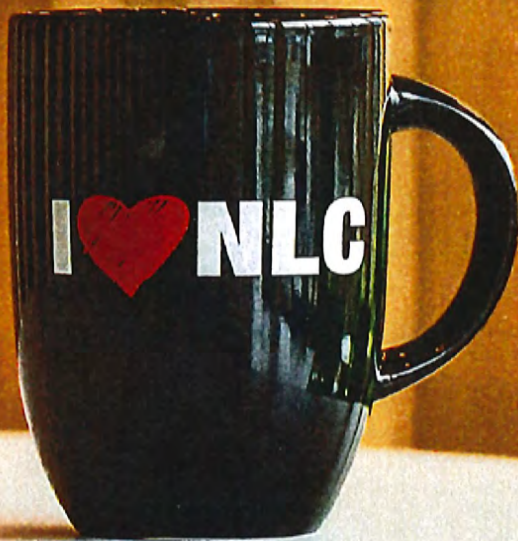




Northern Lights
College

Financial Statements

For the Year Ended March 31, 2019



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CHARTERED PROFESSIONAL ACCOUNTANTS

Partners

- * Ben Sander, B. Comm., FCPA, FCA
- * Dale J. Rose, CPA, CA
- * Alan Bone, B. Comm., CPA, CA
- * Jason Grindle, B. Comm., CPA, CA
- * Jaron Neufeld, B. Comm., CPA, CA

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1.

MANAGEMENT'S REPORT

Management's Responsibility for the Financial Statements

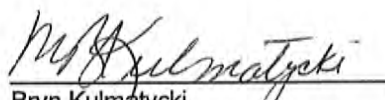
The financial statements have been prepared by management in accordance with section 23.1 of the Budget Transparency and Accountability Act, which requires Canadian public sector accounting standards (PSAS) modified by B.C. Regulation 198/2011, "Restricted Contributions Regulation" and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Governors are responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises these responsibilities through regular board meetings. The Board of Governors review the Executive Limitation – 4, Financial Condition and Activities report on a quarterly basis and external audited financial statements yearly.

The external auditors, Sander Rose Bone Grindle LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Northern Lights College and meet when required.

On behalf of the Northern Lights College



Bryn Kulmatycki
President and CEO



Tyler Holte
Chair



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Independent Auditor's Report

To the Board of Governors of the Northern Lights College and the Minister of Advanced Education of British Columbia

Opinion

We have audited the accompanying financial statements of the Northern Lights College, which comprise of the statement of financial position as at March 31, 2019 and the statements of operations and changes in surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Northern Lights College as at March 31, 2019 and the results of its operations and its cash flow for the year then ended in accordance with section 23.1 of the Budget Transparency and Accountability Act, which requires Canadian public sector accounting standards (PSAS) modified by BC Regulation 198/2011, "Restricted Contributions Regulation".

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describe the basis of accounting and the significant differences between such basis of accounting and Canadian Public Sector Accounting Standards. Note 17 to the financial statements discloses the impact of these differences.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with section 23.1 of the Budget Transparency and Accountability Act, which requires Canadian public sector accounting standards (PSAS) modified by BC Regulation 198/2011, "Restricted Contributions Regulation", 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.

In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.



Member, Chartered Professional Accountants of British Columbia and Alberta

* Denotes Professional Corporations

Independent Auditor's Report – (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Dawson Creek, BC
May 13, 2019

