

Financial Statements of

**NICOLA VALLEY INSTITUTE
OF TECHNOLOGY**

Year ended March 31, 2019

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Financial Statements

Year ended March 31, 2019

Financial Statements

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STATEMENT OF ADMINISTRATIVE RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Nicola Valley Institute of Technology (the "Institute") is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and Treasury Board direction outlined in note 1(a). This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting measurement of transactions in which objective judgment is required. In fulfilling its responsibilities and recognizing the limits inherent in all systems, the Institute's management has developed and maintains a system of internal controls designed to provide reasonable assurance that Institute's assets are safeguarded from loss and that the accounting records are a reliable basis for preparation of financial statements. The system of internal controls is monitored by the Institute's management.

The Board of Governors carries out its responsibility for review of the financial statements principally through its Audit and Risk Management Committee. The members of the Audit and Risk Management Committee are not officers or employees of the Institute. The Audit and Risk Management Committee meets with the management and with the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit and Risk Management Committee, with and without the presence of management.

The financial statements have been examined by KPMG LLP, Chartered Professional Accountants, the external auditors appointed by the Institute's Board of Governors. The Independent Auditors' Report outlines the nature of their examination and expresses an opinion on the financial statements of the Institute for the year ended March 31, 2019.

On behalf of Nicola Valley Institute of Technology:



Board Chairperson



Associate Vice President, Finance & Administration

May 13, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Nicola Valley Institute of Technology , and
To the Minister of Advanced Education, Skills & Training, Province of British Columbia

Opinion

We have audited the financial statements of Nicola Valley Institute of Technology (the Institute), which comprise:

- the statement of financial position as March 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2019 of the Institute are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Institute 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 these requirements.

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

Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 1(a) in the financial statements, which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' 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 auditors' 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism 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 Institute'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 Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- 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.

KPMG LLP

Chartered Professional Accountants

Kamloops, Canada

May 13, 2019

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 8,472,647	\$ 7,174,067
Accounts receivable (note 2)	1,972,534	1,879,884
Inventory for resale	132,258	123,796
Portfolio investments (note 3)	100,000	1,868,345
	<u>10,677,439</u>	<u>11,046,092</u>
Liabilities:		
Accounts payable and accrued liabilities (note 4)	1,502,402	3,402,251
Deferred revenue (note 5)	3,250,720	2,668,100
Debt (note 6)	2,735,045	2,687,407
Deferred capital contributions (note 7)	23,968,087	23,458,864
	<u>31,456,254</u>	<u>32,216,622</u>
Net debt	(20,778,815)	(21,170,530)
Non-financial assets:		
Tangible capital assets (note 8)	26,588,997	26,237,807
Endowment investments (note 9)	105,511	205,511
Prepaid expenses and deposits	25,901	114,441
	<u>26,720,409</u>	<u>26,557,759</u>
Accumulated surplus (note 11)	<u>\$ 5,941,594</u>	<u>\$ 5,387,229</u>

Employee future benefits (note 12)

Contractual obligations (note 13)

See accompanying notes to financial statements.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Operations and Accumulated Surplus

Year ended March 31, 2019, with comparative information for 2018

	Budget (note 1(l))	2019	2018
Revenue:			
Province of British Columbia grants	\$ 8,865,977	\$ 9,921,670	\$ 10,087,638
Government of Canada grants	-	242,830	1,140
Tuition and student fees	1,006,315	1,119,769	976,162
Contract services	800,000	1,802,615	1,414,364
Sales of goods and services	572,900	783,052	755,732
Recognition of deferred capital contributions (note 7)	1,333,000	1,262,469	994,376
Investment income	75,000	122,622	85,860
Other	53,640	188,250	209,906
	<u>12,706,832</u>	<u>15,443,277</u>	<u>14,525,178</u>
Expenses (note 14):			
Instruction and instructional support	12,163,092	14,071,551	13,383,675
Ancillary operations	498,740	673,797	613,622
Interest on debt	45,000	47,417	84,011
	<u>12,706,832</u>	<u>14,792,765</u>	<u>14,081,308</u>
Annual surplus before the undernoted	-	650,512	443,870
Endowment:			
Endowment interest (note 9)	-	3,853	3,585
Endowment repayment (note 9)	-	(100,000)	-
	-	(96,147)	3,585
Annual surplus	-	554,365	447,455
Accumulated surplus, beginning of year	5,387,229	5,387,229	4,939,774
Accumulated surplus, end of year	<u>\$ 5,387,229</u>	<u>\$ 5,941,594</u>	<u>\$ 5,387,229</u>

