

Financial Statements

For the year ended March 31, 2021



Northern Lights
College

CONTENTS

Management Report	Page 1
Independent Auditor's Report	Page 2
Statement of Financial Position	Page 4
Statement of Operations and Accumulated Surplus	Page 5
Statement of Change in Net Debt	Page 6
Statement of Cash Flows	Page 7
Notes to the Financial Statements	Page 8

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

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

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

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, 2021 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, 2021 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.

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 12, 2021


Sander Rose Bone Grindle LLP
Chartered Professional Accountants

**NORTHERN LIGHTS COLLEGE
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021**


4.

	<u>2021</u>	<u>2020</u>
FINANCIAL ASSETS		
Cash	\$ 11,289,362	\$ 13,233,677
Accounts receivable (Note 3)	863,685	1,184,885
Inventory for resale and other assets held for sale (Note 4)	413,781	281,955
	<u>12,566,828</u>	<u>14,700,517</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	3,628,388	3,769,605
Employee future benefits (Note 6)	338,000	320,000
Deferred revenue (Note 7)	7,195,747	6,104,174
Deferred contributions (Note 8)	281,668	3,441,860
Deferred capital contributions (Note 9)	72,655,056	71,567,135
Long term debt (Note 10)	-	2,525,000
	<u>84,098,859</u>	<u>87,727,774</u>
NET DEBT	<u>(71,532,031)</u>	<u>(73,027,257)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	78,563,932	79,546,289
Prepaid expenses	99,085	127,949
	<u>78,663,017</u>	<u>79,674,238</u>
ACCUMULATED SURPLUS (Note 13)	<u>\$ 7,130,986</u>	<u>\$ 6,646,981</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, 2021**

5.

	<u>2021</u>	<u>2021</u>	<u>2020</u>
	<u>Actual</u>	<u>Budget (unaudited)</u>	<u>Actual</u>
REVENUE			
Province of British Columbia grants:			
Ministry of Advanced Education and Skills Training	\$ 22,463,963	\$ 19,532,695	\$ 21,583,387
Industry Training Authority	1,955,265	1,962,509	1,847,310
Tuition and student fees	6,915,804	9,359,237	7,438,417
Revenue recognized from deferred capital contributions (Note 9)	4,263,714	3,605,690	3,932,033
Contract services	738,534	181,285	468,716
Sales of goods and services	1,173,764	2,462,610	2,323,234
Interest	85,708	180,160	228,467
Other	647,283	554,039	691,057
Total Revenue	<u>38,244,035</u>	<u>37,838,225</u>	<u>38,512,621</u>
EXPENDITURES (Note 19)			
Instruction	11,944,824	12,942,659	12,696,117
Academic and Student Support	6,929,929	6,816,139	7,427,542
General Administration	7,344,038	7,513,161	6,679,767
Facility Operations and Maintenance	5,473,018	3,940,233	5,270,216
Ancillary Operations	1,447,833	1,877,516	1,688,597
Amortization	4,620,388	4,674,896	4,674,893
Total Expenditures	<u>37,760,030</u>	<u>37,764,604</u>	<u>38,437,132</u>
ANNUAL SURPLUS	<u>484,005</u>	<u>73,621</u>	<u>75,489</u>
ACCUMULATED SURPLUS, beginning of year	<u>6,646,981</u>	<u>6,646,981</u>	<u>6,571,492</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 7,130,986</u>	<u>\$ 6,720,602</u>	<u>\$ 6,646,981</u>

See accompanying notes to the financial statements

**NORTHERN LIGHTS COLLEGE
STATEMENT OF CHANGE IN NET DEBT
FISCAL YEAR ENDED MARCH 31, 2021**

6.

	<u>2021</u>	<u>2021</u>	<u>2020</u>
	<u>Actual</u>	<u>Budget (unaudited)</u>	<u>Actual</u>
ANNUAL SURPLUS	\$ 484,005	\$ 73,621	\$ 75,489
Acquisition of tangible capital assets	(4,203,987)	(3,124,978)	(3,023,018)
Disposal of tangible capital assets	565,956	-	326,345
Amortization of tangible capital assets	4,620,388	4,674,896	4,674,893
	<u>1,466,362</u>	<u>1,623,539</u>	<u>2,053,709</u>
Acquisition of prepaids and deposits	(56,774)	-	(67,151)
Use of prepaids and deposits	85,638	-	102,891
	<u>1,495,226</u>	<u>1,623,539</u>	<u>2,089,449</u>
DECREASE IN NET DEBT			
	1,495,226	1,623,539	2,089,449
NET DEBT, beginning of year	<u>(73,027,257)</u>	<u>(73,027,257)</u>	<u>(75,116,706)</u>
NET DEBT, end of year	<u>\$ (71,532,031)</u>	<u>\$ (71,403,718)</u>	<u>\$ (73,027,257)</u>

See accompanying notes to the financial statements

**NORTHERN LIGHTS COLLEGE
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED MARCH 31, 2021**

7.

