

NORTHERN LIGHTS COLLEGE

Financial Statements

For the Year Ended March 31, 2005

CONTENTS

Auditors' Report	Page 1
Balance Sheet	Page 2
Statement of Revenue, Expenditure, and Fund Balances	Page 3
Statement of Cash Flows	Page 4
Notes to the Financial Statements	Page 5 - 10
Schedule of Grants, Tuition Fees, and Other Revenue	Page 11
Schedule of Expenditure	Page 12
Schedule of Operating Expenditure	Page 13

NORTHERN LIGHTS COLLEGE

BALANCE SHEET

MARCH 31, 2005



Board Chair

Vice President, Finance Administration

	2	0	0	5	2004
	(Note 12)				
	Operating Fund	Capital Fund	Trust Fund	Total	Total
ASSETS					
Cash and term deposits	\$ 8,299,732	-	\$ -	\$ 8,299,732	\$ 9,294,874
Receivables (Note 3)	518,672	-	-	518,672	711,263
Inventory	191,437	-	-	191,437	181,596
Prepaid expenses	409,741	-	-	409,741	187,806
Capital assets (Note 4)	-	30,651,364	-	30,651,364	29,431,596
Interfund balance	-	848,730	-	848,730	622,463
	<u>\$ 9,419,582</u>	<u>\$ 31,500,094</u>	<u>\$ -</u>	<u>\$ 40,919,676</u>	<u>\$ 40,429,598</u>
LIABILITIES AND FUND BALANCES					
Payables and accruals (Note 5)	\$ 1,637,015	-	\$ -	\$ 1,637,015	\$ 2,015,076
Note payable (Note 6)	-	3,748,083	-	3,748,083	3,869,144
Unfunded accrued payroll benefit (Note 7)	374,294	-	-	374,294	-
Interfund balance	848,730	-	-	848,730	622,463
Deferred contributions (Note 8)	1,093,342	23,538,360	-	24,631,702	24,729,921
	<u>3,953,381</u>	<u>27,286,443</u>	<u>-</u>	<u>31,239,824</u>	<u>31,236,604</u>
Fund balances					
Invested in capital assets	-	4,213,651	-	4,213,651	2,085,086
Reserve for capital expenditure	2,234,919	-	-	2,234,919	1,265,234
Internally restricted	3,231,282	-	-	3,231,282	5,665,470
Unrestricted	-	-	-	-	177,204
	<u>5,466,201</u>	<u>4,213,651</u>	<u>-</u>	<u>9,679,852</u>	<u>9,192,994</u>
	<u>\$ 9,419,582</u>	<u>\$ 31,500,094</u>	<u>\$ -</u>	<u>\$ 40,919,676</u>	<u>\$ 40,429,598</u>

NORTHERN LIGHTS COLLEGE

STATEMENT OF REVENUE, EXPENDITURE, AND FUND BALANCES

YEAR ENDED MARCH 31, 2005

	2	0	0	5	2004
	Capital Fund		(Note 12) Trust Fund		Total
	(Note 11) Operating Fund			Total	Total
REVENUE (Page 11)	\$ 25,106,228	\$ 2,193,554	\$ 497,745	\$ 27,797,527	\$ 26,039,938
EXPENDITURE (Page 12)	24,619,370	2,193,554	497,745	27,310,669	24,914,083
EXCESS OF REVENUE OVER EXPENDITURE	486,858	-	-	486,858	1,125,855
FUND BALANCES,					
Beginning of year	7,107,908	2,085,086	-	9,192,994	8,477,499
Transfer to NLC Foundation	-	-	-	-	(410,360)
Interfund transfers	(2,128,565)	2,128,565	-	-	-
FUND BALANCES, end of year	\$ 5,466,201	\$ 4,213,651	\$ -	\$ 9,679,852	\$ 9,192,994

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2005

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 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

These financial statements have been prepared in accordance with generally accepted accounting principles and reflect the following policies.

Financial instruments

The College's financial instruments consist of cash, receivables, payables and accruals and a note payable. Unless otherwise noted, it is management's opinion that the College is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Use of estimates

These financial statements have been prepared in accordance with accounting practices generally accepted in Canada. In preparing these financial statements, management has made estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

Revenue Recognition

The College follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when they are received.