Sander Rose Bone Grindle LLP
Chartered Professional Accountants

NORTHERN LIGHTS COLLEGE
 STATEMENT OF FINANCIAL POSITION
 MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Cash	\$ 8,099,833	\$ 13,655,545
Accounts receivable (Note 3)	2,645,725	607,653
Inventory for resale and other assets held for sale (Note 4)	257,154	445,333
	<u>11,002,712</u>	<u>14,708,531</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	3,283,810	5,689,922
Employee future benefits (Note 6)	338,000	338,000
Deferred revenue (Note 7)	5,087,732	4,606,793
Deferred contributions (Note 8)	531,388	23,812,758
Deferred capital contributions (Note 9)	74,141,488	44,459,534
Long term debt (Note 10)	2,737,000	2,944,000
	<u>86,119,418</u>	<u>81,851,007</u>
NET DEBT	<u>(75,116,706)</u>	<u>(67,142,476)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	81,524,509	73,503,702
Prepaid expenses	163,689	115,586
	<u>81,688,198</u>	<u>73,619,288</u>
ACCUMULATED SURPLUS (Note 13)	<u>\$ 6,571,492</u>	<u>\$ 6,476,812</u>

See accompanying notes to the financial statements



 Board Chair



 President and CEO

NORTHERN LIGHTS COLLEGE
 STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
 FISCAL YEAR ENDED MARCH 31, 2019

5.

	2019	2019	2018
	Actual	Budget (unaudited)	Actual
REVENUE			
Province of British Columbia grants:			
Ministry of Advanced Education and Skills Training	\$ 19,470,030	\$ 17,969,616	\$ 18,751,085
Industry Training Authority	1,770,034	1,902,094	1,771,229
Tuition and student fees	7,935,369	8,857,877	6,988,810
Revenue recognized from deferred capital contributions (Note 9)	2,501,747	2,923,038	2,923,034
Contract services	447,723	464,519	589,188
Sales of goods and services	2,196,563	2,305,131	2,232,203
Interest	193,648	84,025	113,190
Other	628,478	580,645	499,758
Total Revenue	35,143,592	35,086,945	33,868,497
EXPENDITURES (Note 18)			
Instruction	12,418,074	12,812,542	12,176,681
Academic and Student Support	6,350,911	6,180,979	6,001,471
General Administration	6,893,343	6,736,518	5,787,300
Facility Operations and Maintenance	4,110,119	3,646,733	4,031,178
Ancillary Operations	1,801,672	1,831,813	1,747,405
Amortization	3,474,793	3,842,038	3,842,217
Total Expenditures	35,048,912	35,050,623	33,586,252
ANNUAL SURPLUS	94,680	36,322	282,245
ACCUMULATED SURPLUS, beginning of year	6,476,812	6,476,812	6,194,567
ACCUMULATED SURPLUS, end of year	\$ 6,571,492	\$ 6,513,134	\$ 6,476,812

See accompanying notes to the financial statements

NORTHERN LIGHTS COLLEGE
 STATEMENT OF CHANGE IN NET DEBT
 FISCAL YEAR ENDED MARCH 31, 2019

6.

	<u>2019</u>	<u>2019</u>	<u>2018</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
		<u>(unaudited)</u>	
ANNUAL SURPLUS	\$ 94,680	\$ 36,322	\$ 282,245
Acquisition of tangible capital assets	(11,495,599)	(6,733,829)	(24,588,574)
Amortization of tangible capital assets	3,474,793	3,842,038	3,842,217
	<u>(7,926,126)</u>	<u>(2,855,469)</u>	<u>(20,464,112)</u>
Acquisition of prepaids and deposits	(136,843)	-	(88,739)
Use of prepaids and deposits	88,739	-	64,495
	<u>(7,974,230)</u>	<u>(2,855,469)</u>	<u>(20,488,356)</u>
INCREASE IN NET DEBT	<u>(7,974,230)</u>	<u>(2,855,469)</u>	<u>(20,488,356)</u>
NET DEBT, beginning of year	<u>(67,142,476)</u>	<u>(67,142,476)</u>	<u>(46,654,120)</u>
NET DEBT, end of year	<u>\$ (75,116,706)</u>	<u>\$ (69,997,945)</u>	<u>\$ (67,142,476)</u>

