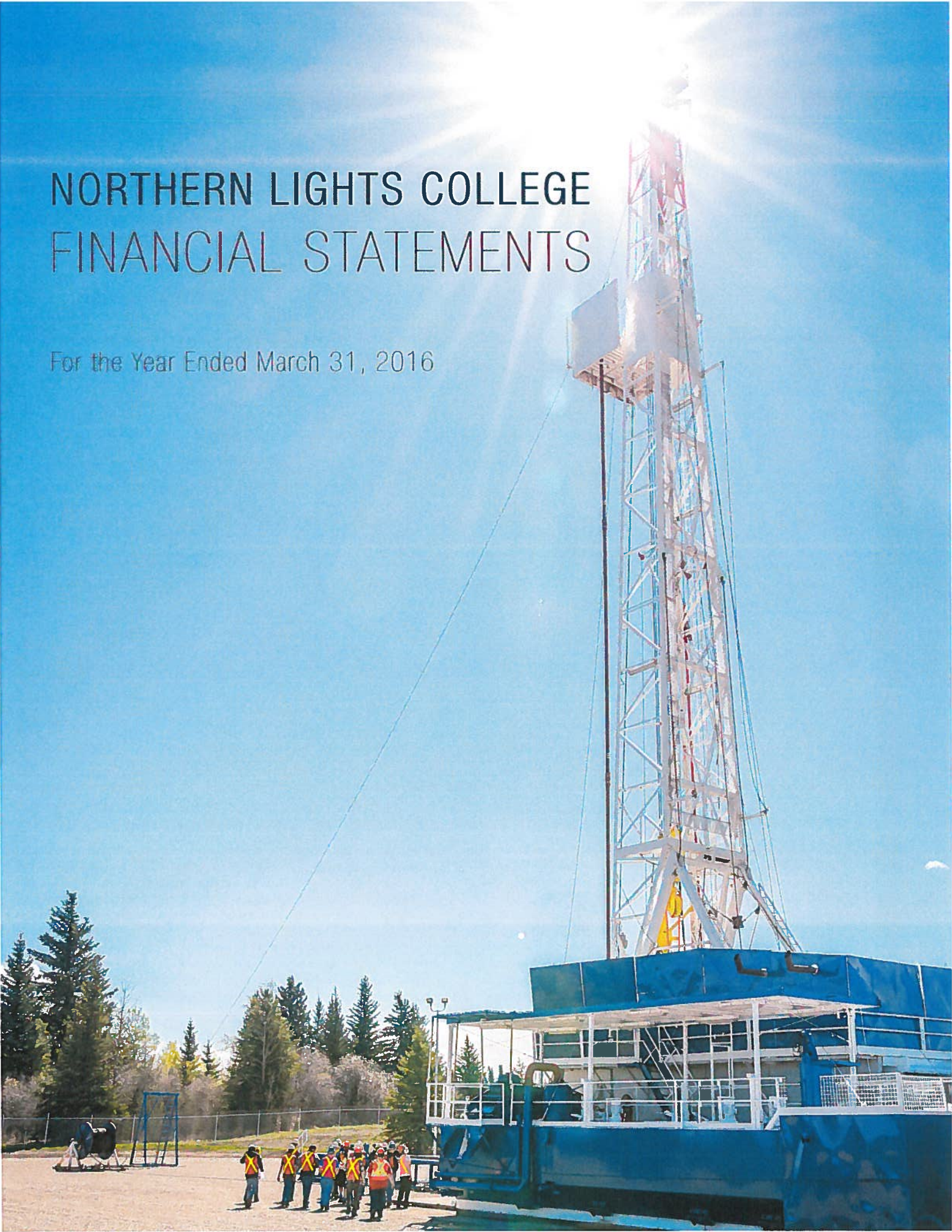


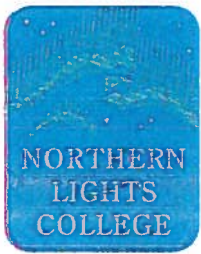
NORTHERN LIGHTS COLLEGE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016



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B.C.'s Energy College™

**NORTHERN LIGHTS COLLEGE
REGIONAL ADMINISTRATION**

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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

John Kurjata
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

2.

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Lights College, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and accumulated surplus, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 B.C. 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Lights College as at March 31, 2016 and its results of operations and its cash flows 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 B.C. Regulation 198/2011, "Restricted Contributions Regulation".

(continues)

Independent Auditor's Report (continued)**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.