See accompanying notes to financial statements.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Changes in Net Debt

Year ended March 31, 2019, with comparative information for 2018

	Budget (note 1(l))	2019	2018
Annual surplus	\$ -	\$ 554,365	\$ 447,455
Capital activities			
Acquisition of tangible capital assets (note 8)	-	(1,858,755)	(9,039,663)
Amortization of tangible capital assets (note 8)	1,563,000	1,507,565	1,236,894
	1,563,000	203,175	(7,355,314)
Changes in other non-financial assets			
Net consumption of prepaid expenses	-	88,540	(19,130)
Endowment repayment	-	100,000	-
	-	188,540	(19,130)
Change in net debt	1,563,000	391,715	(7,374,444)
Net debt, beginning of year	(21,170,530)	(21,170,530)	(13,796,086)
Net debt, end of year	\$ (19,607,530)	\$ (20,778,815)	\$ (21,170,530)

See accompanying notes to financial statements.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 554,365	\$ 447,455
Items not involving cash:		
Amortization of tangible capital assets	1,507,565	1,236,894
Recognition of deferred capital contributions	(1,262,469)	(994,376)
Change in non-cash operating assets and liabilities:		
Accounts receivable	(92,650)	(1,104,868)
Inventory held for resale	(8,462)	(8,700)
Prepaid expenses and deposits	88,540	(19,129)
Accounts payable and accrued liabilities	(1,899,849)	2,098,925
Deferred revenue	582,620	585,284
	(530,340)	2,241,485
Financing activities:		
Issuance of debt	2,735,045	2,668,977
Repayment of debt	(2,687,407)	(2,696,655)
Additions to deferred capital contributions	1,771,692	7,690,344
	1,819,330	7,662,666
Capital activities:		
Acquisition of tangible capital assets	(1,858,755)	(9,039,663)
Investing activities:		
Net acquisition of portfolio investments	1,868,345	716,017
Increase in cash and cash equivalents	1,298,580	1,580,505
Cash and cash equivalents, beginning of year	7,174,067	5,593,562
Cash and cash equivalents, end of year	\$ 8,472,647	\$ 7,174,067

See accompanying notes to financial statements.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2019

Authority and Purpose:

Nicola Valley Institute of Technology (the "Institute") was designated as a provincial institute in 1995 and operates under the authority of the College and Institute Act of British Columbia. The Institute is a not for profit entity, governed by a Board of Governors appointed by the Ministry of Advanced Education, Skills & Training. The Institute is a registered charity and therefore exempt from income taxes under section 149 of the Income Tax Act.

The Institute provides quality post-secondary education relevant to the diverse and evolving needs of Indigenous (First Nations, Inuit and Métis) learners at its Merritt and Vancouver campuses as well as in communities.

1. Significant accounting policies:

The financial statements of the Institute are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the Institute are as follows:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred capital contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.
- (ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410 Government Transfers;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with PS3100 Restricted Assets and Revenues; and
- deferred contributions meet the criteria in accordance with PS 3200 Liabilities

As a result, revenue recognized in the statement of operations and accumulated surplus and certain related deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(c) Inventory for resale:

Inventory for resale in the bookstore is measured at the lower of cost and net realizable value, determined on a first-in, first-out basis.

(d) Financial instruments:

Financial instruments are classified into two categories: fair value or cost.