See accompanying notes to the financial statements

NORTHERN LIGHTS COLLEGE
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Annual surplus	\$ 94,680	\$ 282,245
Non-cash items:		
Amortization of tangible capital assets	3,474,793	3,842,217
Revenue recognized from deferred capital contributions	(2,501,747)	(2,923,034)
(Increase) Decrease in receivables	(2,038,072)	713,532
Decrease (Increase) in inventory	188,179	(111,058)
(Increase) in prepaids and deposits	(48,104)	(24,244)
(Decrease) Increase in payables and accruals	(2,406,112)	624,947
Increase (Decrease) in deferred revenue	480,939	(29,244)
	<u>(2,755,444)</u>	<u>2,375,361</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(11,495,599)	(24,588,574)
Deferred contributions, net increase	8,902,331	23,701,659
	<u>(2,593,268)</u>	<u>(886,915)</u>
FINANCING ACTIVITIES		
Paydown on long term debt	(207,000)	(202,000)
	<u>(207,000)</u>	<u>(202,000)</u>
(DECREASE) INCREASE IN CASH	(5,555,712)	1,286,446
CASH, beginning of year	<u>13,655,545</u>	<u>12,369,099</u>
CASH, end of year	<u>\$ 8,099,833</u>	<u>\$ 13,655,545</u>

Supplementary cash flow information (Note 14)
 See accompanying notes to the financial statements

1. PURPOSE OF ORGANIZATION

Northern Lights College is an educational, cultural, social and recreational resource for the students and communities it serves. It has special responsibility for leadership in the development, promotion and delivery of education to the people of the northern region of British Columbia. In a fiscally responsible manner, the multi-campus structure of Northern Lights College provides accessible learning opportunities within an extensive geographical environment. The College is responsive to the interests, aspirations, and needs of individuals, businesses and communities in a wide variety of ever changing social and economic conditions.

Northern Lights College is incorporated under the College and Institute Act of British Columbia and is exempt from income tax under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting:

These financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, which are consistent with Canadian public sector accounting standards except in regard to the accounting for government transfers set out in Note 2(d).

In 2010, directive was provided by the Province of British Columbia Treasury Board (Treasury Board) through Government Organization Accounting Standards Regulation 257/2010 requiring all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sector to adopt Public Sector Accounting Board (PSAB) standards of the Canadian Institute of Chartered Accountants (CICA) without any PS4200 elections from their first fiscal year commencing after January 1, 2012.

In March 2011, PSAB released a new Public Sector Accounting Standard PS 3410 "Government Transfers". In November 2011, Treasury Board provided a directive through Restricted Contributions Regulation 198/2011 providing direction for the reporting of restricted contributions whether they are received or receivable by the Northern Lights College before or after this regulation was in effect. The Treasury Board direction on the accounting treatment of restricted contributions is as described in Note 2 (d).

The College adopted Public Sector Accounting Standard 3260 – Liability for Contaminated Sites for the year ended March 31, 2016. At that time a review of the College properties was completed. No determinable liability was identified from this review.

b) Financial Instruments

Accounts receivables are measured at amortized cost using the effective interest method; Accounts payables and accrued liabilities are measured at amortized cost using the effective interest method.

c) Use of estimates

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. In preparing these financial statements management has made estimates and assumptions that affect the amount reported. Significant estimates include assumptions made to establish the useful life of tangible capital assets, accrued liabilities and employee future benefits. Actual results could differ from those estimates.

d) Revenue Recognition

The College follows the deferral method of accounting for revenues. Revenue is recognized when services are performed.

Externally and internally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Contributions for capital assets that will be amortized are transferred to deferred capital contributions in the period the asset is acquired.

Contributions for capital assets that will not be amortized, such as land, are not transferred to deferred capital contributions or recognized as revenue, but are recorded as direct increases in net assets in the period the assets are acquired.

Deferred capital contributions are recognized as revenue in the period in which the related capital assets are amortized. Deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal if all restrictions have been complied with.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding.

e) Cash and Cash Equivalents

Cash and cash equivalents includes all bank accounts and does not include investments.

f) Fund Accounting

To provide information on the limitations and restrictions placed on the use of resources available to the College, these resources are classified for accounting and reporting purposes into funds according to the activities or objectives specified.