Dawson Creek, BC
May 13, 2016

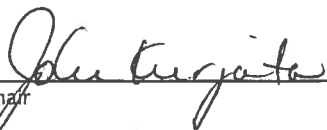
Sander Rose Bone Grindle LLP
Chartered Professional Accountants

NORTHERN LIGHTS COLLEGE
 STATEMENT OF FINANCIAL POSITION
 MARCH 31, 2016

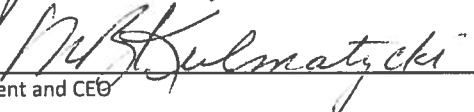
4.

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash	\$ 9,504,726	\$ 9,051,127
Accounts receivable (Note 3)	1,309,757	1,374,826
Inventory for resale and other assets held for sale (Note 4)	378,917	259,753
	<u>11,193,400</u>	<u>10,685,706</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	3,371,944	4,437,900
Employee future benefits (Note 6)	353,000	346,000
Deferred revenue (Note 7)	4,829,643	4,780,680
Deferred contributions (Note 8)	347,317	115,317
Deferred capital contributions (Note 9)	45,321,332	45,095,886
Long term debt (Note 10)	3,344,000	3,531,000
	<u>57,567,236</u>	<u>58,306,783</u>
NET DEBT	<u>(46,373,836)</u>	<u>(47,621,077)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	52,469,045	52,763,893
Prepaid expenses	79,123	133,828
	<u>52,548,168</u>	<u>52,897,721</u>
ACCUMULATED SURPLUS (Note 13)	<u>\$ 6,174,332</u>	<u>\$ 5,276,644</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, 2016

5.

	<u>2016</u>	<u>2016</u>	<u>2015</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
		<u>(unaudited)</u>	
REVENUE			
Province of British Columbia grants:			
Ministry of Advanced Education, Innovation and Technology	\$ 18,785,954	\$ 16,610,131	\$ 18,372,994
Industry Training Authority	1,623,935	1,847,244	2,019,888
Ministry of Jobs Tourism and Skills Training	-	-	592,711
Tuition and student fees	7,018,528	6,713,340	6,745,607
Revenue recognized from deferred capital contributions (Note 9)	2,701,574	2,542,362	2,574,518
Contract services	651,322	778,510	867,453
Sales of goods and services	2,246,471	2,420,704	2,197,904
Interest	82,242	50,025	77,375
Other	420,338	559,232	535,256
Total Revenue	<u>33,530,364</u>	<u>31,521,548</u>	<u>33,983,706</u>
EXPENDITURES (Note 18)			
Instruction	11,775,096	11,906,803	13,161,825
Academic and Student Support	5,217,975	4,673,163	4,536,408
General Administration	6,151,501	6,336,896	6,130,529
Facility Operations and Maintenance	4,028,431	3,543,614	3,539,615
Ancillary Operations	1,852,432	1,579,217	1,669,050
Amortization	3,607,241	3,455,362	4,227,786
Total Expenditures	<u>32,632,676</u>	<u>31,495,055</u>	<u>33,265,213</u>
ANNUAL SURPLUS	<u>897,688</u>	<u>26,493</u>	<u>718,493</u>
ACCUMULATED SURPLUS, beginning of year	<u>5,276,644</u>	<u>5,276,644</u>	<u>4,558,151</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 6,174,332</u>	<u>\$ 5,303,137</u>	<u>\$ 5,276,644</u>

See accompanying notes to the financial statements

NORTHERN LIGHTS COLLEGE
 STATEMENT OF CHANGE IN NET DEBT
 FISCAL YEAR ENDED MARCH 31, 2016

6.

	<u>2016</u>	<u>2016</u>	<u>2015</u>
	<u>Actual</u>	<u>Budget</u> <u>(unaudited)</u>	<u>Actual</u>
ANNUAL SURPLUS	\$ 897,688	\$ -	\$ 718,493
Acquisition of tangible capital assets	(3,312,395)	(18,395,306)	(4,606,458)
Amortization of tangible capital assets	<u>3,607,243</u>	<u>3,455,362</u>	<u>4,227,786</u>
	1,192,536	(14,939,944)	339,821
Acquisition of prepaids and deposits	(52,276)	-	(84,843)
Use of prepaids and deposits	<u>106,981</u>	<u>-</u>	<u>190,185</u>
DECREASE (INCREASE) IN NET DEBT	1,247,241	(14,939,944)	445,163
NET DEBT, beginning of year	<u>(47,621,077)</u>	<u>(47,621,077)</u>	<u>(48,066,240)</u>
NET DEBT, end of year	<u>\$ (46,373,836)</u>	<u>\$ (62,561,021)</u>	<u>\$ (47,621,077)</u>

See accompanying notes to the financial statements

NORTHERN LIGHTS COLLEGE
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED MARCH 31, 2016

7.