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Annual surplus	\$ 484,005	\$ 75,489
Non-cash items:		
Amortization of tangible capital assets	4,620,388	4,674,893
Loss on disposal of tangible capital assets	565,956	326,345
Revenue recognized from deferred capital contributions	(4,263,714)	(3,932,033)
Decrease in receivables	321,200	1,460,840
Increase in inventory	(131,826)	(24,801)
Decrease in prepaids and deposits	28,864	35,740
(Decrease) Increase in payables and accruals	(123,217)	467,795
Increase in deferred revenue	1,091,573	1,016,442
	<u>2,593,229</u>	<u>4,100,710</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(4,203,987)	(3,023,018)
Deferred contributions, net increase	2,191,443	4,268,152
	<u>(2,012,544)</u>	<u>1,245,134</u>
FINANCING ACTIVITIES		
Paydown on long term debt	(2,525,000)	(212,000)
	<u>(2,525,000)</u>	<u>(212,000)</u>
(DECREASE) INCREASE IN CASH	(1,944,315)	5,133,844
CASH, beginning of year	<u>13,233,677</u>	<u>8,099,833</u>
CASH, end of year	<u>\$ 11,289,362</u>	<u>\$ 13,233,677</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

Previous years amounts have been restated to conform to the current year's presentation.

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. 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 18,2020. 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

	<u>2021</u>	<u>2020</u>
Receivables		
Student	\$ 528,711	\$ 776,462
Trade	636,375	200,521
Other	41,408	560,551
	<u>1,206,494</u>	<u>1,537,534</u>
Less: allowance for doubtful accounts	<u>(342,809)</u>	<u>(352,649)</u>
	<u>\$ 863,685</u>	<u>\$ 1,184,885</u>

4. INVENTORY FOR RESALE AND OTHER ASSETS HELD FOR SALE

	<u>2021</u>	<u>2020</u>
Inventories for resale	\$ 154,474	\$ 275,806
Other assets held for sale	<u>259,307</u>	<u>6,149</u>
	<u>\$ 413,781</u>	<u>\$ 281,955</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>2021</u>	<u>2020</u>
Trade - Federal	\$ 81,819	\$ 279,038
- Provincial and regional governments	126,533	145,206
- General	2,056,846	2,159,097
Payroll	663,755	522,692
Overtime	43,186	52,809
Vacation	<u>656,249</u>	<u>610,763</u>
	<u>\$ 3,628,388</u>	<u>\$ 3,769,605</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, 2019, the College Pension Plan has about 15,000 active members, and approximately 9,000 retired members. As at December 31, 2019, the Municipal Pension Plan has about 213,000 active members, including approximately 6,000 from colleges.

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, 2018, indicated a \$303 million surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Northern Lights College paid \$1,599,380 (2020-\$1,565,020) for employer contributions to the plans in fiscal 2020-2021.

The next valuation for the College Pension Plan will be as at August 31, 2021, with results available in 2022. The next valuation for the Municipal Pension Plan will be December 31, 2021, with results available in 2022.

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 2020.

	Sick leave	Retirement Benefits Payments	2021	2020
Accrued benefits obligation	<u>\$ -</u>	<u>\$ 338,000</u>	<u>\$ 338,000</u>	<u>\$ 320,000</u>

7. DEFERRED REVENUE

	2021	2020
Tuition	\$ 4,543,527	\$ 3,504,405
Other	<u>2,652,220</u>	<u>2,599,769</u>
	<u>\$ 7,195,747</u>	<u>\$ 6,104,174</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>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 3,441,860	\$ 531,388
Funds received:		
Provincial and Federal capital grants	3,577,816	4,832,236
Other capital and fundraising grants	2,500	20,000
Funds used:		
Capital purchases	(5,351,635)	(981,180)
Maintenance and related expenses	<u>(1,388,873)</u>	<u>(960,584)</u>
Balance, end of year	<u>\$ 281,668</u>	<u>\$ 3,441,860</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>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 71,567,135	\$ 74,141,488
Current year's acquisitions funded by provincial capital contributions	5,351,635	981,180
Current year's acquisitions funded by other capital contributions	-	376,500
Revenue recognized from deferred capital contributions	<u>(4,263,714)</u>	<u>(3,932,033)</u>
Balance, end of year	<u>\$ 72,655,056</u>	<u>\$ 71,567,135</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.