These funds are:

Operating Fund

The operating fund reflects revenues and expenses relating to base-funded ongoing program delivery and administration activities.

Capital Fund

The capital fund reflects the College's investment in capital assets, related financing activities and revenues and expenses relating to capital assets.

g) Inventory for Resale and Other Assets Held for Sale

Inventories for resale are valued at the lower of cost or net realizable value.

Assets held for sale are expected to be sold within one year. They are valued at the lower of cost or expected net realizable value.

h) 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.

i) Prepaid Expenses

Prepaid expenses consist of prepaid insurance and other operating expenses. All amounts will be expended in the following year.

ii) 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. Interest is not capitalized whenever external debt is used to finance the construction of tangible capital assets. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over the useful life of the assets. Amortization is not taken in the year of acquisition and a full year's amortization is taken in the year of disposal. Land is not amortized as it is deemed to have a permanent value.

ii) Tangible Capital Assets (continued)

Amortization is provided as follows (in years):

Buildings - wood frame (20)	Library books (10)
Buildings - concrete/steel frame (40)	Leasehold improvements (Life of lease)
Furniture and equipment (5)	Site improvements (10)
Computer equipment (3)	Heavy Equipment (5)
Computer software (3)	

Assets under construction are not amortized until the asset is available for productive use.

i) Budget Figures

Budget figures have been provided for comparative purposes and have been derived from the Operating Budget presented to the Board of Governors of the Northern Lights College on March 21, 2018. The budget is reflected in the Statement of Operations and Accumulated Surplus.

Budget figures have not been audited, and are presented only for information purposes.

3. RECEIVABLES

	2019	2018
Receivables		
Student	\$ 672,968	\$ 484,547
Trade	2,141,075	172,382
Other	186,695	264,368
	<u>3,000,738</u>	<u>921,297</u>
Less: allowance for doubtful accounts	<u>(355,013)</u>	<u>(313,644)</u>
	<u>\$ 2,645,725</u>	<u>\$ 607,653</u>

4. INVENTORY FOR RESALE AND OTHER ASSETS HELD FOR SALE

	<u>2019</u>	<u>2018</u>
Inventories for resale	\$ 251,005	\$ 214,792
Other assets held for sale	6,149	230,541
	<u>\$ 257,154</u>	<u>\$ 445,333</u>

Other assets held for sale comprises of the residential construction home and land to be used for future residential construction homes.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2019</u>	<u>2018</u>
Trade - Federal	\$ 234,093	\$ 279,902
- Provincial and regional governments	35,081	37,469
- General	1,952,563	4,362,918
Payroll	429,301	391,290
Overtime	54,201	57,471
Vacation	578,571	560,872
	<u>\$ 3,283,810</u>	<u>\$ 5,689,922</u>

6. EMPLOYEE FUTURE BENEFITS

a) Pension benefits

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trustee 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 are based on a formula. As at August 31, 2018, the College Pension Plan has about 14,000 active members, and approximately 8,000 retired members. As at December 31, 2017, the Municipal Pension Plan has about 197,000 active members, including approximately 6,000 from colleges.

6. EMPLOYEE FUTURE BENEFITS (continued)

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2015, indicated a \$67 million surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The Northern Lights College paid \$1,483,839 (2018-\$1,430,356) for employer contributions to the plans in fiscal 2018-2019.

The next valuation for the College Pension Plan will be as at August 31, 2018, with results available in 2019. The next valuation for the Municipal Pension Plan 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 each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

6. EMPLOYEE FUTURE BENEFITS (continued)

b) Accumulated sick leave benefit and other retirement benefit arrangements liability

Employees of Northern Lights College are entitled to sick leave in accordance with the terms and conditions of their employment contracts. Employees of Northern Lights College are not entitled to accrue their unused sick leave credits. Retirement benefit payments represent the Northern Lights College share of the cost to provide employees with various benefits upon retirement. The accrued benefit obligation and the net periodic benefit cost were estimated by an actuarial valuation completed in March 2017.

