments are the following:

		Sinking fund		**Interest**
2017	$	23	$	232
2018		23		232
2019		23		232
2020		23		232
2021		23		232
Thereafter		78		792
	$	193	$	1,952

($ in thousands)

10. Commitments

(a) Operating Leases

The College is committed to total minimum rentals, under operating leases, for office premises for each of the following fiscal years:

2017	$	274
2018		178
2019		130
2020		130
2021		97
	$	809

(b) Purchase Orders

Purchase orders outstanding for goods and services not received prior to the fiscal year end total:

		2016		2015
Operating fund	**$**	**751**	$	725
Capital fund		**286**		294
Other funds		**65**		121
	$	**1,102**	$	1,140

11. Pension Plan

The college 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, 2015, the College Pension Plan has about 14,000 active members, and approximately 6,500 retired members. As at December 31, 2014, the Municipal Pension Plan has about 185,000 active members, including 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 August 31,2015, with results available later 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 December 31, 2015, with results available later 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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

The College paid $3,006 thousand (2015 - $3,034 thousand) in employer contributions and $2,859 thousand (2015 - $2,894 thousand) in employee contributions to the plan for the year ended March 31, 2016.

12. Budget Information

Budget information is presented for comparison purposes and represents the Budget passed by the Board of the College on April 24, 2015.

13. Financial Instrument Risks

The College through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2016.

(a) Credit Risk

Credit risk is the risk that the College will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the College to significant concentrations of credit risk consist primarily of cash, investments and amounts receivable. The College limits its exposure to credit risk by placing its cash and investments with high credit quality investments in accordance with investment policies adopted by the College.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The College is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments. The interest rates and terms of investments are as disclosed in Note 4.

(c) Liquidity Risk

Liquidity risk is the risk that the College will not be able to meet its obligations as they fall due. The College maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

(d) Capital Risk Management

The College's capital consists of its accumulated surplus which includes endowments and investment in tangible capital assets which are restricted. Unrestricted amounts are available to meet future obligations and commitments. The College's objectives when managing its capital are to maintain an appropriate level in order to meet its operational goals. Annual budgets are developed and monitored to ensure that the College's capital is maintained at an appropriate level.

($ in thousands)

14. Accumulated Surplus

The components of accumulated surplus are as follows:

	2016	2015
Investment in tangible capital assets	**$ 9,305**	$ 8,681
Endowment funds	**4,323**	4,170
Internally restricted & unrestricted amounts	**1,871**	536
	$ 15,499	$ 13,387

15. Expenses by Object

The following is a summary of expenses by object:

	2016	2015
Salaries and benefits	**$ 40,861**	$ 43,482
Supplies and services	**7,200**	6,811
Facility infrastructure maintenance	**576**	1,024
Amortization of tangible capital assets	**2,331**	2,345
Contract and professional services	**3,758**	3,100
Cost of goods sold	**1,811**	1,969
Utilities	**1,562**	1,732
Scholarships and bursaries	**530**	450
Debenture interest	**232**	232
	$ 58,861	$ 61,145