- (i) Fair value category: Financial instruments, including portfolio investments, that are quoted in an active market and derivative instruments are reflected at fair value as at the reporting date. Any gains, losses or interest expense is recorded in the annual surplus (deficit) depending on the nature of the financial liability that gave rise to the gain, loss or expense; sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of de-recognition, the related realized gains and losses are recognized in the Statement of Operations and related balances reversed from the Statement of Remeasurement Gains and Losses. As there are no unrealized gains or losses on portfolio investments as of March 31, 2019 and 2018, a Statement of Remeasurement Gains and Losses has not been presented.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

(ii) Cost category: Gains and losses are recognized in the Statement of Operations when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Accounts receivable, portfolio investments not quoted in an active market, accounts payable and accrued liabilities and debt are measured at amortized cost. Transaction costs related to the acquisition of investments are included in the cost of the related investments.

(e) 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.

(f) 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. Donated assets are recorded at fair value at the date of donation. In unusual circumstances where fair value cannot be reasonably determined, the tangible capital asset would be recognized at nominal value. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis, starting in the month of acquisition, over their estimated useful lives as follows at the following annual rates:

Asset	Rate
Buildings	2 1/2%
Site improvements	10%
Library acquisitions	10%
Mobile instructional equipment	10%
Other non-instructional equipment	10%
Automotive	25%
Office equipment and furniture	10-25%
Computers and software	33 1/3%-50%
Leasehold improvements	33 1/3%-50%

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(f) Tangible capital assets (continued):

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use. Deferred capital contributions associated with the written down capital asset are recognized as revenue if all restrictions have been complied with.

Tangible capital assets are written down to net realizable value when conditions indicate that they no longer contribute to the Institute's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

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

(g) Employee future benefits:

i) The Institute and its employees make contributions to College Pension Plan and Municipal Pension Plan which are multi-employer joint trustee plans. These plans are defined benefit plans, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as a defined contribution plan and any contributions of Institute to the plan are expensed as incurred.

ii) Prior to April 1, 2002, employees accrued sick leave benefits, with a change in benefits on that date a sick leave bank was created for employees who still had an accumulation of hours. The costs of these benefits are actuarially determined based on service and best estimates and the obligation under this benefit plan is accrued based on projected benefit utilization.

(h) Revenue recognition:

Tuition and student fees and sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured.

Unrestricted donations and grants are recorded as revenue when payment is received by the Institute.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(h) Revenue recognition (continued):

Restricted donations and grants are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.
- (iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as external endowment donations on the statement of operations for the portion to be held in perpetuity and as deferred contributions for the investment income earned thereon.
- (iv) Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary.

(i) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired if the contributions were not specifically restricted for capital.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures and the reported amounts of revenue and expenses. Key areas where management has made estimates and assumptions include those estimated useful lives of tangible capital assets and the recognition of related deferred capital contributions. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(k) Segmented information:

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. The Institute has provided definitions of segments used by the Institute as well as presented financial information in segmented format in note 15.

(l) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the annual budget approved by the Board of Governors on February 16, 2018. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Accounts receivable:

	2019	2018
Trade receivables	\$ 649,289	\$ 207,394
Government entities	1,035,881	1,260,593
Commodity taxes recoverable	46,835	162,062
Other receivables	240,529	249,835
	<u>\$ 1,972,534</u>	<u>\$ 1,879,884</u>

3. Portfolio investments:

	2019	2018
Portfolio investments:		
Guaranteed investment certificates maturing February 19, 2020 with interest rate of 2.61%	\$ 100,000	\$ 1,868,345
	<u>\$ 100,000</u>	<u>\$ 1,868,345</u>

Financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Institute's portfolio investments are all considered to be level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there were no significant transfers of securities between the different levels.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

4. Accounts payable and accrued liabilities:

	2019	2018
Trade payables	\$ 467,565	\$ 1,865,773
Salaries and benefits payable	478,670	403,434
Other	556,167	1,133,044
	<u>\$ 1,502,402</u>	<u>\$ 3,402,251</u>