	Sick leave	Retirement Benefits Payments	2019	2018
Accrued benefits obligation	<u>\$ -</u>	<u>\$ 338,000</u>	<u>\$ 338,000</u>	<u>\$ 338,000</u>

7. DEFERRED REVENUE

	2019	2018
Tuition	\$ 2,604,439	\$ 2,401,189
Other	<u>2,483,293</u>	<u>2,205,604</u>
	<u>\$ 5,087,732</u>	<u>\$ 4,606,793</u>

Deferred tuition relates to tuition fees that have not yet been earned. Other deferred revenue relates to continuous learning programs and other student fees.

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent externally restricted contributions that will be used in future years. Changes in deferred contributions are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 23,812,758	\$ 1,887,554
Funds received:		
Provincial and Federal capital grants	8,921,981	23,302,162
Other capital and fundraising grants	-	600,000
Funds used:		
Capital purchases	(31,939,701)	(1,716,455)
Maintenance and related expenses	<u>(263,650)</u>	<u>(260,503)</u>
Balance, end of year	<u>\$ 531,388</u>	<u>\$ 23,812,758</u>

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the portion of externally restricted contributions used to acquire capital assets that will be recognized as revenue in future periods over the remaining useful life of the assets. Changes in deferred capital contributions are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 44,459,534	\$ 45,606,113
Current year's acquisitions funded by federal capital contributions	13,515,303	-
Current year's acquisitions funded by provincial capital contributions	17,717,398	1,716,455
Current year's acquisitions funded by other capital contributions	951,000	60,000
Revenue recognized from deferred capital contributions	<u>(2,501,747)</u>	<u>(2,923,034)</u>
Balance, end of year	<u>\$ 74,141,488</u>	<u>\$ 44,459,534</u>

10. LONG TERM DEBT

In August 1999, the Ministry of Advanced Education, Training and Technology approved the request of Northern Lights College to obtain financing of up to \$4.5 million to construct the new student residence at its Dawson Creek Campus. This approval was in accordance with section 34(1) of the Colleges and Institute Act.

In September 1999, the Northern Lights College obtained a construction loan with the Royal Bank of Canada for a total commitment of \$4.5 million subject to draws based on the project monitor certificates. The construction loan of \$4.3 million was converted into a 10-year promissory note on May 31, 2000 with a fixed interest rate of 6.79%. Repayment of principal and interest will be \$32,557 per month from July 1, 2000 to June 1, 2010, for an annual commitment of \$390,684 for 10 years.

On June 1, 2010 the promissory note was increased to \$4.3 million and converted into a non-revolving term facility, by way of a five year fixed Bankers' Acceptance Loan. This is repayable by consecutive blended monthly payments of \$13,000 principle plus 3.75% per annum interest.

On August 10, 2015 the promissory note was renewed for a five year term, repayable by consecutive blended monthly payments of \$17,000 principle plus 2.25% per annum interest.

Principal and interest payments due within the next two years, assuming no change in any of the terms, are as follows:

	Principal	Interest	Total
2020	212,000	59,495	272,646
2021	2,525,000	23,485	2,458,689

In accordance with the approval of the Ministry of Advanced Education, Training and Technology, the new student housing will be self-supporting with no impact on provincial debt.