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 unamortized 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 unamortized deferred capital contributions or recognized as revenue, but are recorded as direct increases in net assets in the period the assets are acquired.

Unamortized deferred capital contributions are recognized as revenue in the period in which the related capital assets are amortized. Unamortized 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.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2005

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

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.

Trust Fund

The trust fund reflects monies received on behalf of the Northern Lights College Foundation and disbursed to the latter in the same year.

Inventory

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

Prepaid Expenses

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

Capital Assets

Capital assets are recorded at cost. 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.

Amortization is provided as follows (in years):

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

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2005

3 RECEIVABLES

	<u>2 0 0 5</u>	<u>2 0 0 4</u>
Receivables		
Trade	\$ 577,395	\$ 733,585
Student support	13,070	12,032
Other	2,343	4,899
	<u>592,808</u>	<u>750,516</u>
Less: Allowance for doubtful accounts	<u>(74,136)</u>	<u>(39,253)</u>
	<u>\$ 518,672</u>	<u>\$ 711,263</u>

4 CAPITAL ASSETS

	<u>2 0 0 5</u>			<u>2004</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 450,000	\$ -	\$ 450,000	\$ 450,000
Buildings - wood	12,590,137	5,224,281	7,365,856	7,543,319
Buildings - concrete	25,470,816	7,027,691	18,443,125	15,520,129
Furniture and equipment	11,732,963	9,665,481	2,067,482	1,937,549
Computer equipment	1,569,678	968,437	601,241	425,272
Site improvements	2,703,930	1,297,282	1,406,648	1,378,087
Library books	364,476	364,476	-	-
Leasehold improvements	293,504	141,377	152,127	175,529
sub-total	<u>55,175,504</u>	<u>24,689,025</u>	<u>30,486,479</u>	<u>27,429,885</u>
Building - in progress	164,885	-	164,885	2,001,711
	<u>\$ 55,340,389</u>	<u>\$ 24,689,025</u>	<u>\$ 30,651,364</u>	<u>\$ 29,431,596</u>

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2005

5 PAYABLES AND ACCRUALS

	<u>2 0 0 5</u>	<u>2 0 0 4</u>
Trade	\$ 834,905	\$ 1,256,090
Payroll	166,706	158,137
Overtime	17,229	14,923
Vacation	503,470	491,668
Other leave	114,705	94,258
	<u>\$ 1,637,015</u>	<u>\$ 2,015,076</u>

6 NOTE PAYABLE

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 is 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.

Principal and interest payments due within the next five years, assuming no change in any of the term of the note payable, are as follows:

	Principal	Interest	Total
2006	\$ 141,251	\$ 249,433	\$ 390,684
2007	151,063	239,621	390,684
2008	161,560	229,124	390,684
2009	173,071	217,613	390,684
2010	185,087	205,597	390,684

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

7 UNFUNDED ACCRUED PAYROLL BENEFIT

In conformance with CICA 3461, accounting for employee future benefits, the Northern Lights College recorded the actuarial valuation of such benefits specified in the faculty and support collective agreements under the sub-title of retiring allowance. This amount is not funded by the grants received from the Government of British Columbia.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2005

8 DEFERRED CONTRIBUTIONS

		<u>2005</u>	<u>2004</u>
Operating	- unrestricted	\$ 425,202	\$ 427,880
	- externally restricted	668,140	725,525
	Sub-total	<u>1,093,342</u>	<u>1,153,405</u>
Capital	- deferred capital revenue	<u>23,538,360</u>	<u>23,576,516</u>
		<u>\$ 24,631,702</u>	<u>\$ 24,729,921</u>

9 CHANGES IN NON-CASH WORKING CAPITAL COMPONENTS

		<u>2005</u>	<u>2004</u>
Receivables - decrease (increase)		\$ 192,591	\$ (369,796)
Inventory - (increase) decrease		(9,841)	5,464
Prepaid expenses - (increase)		(221,935)	(136,453)
Payables and accruals - (decrease) increase		<u>(378,061)</u>	<u>900,806</u>
		<u>\$ (417,246)</u>	<u>\$ 400,021</u>