5. Deferred revenue:

The deferred revenues, reported on the statement of financial position, consist of the following:

	2019	2018
Tuition	\$ 189,827	\$ 121,132
Contributions	3,052,943	2,533,803
Rent	7,950	13,165
Total deferred revenue	<u>\$ 3,250,720</u>	<u>\$ 2,668,100</u>

Continuity of deferred revenue is as follows:

	2019	2018
Balance, beginning of year:		
Tuition	\$ 121,132	\$ 130,518
Contributions	2,533,803	1,937,298
Rent	13,165	15,000
	<u>2,668,100</u>	<u>2,082,816</u>
Receipts:		
Tuition	1,188,464	966,776
Contributions	4,445,517	3,937,698
Rent	223,315	330,516
	<u>5,857,296</u>	<u>5,234,990</u>
Amount recorded as revenue	5,274,676	4,649,706
Balance, end of year	<u>\$ 3,250,720</u>	<u>\$ 2,668,100</u>

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

6. Debt:

	2019	2018
Ministry of Finance Provincial Treasury loan, at 1.95% (2018 - 1.40%), with \$2,752,744 repayable, including interest, on August 1, 2019	\$ 2,735,045	\$ 2,687,407
	\$ 2,735,045	\$ 2,687,407

7. Deferred capital contributions:

	2019	2018
Balance, beginning of year	\$ 23,458,864	\$ 16,762,896
Contributions received during the year	1,771,692	7,690,344
Recognition of deferred capital contributions	(1,262,469)	(994,376)
	\$ 23,968,087	\$ 23,458,864

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Tangible capital assets:

2019	Land	Buildings	Site and leasehold improvements	Library acquisitions	Mobile instructional equipment	Other non-instructional equipment	Automotive	Office equipment and furniture	Computers and software	Construction in progress	Total 2019
Cost:											
Balance, beginning of year	\$ 432,000	\$ 19,785,388	\$ 969,246	\$ 389,789	\$ 2,821,859	\$ 485,123	\$ 162,521	\$ 2,604,818	\$ 511,917	\$ 8,785,105	\$ 36,947,766
Additions	-	8,729,244	41,748	-	-	-	35,586	1,785,397	51,885	(8,785,105)	1,858,755
Balance, end of year	432,000	28,514,632	1,010,994	389,789	2,821,859	485,123	198,107	4,390,215	563,802	-	38,806,521
Accumulated amortization:											
Balance, beginning of year	-	5,877,707	533,190	376,450	1,425,345	132,731	133,837	1,747,011	483,688	-	10,709,959
Amortization	-	637,097	54,210	12,845	314,524	32,598	23,060	409,856	23,375	-	1,507,565
Balance, end of year	-	6,514,804	587,400	389,295	1,739,869	165,329	156,897	2,156,867	507,063	-	12,217,524
Net book value, end of year											
	\$ 432,000	\$ 21,999,828	\$ 423,594	\$ 494	\$ 1,081,990	\$ 319,794	\$ 41,210	\$ 2,233,348	\$ 56,739	\$ -	\$ 26,588,997

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Tangible capital assets (continued):