11. TANGIBLE CAPITAL ASSETS

Cost	Balance at March 31, 2018	Additions	Disposals	Balance at March 31, 2019
Land	\$ 568,977	\$ -	\$ -	\$ 568,977
Buildings - wood	18,811,575	-	-	18,811,575
Buildings - concrete	60,405,081	33,473,032	-	93,878,113
Furniture and equipment	22,211,589	830,984	(50,466)	22,992,107
Heavy equipment	200,460	-	-	200,460
Computer equipment	4,381,318	1,264,377	-	5,645,695
Computer software	1,256,909	27,452	-	1,284,361
Site improvements	3,401,521	-	-	3,401,521
Books and media	417,199	-	-	417,199
Leasehold improvements	710,284	-	-	710,284
Work in progress	24,294,941	(24,100,246)	-	194,695
Total	\$ 136,659,854	\$ 11,495,599	\$ (50,466)	\$ 148,104,987

Accumulated Amortization	Balance at March 31, 2018	Disposals	Amortization Expense	Balance at March 31, 2019
Buildings - wood	\$ 13,982,663	\$ -	\$ 713,717	\$ 14,696,380
Buildings - concrete	19,911,605	-	1,603,308	21,514,913
Furniture and equipment	20,056,480	(50,466)	751,587	20,757,601
Heavy equipment	148,308	-	26,076	174,384
Computer equipment	3,742,931	-	275,978	4,018,909
Computer software	1,185,997	-	35,456	1,221,453
Site improvements	3,021,124	-	63,399	3,084,523
Books and media	396,759	-	5,272	402,031
Leasehold improvements	710,284	-	-	710,284
Work in progress	-	-	-	-
Total	\$ 63,156,151	\$ (50,466)	\$ 3,474,793	\$ 66,580,478

11. TANGIBLE CAPITAL ASSETS (continued)

Net Book Value	2019	2018
Land	\$ 568,977	\$ 568,977
Buildings - wood	4,115,195	4,828,911
Buildings - concrete	72,363,200	40,493,476
Furniture and equipment	2,234,506	2,155,109
Heavy equipment	26,076	52,152
Computer equipment	1,626,786	638,387
Computer software	62,908	70,912
Site improvements	316,998	380,397
Books and media	15,168	20,440
Leasehold improvements	-	-
Work in progress	194,695	24,294,941
Total	\$ 81,524,509	\$ 73,503,702

During the fiscal year Northern Lights College received contributed equipment totaling \$244,000; (2018-\$60,000) they were recorded at their estimated fair market value.

There were no write downs of tangible capital assets in the current year.

12. FINANCIAL RISK MANAGEMENT

Northern Lights College 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 Northern Lights College 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 Northern Lights College if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risk arises principally from certain financial assets held by Northern Lights College consisting of cash and accounts receivables.

12. FINANCIAL RISK MANAGEMENT (continued)

Northern Lights College manages its credit risks by not having short-term investments and reviewing accounts receivables and performing collections on a regular basis.

Maximum exposure of credit risk of Northern Lights College is the carrying value of cash and accounts receivables on the Statement of Financial Position.

b) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect Northern Lights College'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.

Northern Lights College manages its market risk by choosing a fixed rate over a five year term on long term debt. It is management's opinion that Northern Lights College is not exposed to significant market or interest rate risk arising from its financial instruments.

c) Liquidity risk

Liquidity risk is the risk that Northern Lights College will not be able to meet its financial obligations as they become due.

Northern Lights College 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 Northern Lights College's reputation.

It is management's opinion that Northern Lights College is not exposed to significant liquidity risk arising from its financial instruments.

13. ACCUMULATED SURPLUS

	<u>2019</u>	<u>2018</u>
Operating Fund	\$ 2,112,519	\$ 1,517,549
Capital Fund	4,407,079	4,907,369
Externally Restricted Capital Fund	51,894	51,894
	<u>\$ 6,571,492</u>	<u>\$ 6,476,812</u>

Externally Restricted Capital Fund:

On April 4, 2014, pursuant to Section 50 (2) of the College and Institute Act, Northern Lights College's request to renew the lease agreement for space known as Mile 0 Farm was approved by the Ministry of Advanced Education. As per the Ministry of Advanced Education, Northern Lights College will set aside the net proceeds of the lease to a capital reserve fund, which would only be expended by seeking consent of the Minister of Advanced Education. These are the net proceeds from April 1, 2014 to October 31, 2016.