10 PENSION LIABILITY

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 represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has over 10,000 active contributors from college senior administration and instructional staff and approximately 2,600 retired members. The Municipal Pension Plan has about 123,000 active contributors, with approximately 5,000 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2003 indicated an unfunded liability of \$50 million for basic pension benefits. The next valuation will be as at August 31, 2006 with results available in 2007. The most recent valuation for the Municipal Pension Plan as at December 31, 2003 indicated an unfunded liability of \$789 million for basic pension benefits. The next valuation will be as at December 31, 2006 with results available in 2007. The actuary does not attribute portions of the unfunded liability to individual employers. The employer contributions paid for by Northern Lights College totalled \$635,459 and \$156,418 to the College Pension Plan and Municipal Pension Plan, respectively, in the fiscal year ended March 31, 2005.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2005

11 OPERATING FUND REVENUE AND EXPENDITURE

	2 0 0 5			2004	
	Operating	Ancillary Services	Specific Purpose	Total	Total
REVENUE	\$ 22,159,702	\$ 1,338,774	\$ 1,607,752	\$ 25,106,228	\$ 23,915,767
EXPENDITURE	20,324,357	1,587,505	2,707,508	24,619,370	22,789,912
	<u>\$ 1,835,345</u>	<u>\$ (248,731)</u>	<u>\$ (1,099,756)</u>	<u>\$ 486,858</u>	<u>\$ 1,125,855</u>

12 TRUST FUND

The Northern Lights College serves as an agent in receiving donations or grants for Northern Lights College Foundation. Any monies received are turned over to the NLC Foundation in the same year.

NORTHERN LIGHTS COLLEGE

SCHEDULE OF GRANTS, TUITION FEES, AND OTHER REVENUE

YEAR ENDED MARCH 31, 2005

	2 0 0 5			2004
	Operating Fund	Capital Fund	Trust Fund	Total
Ministry of Advanced Education, Training and Technology				
Continuing programs	\$ 15,242,534	\$ -	-	\$ 14,866,997
Temporary programs	1,878,000	-	-	1,980,930
Student support	76,987	-	-	55,727
Leases	48,000	-	-	53,578
Capital grant	273,515	-	-	273,498
Insurance	16,637	-	-	15,451
	<u>17,535,673</u>	<u>-</u>	<u>-</u>	<u>17,246,181</u>
Total Ministry of Advanced Education, Training and Technology Grants				
Tuition Fees				
Continuing programs	2,294,535	-	-	2,294,535
Other activities	1,456,662	-	-	1,262,820
	<u>3,751,197</u>	<u>-</u>	<u>-</u>	<u>3,406,330</u>
Total tuition fees				
Other revenue				
Amortization of deferred contributions	-	2,193,554	-	2,124,171
Contract services	1,573,686	-	497,745	949,656
Services and sales	1,949,375	-	-	1,845,484
Investments	182,819	-	-	222,833
Other	113,478	-	-	245,283
	<u>3,819,358</u>	<u>2,193,554</u>	<u>497,745</u>	<u>5,387,427</u>
Total other income				
	<u>\$ 25,106,228</u>	<u>\$ 2,193,554</u>	<u>\$ 497,745</u>	<u>\$ 26,039,938</u>
TOTAL REVENUE (to Page 3)				

NORTHERN LIGHTS COLLEGE
 SCHEDULE OF EXPENDITURE
 YEAR ENDED MARCH 31, 2005

	2 0 0 5			2004
(Page 13) Operating Fund	Capital Fund	Trust Fund	Total	Total
Academic/technical program	\$ 3,136,438	\$ -	\$ 3,136,438	\$ 3,297,684
Vocational programs	8,135,413	497,745	8,633,158	7,620,848
Continuing Education programs	2,499,882	-	2,499,882	2,012,065
General instruction support	442,004	-	442,004	463,669
Student support	1,632,581	-	1,632,581	1,675,620
Administrative support	4,600,388	-	4,600,388	3,660,473
Facilities support	2,263,028	-	2,263,028	2,164,020
Ancillary services	1,587,505	-	1,587,505	1,574,831
Amortization	-	2,193,554	2,193,554	2,124,171
Insurance	16,637	-	16,637	15,451
Maintenance	305,494	-	305,494	305,251
TOTAL EXPENDITURE (to Page 3)	\$ 24,619,370	\$ 497,745	\$ 27,310,669	\$ 24,914,083

NORTHERN LIGHTS COLLEGE
SUPPLEMENTARY SCHEDULE OF OPERATING FUND EXPENDITURE
YEAR ENDED MARCH 31, 2005
(Unaudited)