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Annual surplus	\$ 897,688	\$ 718,493
Non-cash items:		
Amortization of tangible capital assets	3,607,243	4,227,786
Revenue recognized from deferred capital contributions	(2,701,574)	(2,574,518)
Decrease in receivables	65,069	473,573
(Increase) Decrease in inventory	(119,164)	251,857
Decrease in prepaids and deposits	54,705	105,342
(Decrease) increase in payables and accruals	(1,058,956)	1,318,679
Increase in deferred revenue	48,963	1,404,303
	<u>793,974</u>	<u>5,925,515</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(3,312,395)	(4,606,458)
Deferred contributions, net increase	3,159,020	2,604,371
	<u>(153,375)</u>	<u>(2,002,087)</u>
FINANCING ACTIVITIES		
Paydown on long term debt	(187,000)	(174,000)
	<u>(187,000)</u>	<u>(174,000)</u>
INCREASE IN CASH	453,599	3,749,428
CASH, beginning of year	<u>9,051,127</u>	<u>5,301,699</u>
CASH, end of year	<u>\$ 9,504,726</u>	<u>\$ 9,051,127</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 year 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 December 31, 2015. During the year 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, none of the College's cash has been restricted for use.

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. Works of art and historic assets are not recorded as assets in these financial statements.

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 4, 2015. 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>2016</u>	<u>2015</u>
Receivables		
Student	\$ 704,783	\$ 555,126
Trade	520,865	994,847
Other	401,194	102,821
	<u>1,626,842</u>	<u>1,652,794</u>
Less: allowance for doubtful accounts	<u>(317,085)</u>	<u>(277,968)</u>
	<u>\$ 1,309,757</u>	<u>\$ 1,374,826</u>

4. INVENTORY FOR RESALE AND OTHER ASSETS HELD FOR SALE

	<u>2016</u>	<u>2015</u>
Inventories for resale	\$ 326,488	\$ 257,207
Other assets held for sale	<u>52,429</u>	<u>2,545</u>
	<u>\$ 378,917</u>	<u>\$ 259,753</u>

Other assets held for sale comprises of the residential construction home.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2016</u>	<u>2015</u>
Trade - Federal	\$ 180,630	\$ 146,871
- Provincial and regional governments	27,500	32,944
- General	1,858,107	2,937,387
Payroll	775,893	800,877
Overtime	44,236	31,164
Vacation	<u>485,578</u>	<u>488,657</u>
	<u>\$ 3,371,944</u>	<u>\$ 4,437,900</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 provided are based on a formula. As at August 31, 2015, the College Pension Plan has about 14,000 active members, and approximately 6,500 retired members. As at December 31, 2014, the Municipal Pension Plan has about 185,000 active members, including approximately 5,800 from colleges.

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 is then adjusted to the extent there is amortization of any funding deficit.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2012, indicated a \$105 million funding deficit for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2012, indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis.

The Northern Lights College paid \$1,342,882 (2015-\$1,259,843) for employer contributions to the Plan in fiscal 2015-2016, which represents 0.07 per cent of the total plan contributions. The Northern Lights College expects to pay \$1,356,310 for employer contributions in the next fiscal year.

The next valuation for the College Pension Plan will be as at August 31, 2015, with results available in 2016. The next valuation for the Municipal Pension Plan will be December 31, 2015, with results available in 2016.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for 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 December 2013.

	Sick leave	Retirement Benefits Payments	2016 Total	2015
Accrued benefits obligation	<u>\$ -</u>	<u>\$ 353,000</u>	<u>\$ 353,000</u>	<u>\$ 346,000</u>