On August 10, 2020 the promissory note was paid in full. There are no principal and interest payments due within the next year.

11. TANGIBLE CAPITAL ASSETS

Cost	Balance at March 31, 2020	Additions	Disposals	Balance at March 31, 2021
Land	\$ 568,977	\$ -	\$ -	\$ 568,977
Buildings - wood	18,811,575	-	-	18,811,575
Buildings - concrete	94,019,169	3,741,975	834,902	96,926,242
Furniture and equipment	23,517,400	197,270	-	23,714,670
Heavy equipment	200,460	-	-	200,460
Computer equipment	5,904,641	77,498	-	5,982,139
Computer software	1,284,361	-	-	1,284,361
Site improvements	3,533,969	1,824,645	-	5,358,614
Books and media	417,199	-	-	417,199
Leasehold improvements	710,284	-	-	710,284
Work in progress	1,637,401	(1,637,401)	-	-
Total	\$ 150,605,436	\$ 4,203,987	\$ 834,902	\$ 153,974,521

Accumulated Amortization	Balance at March 31, 2020	Disposals	Amortization Expense	Balance at March 31, 2021
Buildings - wood	\$ 15,400,420	\$ -	\$ 699,467	\$ 16,099,887
Buildings - concrete	23,758,823	268,946	2,452,867	25,942,744
Furniture and equipment	21,511,671	-	722,697	22,234,368
Heavy equipment	200,460	-	-	200,460
Computer equipment	4,656,204	-	654,347	5,310,551
Computer software	1,266,059	-	9,150	1,275,209
Site improvements	3,147,923	-	76,644	3,224,567
Books and media	407,303	-	5,216	412,519
Leasehold improvements	710,284	-	-	710,284
Work in progress	-	-	-	-
Total	\$ 71,059,147	\$ 268,946	\$ 4,620,388	\$ 75,410,589

11. TANGIBLE CAPITAL ASSETS (continued)

Net Book Value	2021	2020
Land	\$ 568,977	\$ 568,977
Buildings - wood	2,711,688	3,411,155
Buildings - concrete	70,983,498	70,260,346
Furniture and equipment	1,480,302	2,005,729
Heavy equipment	-	-
Computer equipment	671,588	1,248,437
Computer software	9,152	18,302
Site improvements	2,134,047	386,046
Books and media	4,680	9,896
Leasehold improvements	-	-
Work in progress	-	1,637,401
Total	\$ 78,563,932	\$ 79,546,289

During the fiscal year Northern Lights College did not receive any contributed equipment; (2020-\$376,500).

Northern Lights College wrote off the Carpentry and Welding Buildings on the Dawson Creek Campus. The buildings were demolished in November 2020.

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.

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>2021</u>	<u>2020</u>
Operating Fund	\$ 1,244,814	\$ 2,822,582
Capital Fund	5,864,628	3,772,505
Externally Restricted Capital Fund	21,544	51,894
	<u>\$ 7,130,986</u>	<u>\$ 6,646,981</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>2021</u>	<u>2020</u>
Interest Paid	<u>\$ 18,078</u>	<u>\$ 58,360</u>

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, 2020 – increase in accumulated surplus by \$72,626,055, a decrease in deferred revenue by \$502,907, deferred contributions by \$229,668, and deferred capital contributions by \$71,893,480.

March 31, 2021 – increase in accumulated surplus by \$73,764,476, a decrease in deferred revenue by \$879,752, deferred contributions by \$229,668, and deferred capital contributions by \$72,655,056.

18. EXCEPTIONAL ITEM

On March 11, 2020, the World Health Organization declared a Global Pandemic for the spread of Covid-19. Management continues to assess the actual and potential impact this global pandemic may have on the operations of the Northern Lights College.

19. 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.

19. SEGMENTED INFORMATION (continued)

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.