14. INTEREST PAID

During the year the College had cash flow arising from interest paid as follows:

	<u>2019</u>	<u>2018</u>
Interest Paid	\$ 64,544	\$ 70,140

15. INVESTMENT

On May 5, 2010, Northern Lights College acquired, through donation, 500,000 non-par value common share of Canadian Timber Towers Corporation. The basis of valuation being used is the cost method. It is not possible to estimate the fair market value of these shares at this time.

16. CONTINGENT LIABILITIES

Northern Lights College is involved in various claims and or lawsuits from the ordinary course of business. Although the outcome of such matters cannot be predicted with certainty, management does not consider the possible results to have a material effect on the College's financial statements.

17. IMPACT OF ACCOUNTING FOR GOVERNMENT TRANSFERS IN ACCORDANCE WITH SECTION 23.1 OF THE BUDGET TRANSPARENCY AND ACCOUNTABILITY ACT

As noted in the significant accounting policies note 2(a), Section 23.1 of the Budget Transparency and Accountability Act and Restricted Contributions Regulation 198/2011 require Northern Lights College to recognize government transfers for capital assets into revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian Public sector accounting standards would require these grants to be fully recognized into revenue. The impact of this difference on the financial statements of Northern Lights College is as follows:

March 31, 2018 – increase in accumulated surplus by \$44,328,264, a decrease in deferred revenue by \$591,032, deferred contributions by \$332,157, and deferred capital contributions by \$43,405,075.

March 31, 2019 – increase in accumulated surplus by \$74,918,975, a decrease in deferred revenue by \$562,082, deferred contributions by \$215,405, and deferred capital contributions by \$74,141,488.

18. SEGMENTED INFORMATION

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

Instruction

This function includes expenses related to all direct educational delivery within the institution. This would include credit and non-credit courses, diploma and certificate programs, continuing education, contract training, and trades training. Costs associated with this function include contract expenses; Deans and Chairs; and instructional administration (general and financial), support staff and support costs related to these activities.

Academic and Student Support

This function includes activities that directly support the academic functions of the institution as well as centralized functions that support individual students or group of students. These include; function related contracts; curriculum and program development; libraries; student service administration; student recruitment; records and admissions (registrar); recreation; financial aid; scholarships and bursaries; and any other centralized general and financial administration and support costs related to these activities.

General Administration

This function includes activities that support the institution as a whole, such as; executive management, Board of Governors, public relations, corporate finance, human resources, information technology, and any other centralized institution-wide general administrative activities.

18. SEGMENTED INFORMATION (continued)

Facility Operations and Maintenance

This function includes; the operations and maintenance of physical plant and equipment for all institutional activities; utilities; facilities administration; custodial services; grounds keeping; major repairs and renovations; and security services.

Amortization

This function includes all capital asset amortization expenses of the institution.

Ancillary Operations

This function includes business activities generally outside of instruction that provides goods and services to students, staff or others external to the organization. These include but are not limited to; food services, student residences, daycare and bookstores. Costs associated with this function include function related contracts and general and financial administration and support costs.

NOTE 19 SEGMENTED INFORMATION (CONTINUED)