7. DEFERRED REVENUE

	<u>2016</u>	<u>2015</u>
Tuition	\$ 2,282,189	\$ 1,972,929
Other	<u>2,547,454</u>	<u>2,807,751</u>
	<u>\$ 4,829,643</u>	<u>\$ 4,780,680</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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 115,317	\$ 90,317
Funds received:		
Provincial and Federal capital grants	3,441,019	2,864,034
Other capital and fundraising grants	232,000	25,000
Funds used:		
Capital purchases	(2,750,021)	(2,491,558)
Maintenance and related expenses	<u>(690,998)</u>	<u>(372,476)</u>
Balance, end of year	<u>\$ 347,317</u>	<u>\$ 115,317</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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 45,095,885	\$ 45,091,033
Current year's acquisitions funded by provincial capital contributions	2,750,021	2,491,558
Current year's acquisitions funded by other capital contributions	177,000	87,812
Revenue recognized from deferred capital contributions	<u>(2,701,574)</u>	<u>(2,574,518)</u>
Balance, end of year	<u>\$ 45,321,332</u>	<u>\$ 45,095,885</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 five years, assuming no change in any of the terms, are as follows:

	Principal	Interest	Total
2017	198,000	72,647	270,647
2018	203,000	68,350	271,350
2019	207,000	63,742	270,742
2020	213,000	59,646	272,646
2021	2,523,000	13,503	2,458,689

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.

11. TANGIBLE CAPITAL ASSETS

Cost	Balance at March 31, 2015	Additions	Disposals	Balance at March 31, 2016
Land	\$ 568,977	\$ -	\$ -	\$ 568,977
Buildings - wood	18,811,575	-	-	18,811,575
Buildings - concrete	53,974,967	1,950,956	-	55,925,923
Furniture and equipment	19,972,092	1,098,662	(17,718)	21,053,036
Heavy equipment	254,594	-	(54,134)	200,460
Computer equipment	3,553,385	180,425	-	3,733,810
Computer software	1,150,542	-	-	1,150,542
Site improvements	3,401,521	-	-	3,401,521
Books and media	417,199	-	-	417,199
Leasehold improvements	710,284	-	-	710,284
Work in progress	2,009,579	82,352	-	2,091,931
Total	\$ 104,824,715	\$ 3,312,395	\$ (71,852)	\$ 108,065,258

Accumulated Amortization	Balance at March 31, 2015	Disposals	Amortization Expense	Balance at March 31, 2016
Buildings - wood	\$ 11,767,845	\$ -	\$ 755,339	\$ 12,523,184
Buildings - concrete	15,432,856	-	1,442,556	16,875,412
Furniture and equipment	16,389,725	(17,718)	1,156,337	17,528,344
Heavy equipment	124,214	(54,134)	26,076	96,156
Computer equipment	3,299,597	-	143,584	3,443,181
Computer software	1,124,431	-	14,680	1,139,111
Site improvements	2,830,927	-	63,399	2,894,326
Books and media	380,943	-	5,272	386,215
Leasehold improvements	710,284	-	-	710,284
Work in progress	-	-	-	-
Total	\$ 52,060,822	\$ (71,852)	\$ 3,607,243	\$ 55,596,213

11. TANGIBLE CAPITAL ASSETS (continued)

Net Book Value	2016	2015
Land	\$ 568,977	\$ 568,977
Buildings - wood	6,288,391	7,043,730
Buildings - concrete	39,050,511	38,542,111
Furniture and equipment	3,524,692	3,582,367
Heavy equipment	104,304	130,380
Computer equipment	290,629	253,789
Computer software	11,431	26,109
Site improvements	507,195	570,594
Books and media	30,984	36,257
Leasehold improvements	-	-
Work in progress	2,091,931	2,009,579
Total	\$ 52,469,045	\$ 52,763,893

During the fiscal year Northern Lights College received contributed equipment totaling \$177,000; (2015-\$132,062) 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>2016</u>	<u>2015</u>
Operating Fund	\$ 2,414,868	\$ 1,183,886
Capital Fund	<u>3,759,464</u>	<u>4,092,758</u>
	<u>\$ 6,174,332</u>	<u>\$ 5,276,644</u>

14. INTEREST PAID

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

	<u>2016</u>	<u>2015</u>
Interest Paid	<u>\$ 88,186</u>	<u>\$ 135,915</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, 2015 – increase in accumulated surplus by \$46,239,472, a decrease in deferred revenue by \$519,828, deferred contributions by \$115,317, and deferred capital contributions by \$42,604,327.

March 31, 2016 – increase in accumulated surplus by \$43,688,456, a decrease in deferred revenue by \$769,827, deferred contributions by \$347,318, and deferred capital contributions by \$42,571,311.

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.