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)

	2020		2021					
	Total	Total	Instruction	Academic and Student Support	General Administration	Facilities	Amortization	Ancillary Operations
REVENUE								
Province of British Columbia grants	\$ 23,430,697	\$ 24,419,228	\$ 21,577,447	\$ 755,965	\$ 549,848	\$ 1,535,725	\$ -	\$ 243
Tuition and student fees	7,438,417	6,915,804	3,596,871	3,261,441	57,492	-	-	-
Revenue recognized from deferred capital contributions	3,932,033	4,263,714	-	-	-	-	4,263,714	-
Contract services	468,716	738,534	649,972	87,495	-	-	-	1,067
Sales of goods and services	2,323,234	1,173,764	1,936	34,061	-	139,127	-	998,640
Interest	228,467	85,708	-	-	85,708	-	-	-
Other	691,057	647,283	523,644	52,101	29,624	41,914	-	-
	<u>38,512,621</u>	<u>38,244,035</u>	<u>26,349,870</u>	<u>4,191,063</u>	<u>722,672</u>	<u>1,716,766</u>	<u>4,263,714</u>	<u>999,950</u>
EXPENSES								
Salaries and benefits	23,019,744	22,290,250	11,183,573	4,591,196	4,179,745	1,964,614	-	371,122
Supplies	840,445	824,898	274,563	153,676	222,667	65,410	-	108,582
Contract fees	2,574,705	2,385,816	261,827	1,612,225	422,784	50,404	-	38,576
Amortization	4,674,893	4,620,388	-	-	-	-	4,620,388	-
Loss on disposal of assets	326,345	565,956	-	-	565,956	-	-	-
Utilities	1,101,524	939,713	-	-	264	764,542	-	174,907
Book purchases	479,522	363,318	7,314	-	-	-	-	356,004
Building maintenance	1,433,898	2,171,712	-	-	-	1,877,105	-	294,607
Publicity	493,023	261,568	27,664	114,315	117,313	-	-	2,276
Training	230,168	125,278	314	1,873	123,091	-	-	-
Course program and development	310	248	248	-	-	-	-	-
Ownership linkage	4,306	-	-	-	-	-	-	-
Travel - in region	115,254	28,295	8,917	7,525	9,553	2,145	-	155
Conferences and meetings	94,178	41,499	57	(121)	41,563	-	-	-
Membership fees	154,299	96,841	26,063	22,892	46,865	420	-	601
Janitorial services	138,714	143,287	-	-	-	143,205	-	82
Interest expense	58,360	18,078	-	-	18,078	-	-	-
Travel - out of region	241,908	136	110	(2,139)	2,165	-	-	-
Telephone, fax and internet	798,864	782,091	16,557	12,301	741,525	7,701	-	4,007
Space rental	236,865	165,128	-	(1,178)	-	166,306	-	-
Bursaries	132,499	323,096	-	323,096	-	-	-	-
Vehicle operations	83,289	49,766	1,659	-	-	48,107	-	-
Equipment maintenance	35,209	52,728	-	-	9,663	40,345	-	2,720
Computer maintenance	310,516	413,403	-	-	413,403	-	-	-
Computer lease	876	-	-	-	-	-	-	-
Insurance	159,629	156,669	-	1,118	2,370	75,998	-	77,183
Grounds maintenance	179,054	256,127	-	-	-	244,963	-	11,164
Relocation expenses	64,176	112,071	-	-	112,071	-	-	-
Legal fees	102,762	113,682	-	(100)	113,782	-	-	-
Courier and postage	37,122	62,562	2,079	6,253	47,384	1,077	-	5,769
Periodicals	78,313	69,144	91	69,053	-	-	-	-
Equipment rental	59,304	154,148	133,472	-	-	20,676	-	-
Audit fees	36,167	37,773	-	12,647	25,126	-	-	-
Recreation	24,335	6,082	316	5,297	469	-	-	-
Bad debts	-	12,621	-	-	12,621	-	-	-
Bank and credit card fees	116,556	115,658	-	-	115,580	-	-	78
	<u>38,437,132</u>	<u>37,760,030</u>	<u>11,944,824</u>	<u>6,929,929</u>	<u>7,344,038</u>	<u>5,473,018</u>	<u>4,620,388</u>	<u>1,447,833</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 75,489</u>	<u>\$ 484,005</u>	<u>\$ 14,405,046</u>	<u>\$ (2,738,866)</u>	<u>\$ (6,621,366)</u>	<u>\$ (3,756,252)</u>	<u>\$ (356,674)</u>	<u>\$ (447,883)</u>