2018	Land	Buildings	Site and leasehold improvements	Library acquisitions	Mobile instructional equipment	Other non-instructional equipment	Automotive	Office equipment and furniture	Computers and software	Construction in progress	Total 2018
Cost:											
Balance, beginning											
of year	\$ 432,000	\$19,785,388	\$ 802,132	\$ 389,789	\$ 2,821,859	\$ 437,729	\$ 165,371	\$ 2,322,377	\$ 493,704	\$ 271,600	\$ 27,921,949
Additions	-	-	167,114	-	-	47,394	10,996	228,441	18,213	8,315,505	9,039,663
Disposals	-	-	-	-	-	-	(13,846)	-	-	-	(13,846)
Balance, end of year	432,000	19,785,388	969,246	389,789	2,821,859	485,123	162,521	2,604,818	511,917	8,785,105	36,947,766
Accumulated amortization:											
Balance, beginning											
of year	-	5,383,072	474,791	348,153	1,114,066	97,369	123,107	1,484,786	461,567	-	9,486,911
Amortization	-	494,635	58,399	28,297	311,279	35,362	24,576	262,225	22,121	-	1,236,894
Disposals	-	-	-	-	-	-	(13,846)	-	-	-	(13,846)
Balance, end of year	-	5,877,707	533,190	376,450	1,425,345	132,731	133,837	1,747,011	483,688	-	10,709,959
Net book value, end of year	\$ 432,000	\$13,907,681	\$ 436,056	\$ 13,339	\$ 1,396,514	\$ 352,392	\$ 28,684	\$ 857,807	\$ 28,229	\$ 8,785,105	\$ 26,237,807

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Tangible capital assets (continued):

(a) Assets under construction:

The Institute had \$nil (2018 - \$8,785,105) in assets under construction at March 31, 2019. Amortization of assets under construction commences when the asset is put into service.

(b) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset has been recognized at a nominal value.

(c) Write down of tangible capital assets:

No write down of tangible capital assets occurred during the year.

9. Endowments:

Endowments included as part of accumulated surplus is as follows:

	Principal	Accumulated Investment	2019	2018
Balance, beginning of year	\$ 205,511	\$ 2,207	\$ 207,718	\$ 206,883
Endowment repayment during the year	(100,000)	-	(100,000)	-
Interest earned	-	3,853	3,853	3,585
Use of endowment funds	-	(3,516)	(3,516)	(2,750)
Balance, end of year	\$ 105,511	\$ 2,544	\$ 108,055	\$ 207,718

Endowment investments of \$105,511 (2018 - \$205,511) consist of Central Deposit Program deposits earning interest at bank prime minus 1.50% (2019 - 2.45%, 2018 - 1.95%) and GIC's with Canadian Western Bank (CWB) earning interest at 2.61% (2018 - 1.75%).

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

10. Financial risk management:

The Institute 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 the Institute 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 the Institute if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Institute consisting of cash, portfolio investments, and accounts receivable. Unless otherwise disclosed in these financial statements, the Institute is not subject to significant credit risk associated with its financial instruments. The maximum credit risk for the Institute's financial assets is the carrying value of the assets.

(b) Market and interest rate risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Institute'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. It is management's opinion that the Institute is not exposed to significant market or interest rate risk arising from its financial instruments.

(c) Liquidity risk:

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as they become due. The Institute 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 the Institute's reputation.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

11. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2019	2018
Operating fund:		
Unrestricted surplus	\$ 3,154,112	\$ 2,335,735
Restricted	657,702	664,018
<u>Equity in tangible capital assets</u>	<u>1,801,847</u>	<u>1,959,880</u>
	5,613,661	4,959,633
Reserves set aside for operating purposes:		
Self funded building maintenance	219,878	219,878
Endowments (note 9)	108,055	207,718
<u>Total accumulated surplus</u>	<u>\$ 5,941,594</u>	<u>\$ 5,387,229</u>

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

12. Employee future benefits:

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trustee pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at August 31, 2018, the College Pension Plan has about 14,000 active members, and approximately 8,000 retired members. As at December 31, 2017, the Municipal Pension Plan has about 197,000 active members, including approximately 6,000 from colleges.

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

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

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

The Institute paid \$618,473 for employer contributions to the plan in fiscal 2019 (2018 – \$565,043).