	2003/2004		2004/2005		Administration	Academic	Vocational	Student Support	Facilities	Continuing Education	Library	Ancillary
	BUDGET	ACTUAL	BUDGET	ACTUAL								
Salaries and benefits	16,425,021	15,183,972	17,008,693	16,447,791	3,397,316	2,458,060	6,397,521	1,370,112	989,690	1,068,651	288,970	477,471
Supplies	5,433,256	1,722,258	6,004,688	1,897,647	260,429	90,304	843,764	42,101	82,109	248,916	52,224	277,800
Contract fees	988,358	1,768,633	769,695	1,729,993	184,662	356,059	287,317	32,087	5,064	833,293	22,186	9,325
Utilities	-	525,682	-	536,801	-	-	13,281	-	498,598	-	-	24,922
Book purchases	25,867	515,249	24,800	510,605	-	-	98	-	-	272	34,406	475,829
Building maintenance	30,000	446,037	-	409,945	-	-	6,516	-	395,527	-	-	7,902
Publicity	46,000	241,351	41,200	343,975	182,552	23,755	62,698	10,384	2,813	58,695	266	2,812
Training	259,941	249,105	203,743	317,108	31,482	62,669	158,178	18,271	1,531	44,598	186	193
Travel - in region	51,500	268,982	64,500	309,165	80,394	44,369	73,964	17,121	4,602	86,718	1,389	608
Janitorial services	7,500	318,870	-	296,719	-	-	-	-	279,881	-	-	16,838
Interest expense	-	267,363	-	269,629	-	-	-	-	-	-	-	269,629
Travel - out of region	67,000	233,275	82,000	265,898	93,137	52,232	62,713	15,369	1,840	34,399	4,623	1,585
Telephone	34,953	175,613	34,903	213,635	125,331	9,087	58,382	805	12,232	5,629	25	2,144
Photocopy	3,400	116,988	3,475	169,538	53,154	26,849	68,290	4,017	742	14,710	308	1,468
Space rental	28,000	101,308	54,800	149,425	551	3,005	9,842	2,766	131,399	1,862	-	-
Bursaries	119,571	140,339	155,589	120,763	3,000	-	-	108,512	-	9,251	-	-
Vehicle operations	4,000	48,596	4,000	98,171	807	3,910	30,832	-	46,957	15,665	-	-
Equipment maintenance	9,500	62,147	-	86,699	17,999	-	17,667	-	32,781	16,441	-	1,811
Insurance	-	68,840	-	71,891	18,093	914	17,083	-	24,753	-	-	11,048
Postage	4,000	66,911	4,000	71,817	39,265	3,095	16,496	1,188	-	-	-	1,140
Grounds maintenance	-	57,354	-	49,238	-	-	26	-	49,283	-	-	(71)
Relocation expenses	-	25,910	84,000	49,180	8,519	-	-	-	-	40,661	-	-
Legal fees	-	55,012	-	42,274	38,591	-	-	3,683	-	-	-	-
Courier	1,500	29,851	2,000	30,865	12,937	1,156	5,795	334	862	2,186	2,584	5,011
Credit card fees	-	23,109	-	30,050	30,050	-	-	-	-	-	-	-
Periodicals	20,000	20,148	20,000	19,949	-	-	-	-	-	-	19,949	-
Equipment rental	7,600	11,881	-	19,577	1,660	524	1,652	45	7,838	-	-	-
Audit fees	-	21,997	-	18,007	15,449	-	-	2,558	-	-	-	-
Video materials	7,500	8,534	6,000	14,302	-	-	-	-	-	-	14,302	-
Medical travel	-	-	-	11,399	11,399	-	-	-	-	-	-	-
Facsimile	200	12,337	200	11,123	8,108	400	2,550	(25)	12	48	(10)	40
Recreation	500	4,106	500	4,143	92	50	748	3,253	-	-	-	-
Bank charges	-	3,062	-	3,730	3,730	-	-	-	-	-	-	-
Foreign exchange	-	(4,908)	-	(1,682)	(1,682)	-	-	-	-	-	-	-
TOTAL	23,575,167	22,789,912	24,568,786	24,619,370	4,617,025	3,136,438	8,135,413	1,632,581	2,568,522	2,499,882	442,004	1,587,505