	2018		2019		Instruction	Academic and Student Support	General Administration	Facilities	Amortization	Ancillary Operations
	Total	Total	Total	Total						
REVENUE										
Province of British Columbia grants	\$ 20,522,314	\$ 21,240,064	\$ 20,391,187	\$ 413,807	\$ -	\$ -	\$ 401,497	\$ -	\$ -	\$ 33,473
Tuition and student fees	5,988,810	7,935,369	4,550,610	3,336,581	-	-	-	-	-	8,222
Revenue recognized from deferred capital contributions	2,923,034	2,501,747	-	-	-	-	-	2,501,747	-	-
Contract services	589,188	447,723	447,723	-	-	-	-	-	-	-
Sales of goods and services	2,232,203	2,196,563	610	76,471	-	-	142,952	-	-	1,976,530
Interest	113,190	193,648	-	-	-	-	193,648	-	-	-
Other	489,758	628,478	505,414	15,187	-	-	73,599	-	-	108
	33,868,497	35,143,592	25,875,744	3,842,146	327,003	327,003	578,619	2,501,747	-	2,018,333
EXPENSES										
Salaries and benefits	20,427,370	21,232,046	10,861,599	4,200,873	3,653,463	-	1,823,556	-	-	692,855
Supplies	1,121,228	1,274,429	934,790	47,130	199,009	-	68,703	-	-	24,797
Contract fees	2,104,330	2,131,841	237,699	1,271,293	553,930	-	68,419	-	-	500
Amortization	3,842,217	3,474,793	-	-	-	-	-	3,474,793	-	-
Utilities	997,611	1,049,489	-	-	-	-	853,710	-	-	195,779
Book purchases	593,045	562,445	25,076	-	-	-	608,894	-	-	537,369
Building maintenance	869,462	874,465	36,218	175,936	283,680	-	-	-	-	265,571
Publicity	541,187	496,850	2,553	12,758	195,024	-	-	-	-	1,016
Training	280,492	210,395	2,553	12,758	-	-	-	-	-	-
Course program and development	2,647	932	932	-	-	-	-	-	-	-
Ownership linkage	8,622	4,061	-	-	4,061	-	-	-	-	-
Travel - in region	221,026	111,263	31,977	40,380	32,533	-	5,030	-	-	1,343
Conferences and meetings	90,777	90,930	14,804	17,676	55,989	-	926	-	-	1,535
Membership fees	171,080	190,598	88,209	27,869	72,693	-	1,477	-	-	350
Janitorial services	123,021	129,904	-	42	42	-	129,825	-	-	37
Interest expense	70,140	64,544	-	-	64,544	-	-	-	-	-
Travel - out of region	294,996	307,177	63,375	150,630	85,162	-	7,787	-	-	2,223
Telephone, fax and internet	226,945	736,034	25,071	9,301	886,626	-	12,299	-	-	4,737
Photocopy	19,673	-	-	-	-	-	-	-	-	-
Space rental	254,905	245,300	-	75,989	-	-	169,311	-	-	-
Bursaries	117,643	227,274	21,182	206,092	-	-	-	-	-	-
Vehicle operations	99,201	97,821	6,381	622	-	-	90,818	-	-	-
Equipment maintenance	129,313	64,177	-	3,607	17,132	-	42,492	-	-	946
Computer maintenance	355,852	481,299	-	-	480,343	-	896	-	-	-
Computer lease	105,435	93,889	-	-	93,889	-	-	-	-	-
Insurance	97,481	156,936	781	1,000	2,535	-	89,848	-	-	68,671
Grounds maintenance	1,115	109,609	-	-	-	-	109,609	-	-	-
Relocation expenses	2,505	50,551	-	-	50,551	-	-	-	-	-
Legal fees	115,457	146,434	-	252	146,182	-	-	-	-	-
Courier and postage	69,488	67,120	22,074	1,934	36,606	-	2,598	-	-	9,908
Periodicals	75,073	77,690	-	76,615	-	-	-	-	-	-
Equipment rental	30,248	74,355	45,610	-	11,687	-	-	-	-	-
Audit fees	34,142	35,964	-	-	19,267	-	-	-	-	-
Recreation	14,874	23,124	1,743	-	43,111	-	-	-	-	-
Bad debts	-	110,182	-	-	110,147	-	-	-	-	35
Bank and credit card fees	97,556	110,182	-	-	110,147	-	-	-	-	-
	33,586,232	35,048,912	12,418,074	6,350,911	6,893,343	4,110,119	3,474,793	1,801,672	-	216,661
ANNUAL SURPLUS (DEFICIT)	\$ 282,245	\$ 94,680	\$ 13,457,670	\$ (2,508,765)	\$ (6,556,340)	\$ (9,531,500)	\$ (973,046)	\$ -	\$ -	\$ -