The next valuation for the College Pension Plan will be as at August 31, 2018, with results available in 2019. The next valuation for the Municipal Pension Plan will be December 31, 2018, with results available in 2019.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

13. Contractual obligations:

The Institute is committed under operating leases for premises, vehicles, office equipment and maintenance contracts extending for various periods to the 2023 fiscal year. Estimated future minimum annual lease payments required over the next four years to maturity are as follows:

2020	\$	306,846
2021		276,004
2022		63,551
2023		48,875

14. Expenses by object:

	2019	2018
Expenses:		
Salaries and wages	\$ 5,965,223	\$ 5,459,572
Supplies and services	2,878,934	2,610,625
Fees and contract services	2,035,625	2,329,653
Amortization of tangible capital assets	1,507,565	1,236,894
Employee benefits	1,377,695	1,318,973
Professional and contracted services	333,110	283,178
Scholarships, bursaries and prizes	258,159	384,167
Rental	205,832	209,333
Utilities	184,174	164,070
Interest on debt	47,417	84,011
Foreign exchange (gain) loss	(969)	832
	<hr/> \$ 14,792,765	<hr/> \$ 14,081,308

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

15. Segmented information:

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

(a) Instruction & instructional support:

Instruction and instructional support includes all expenses related to the business of delivering education. This includes all direct and indirect expenses for instruction, support, and administration excluding ancillary operations.

(b) Ancillary operations:

Ancillary operations includes all expenses related to the bookstore, residence and cafeteria.

(c) Capital:

Reflects the Institute's receipts and disbursements for the acquisition of tangible capital assets.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

NICOLA VALLEY INSTITUTE OF TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2019

15. Segmented information (continued):

	Base Instruction							
	2018/ 2019 Budget	& Instructional support	CE, CS, SP Instruction & Instructional support	Ancillary operations	Capital		2019	2018
Revenue:								
Province of British Columbia grants	\$ 8,865,977	\$ 9,155,193	\$ 716,477	\$ -	\$ 50,000	\$	9,921,670	\$ 10,087,638
Tuition and student fees	1,006,315	946,765	173,004	-	-		1,119,769	976,162
Contract services	800,000	-	1,802,615	-	-		1,802,615	1,414,364
Recognition of deferred capital contributions	1,333,000	-	-	-	1,262,469		1,262,469	994,376
Sales of goods and services	572,900	-	-	783,052	-		783,052	755,732
Other	53,640	108,315	71,934	-	8,000		188,250	209,906
Investment income	75,000	122,622	-	-	-		122,622	85,860
Government of Canada grants	-	125,000	117,830	-	-		242,830	1,140
Total revenue	12,706,832	10,457,895	2,881,860	783,052	1,320,469		15,443,277	14,525,178
Expenses:								
Salaries and wages	5,685,210	5,608,788	243,689	112,747	-		5,965,223	5,459,572
Supplies and services	2,705,645	1,739,303	552,274	512,328	75,028		2,878,934	2,610,625
Fees and contract services	634,581	517,330	1,514,376	3,918	-		2,035,625	2,329,653
Employee benefits	1,274,985	1,203,922	171,644	2,128	-		1,377,695	1,318,973
Amortization of tangible capital assets	1,563,000	-	-	-	1,507,565		1,507,565	1,236,894
Professional and contracted services	327,070	289,468	41,857	1,785	-		333,110	283,178
Scholarships, bursaries and prizes	138,976	93,244	164,915	-	-		258,159	384,167
Rental	158,125	205,832	-	-	-		205,832	209,333
Utilities	174,240	143,283	-	40,891	-		184,174	164,070
Interest on debt	45,000	-	-	-	47,417		47,417	84,011
Foreign exchange (gain) loss	-	(969)	-	-	-		(969)	832
Total expenses	12,706,832	9,800,201	2,688,755	673,797	1,630,010		14,792,765	14,081,308
Annual surplus (deficit) before other items	-	657,694	193,105	109,255	(309,541)		650,512	443,870
Endowment contributions and income earned	-	-	3,853	-	-		3,853	3,585
Transfers	-	(210,867)	51,359	-	159,508		-	-
Endowment return	-	-	(100,000)	-	-		(100,000)	-
Annual surplus (deficit)	\$ -	\$ 446,827	\$ 148,317	\$ 109,255	\$ (150,033)	\$	554,365	\$ 447,455