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 18 SEGMENTED INFORMATION (CONTINUED)

	2015		2016		Instruction	Academic and Student Support	General Administration	Facilities	Amortization	Ancillary Operations
	Total	Total	Total	Total						
REVENUE										
Province of British Columbia grants	\$ 20,985,593	\$ 20,409,889	\$ 18,959,799	\$ 598,989	\$ -	\$ -	\$ 838,597	\$ -	\$ -	\$ 12,504
Tuition and student fees	6,745,607	7,018,528	4,392,133	2,567,719	53,887	-	-	-	-	4,789
Revenue recognized from deferred capital contributions	2,574,518	2,701,574	-	-	-	-	-	2,701,574	-	-
Contract services	867,453	651,322	651,322	-	-	-	-	-	-	-
Sales of goods and services	2,197,904	2,246,471	514	61,587	-	-	149,267	-	-	2,035,103
Interest	77,375	82,242	-	-	-	82,242	-	-	-	-
Other	535,256	420,338	407,725	1,431	9,188	1,794	-	-	-	200
	33,983,706	33,590,364	24,411,493	3,229,726	145,317	989,658	2,701,574	2,052,596		
EXPENSES										
Salaries and benefits	18,195,126	18,856,362	9,680,966	3,565,041	3,304,421	-	1,688,587	-	-	617,347
Supplies	1,429,739	1,036,652	706,985	64,088	65,897	-	70,022	-	-	129,660
Contract fees	2,163,279	2,175,896	1,025,825	642,784	-	-	50,955	-	-	-
Amortization	4,227,786	3,607,241	-	-	-	-	-	3,607,241	-	-
Utilities	893,328	908,332	30,407	-	-	-	-	-	-	212,950
Book purchases	608,678	668,957	-	-	-	-	-	-	-	638,550
Building maintenance	737,893	1,124,466	20,233	55,202	22	-	892,987	-	-	231,457
Publicity	436,400	383,599	1,654	75	191,081	-	-	-	-	894
Training	652,030	193,290	665	99,929	-	-	-	-	-	480
Course program and development	3,446	100,594	-	-	-	-	-	-	-	-
Ownership linkage	767	-	-	-	-	-	-	-	-	-
Travel - in region	128,511	133,004	64,176	29,286	34,329	-	5,213	-	-	-
Conferences and meetings	58,183	119,797	13,148	16,896	88,775	-	-	-	-	-
Membership fees	184,321	159,939	24,942	28,136	105,493	-	563	-	-	805
Janitorial services	124,484	121,485	-	-	35	-	118,050	-	-	3,400
Interest expense	135,915	88,186	-	-	-	-	-	-	-	-
Travel - out of region	217,371	154,142	39,678	55,895	54,092	-	3,773	-	-	704
Telephone, fax and internet	258,494	246,010	39,689	5,978	182,498	-	13,462	-	-	4,383
Photocopy	147,060	112,203	-	-	112,203	-	-	-	-	-
Space rental	311,709	274,650	8,901	105,159	793	-	159,797	-	-	-
Bursaries	728,945	414,441	20,726	414,441	-	-	-	-	-	-
Vehicle operations	111,267	110,689	68,134	-	2,416	-	87,547	-	-	-
Equipment maintenance	156,555	154,120	3,336	4,322	417,250	-	79,312	-	-	6,674
Computer maintenance	279,456	424,908	-	-	393,497	-	-	-	-	-
Computer lease	353,781	393,497	-	-	-	-	-	-	-	-
Insurance	72,195	56,266	-	2,100	-	-	54,166	-	-	-
Grounds maintenance	51,534	102,492	-	-	90,638	-	102,175	-	-	317
Relocation expenses	228,372	90,638	-	-	60,118	-	-	-	-	-
Legal fees	80,677	82,324	15,819	22,206	48,369	-	2,097	-	-	4,578
Courier and postage	72,375	73,636	108	80,239	-	-	1,075	-	-	-
Periodicals	72,211	81,422	3,971	9,880	-	-	1,537	-	-	-
Equipment rental	4,129	5,508	296	13,445	-	-	687	-	-	-
Audit fees	26,490	32,324	-	-	38,181	-	-	-	-	-
Recreation	20,178	15,743	-	-	-	-	-	-	-	-
Bad debts	618	38,181	-	-	85,846	-	-	-	-	-
Bank and credit card fees	91,910	91,682	5,437	100	-	-	66	-	-	233
	33,265,213	33,632,676	11,775,096	5,217,975	6,151,501	4,028,431	3,607,241	1,852,432		
ANNUAL SURPLUS (DEFICIT)	\$ 718,493	\$ 897,688	\$ 12,636,397	\$ (1,988,249)	\$ (6,006,184)	\$ (3,038,773)	\$ (905,667)	\$ 200,164		