NORTH ISLAND COLLEGE
FINANCIAL STATEMENTS
For the year ended March 31, 2018

North Island College
Index to the Financial Statements
For the year ended March 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of North Island College and the Minister of Advanced Education, Skills and Training, Province of British Columbia

We have audited the accompanying financial statements of North Island College, which comprise the statement of financial position as at March 31, 2018, the statements of operations and accumulated surplus, change in net financial assets (net debt), remeasurement gains and losses and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, including the schedule of expenses by object.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation 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 of North Island College, as at March 31, 2018, and for the year then ended, 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2(a) to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
June 14, 2018

STATEMENT OF MANAGEMENT RESPONSIBILITY

The College is responsible for the preparation of the financial statements as at March 31, 2018 and for the year then ended in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the College has developed and maintains a system of internal controls designed to provide reasonable assurance that College assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The Board of Governors carries out its responsibility for review of the financial statements. The Board of Governors, through the Finance and Audit Committee, meets with management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Board of Governors with and without the presence of management.

The financial statements for the year ended March 31, 2018 have been reported on by KPMG LLP, Chartered Accountants. The accompanying auditors' report outlines the scope of their examination and provides their opinion on the financial statements.

Derek Lamb
Chair of the Board of Governors

Colin Fowler
Vice President, Finance and Facilities

June 14, 2018

North Island College

Statement of Financial Position

As at March 31, 2018 with comparative information for 2017

	Note	2018	2017
Financial assets			
Cash and cash equivalents		$ 9,856,583	$ 7,522,590
Accounts receivable		714,487	667,700
Due from government organizations	3	123,151	533,922
Inventories held for resale		298,275	197,536
Portfolio investments	4	19,397,753	18,590,369
		30,390,249	27,512,117
Liabilities			
Accounts payable and accrued liabilities	5	9,787,850	7,119,585
Due to government organizations	3	450,834	495,274
Employee future benefits	6	628,846	381,902
Leasehold Inducements		500,000	-
Deferred revenue		2,257,485	1,914,773
Deferred contributions	7	11,228,310	10,651,682
Deferred capital contributions	8	28,817,855	23,287,981
		53,671,180	43,851,197
Net debt		(23,280,931)	(16,339,080)
Non-financial assets			
Tangible capital assets	9	32,648,362	25,820,657
Prepaid expenses		97,120	90,816
		32,745,482	25,911,473
Accumulated surplus		$ 9,464,551	$ 9,572,393
Accumulated surplus is comprised of:			
Accumulated surplus		$ 7,895,458	$ 7,879,742
Accumulated remeasurement gains		1,569,093	1,692,651
		$ 9,464,551	$ 9,572,393

Commitments and contingencies (notes 11 & 12)
See accompanying notes to the financial statements

Approved on behalf of the Board of Governors

Derek Lamb,
Chair of the Board of Governors

Colin Fowler,
Vice President, Finance and Facilities

North Island College

Statement of Operations and Accumulated Surplus

For the year ended March 31, 2018 with comparative information for 2017

	Note	Budget 2018	2018	2017
Revenue				
Province of British Columbia		$ 28,635,194	$ 28,918,262	$ 27,672,338
Government of Canada grants		473,583	463,295	434,646
Tuition and student fees		9,169,938	10,214,478	9,176,662
Contract services		292,950	320,795	825,649
Sales of goods and services		1,624,500	1,560,694	1,657,657
Investment income		595,350	1,091,480	686,889
Other income		651,014	606,434	639,128
Revenue recognized from deferred capital contributions	8	1,993,721	2,306,083	2,073,203
		43,436,250	45,481,521	43,166,172
Expenses (Schedule 1)				
Instructional and non-sponsored research		39,976,135	42,639,503	39,812,977
Ancillary services		1,632,633	1,563,083	1,741,331
Sponsored research		1,010,582	440,008	683,044
Special purpose		816,900	823,211	921,667
		43,436,250	45,465,805	43,159,019
Surplus for the year		-	15,716	7,153
Accumulated surplus, beginning of year		7,879,742	7,879,742	7,872,589
Accumulated surplus, end of year		$ 7,879,742	$ 7,895,458	$ 7,879,742

See accompanying notes to the financial statements

North Island College

Statement of Change in Net Financial Assets (Net Debt)

For the year ended March 31, 2018 with comparative information for 2017

	Budget 2018	2018	2017
Surplus for the year	$ -	$ 15,716	$ 7,153
Acquisition of tangible capital assets	-	(9,643,884)	(1,837,356)
Amortization of tangible capital assets	2,736,595	2,816,179	2,794,159
Gain on sale of tangible capital assets	-	(28,249)	(1,534)
Proceeds on sale of tangible capital assets	-	28,249	6,317
	2,736,595	(6,827,705)	961,586
Acquisition of prepaid expenses	-	(83,723)	(59,214)
Use of prepaid expenses	-	77,419	133,759
	-	(6,304)	74,545
Net remeasurement (losses) gains	-	(123,558)	901,744
Change in net debt	2,736,595	(6,941,851)	1,945,028
Net debt, beginning of year	(16,339,080)	(16,339,080)	(18,284,108)
Net debt, end of year	$ (13,602,485)	$ (23,280,931)	$ (16,339,080)

See accompanying notes to the financial statements

North Island College

Statement of Remeasurement Gains and Losses

For the year ended March 31, 2018 with comparative information for 2017

	2018	2017
Accumulated remeasurement gains, beginning of year	$ 1,692,651	$ 790,907
Unrealized gains attributed to:		
Portfolio investments	367,419	1,011,192
Amounts reclassified to the statement of operations:		
Realized gains on pooled funds	(490,977)	(109,448)
Net remeasurement (losses) gains for the year	(123,558)	901,744
Accumulated remeasurement gains, end of year	**$ 1,569,093**	**$ 1,692,651**

See accompanying notes to the financial statements

North Island College

Statement of Cash Flows

For the year ended March 31, 2018 with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations		
Surplus for the year	$ 15,716	$ 7,153
Items not involving cash:		
Amortization of tangible capital assets	2,816,179	2,794,159
Revenue recognized from deferred capital contributions	(2,306,083)	(2,073,203)
Change in employee future benefits	246,944	114,435
Gain on sale of tangible capital assets	(28,249)	(1,534)
Change in non-cash operating working capital:		
Increase in accounts receivable	(46,787)	(252,970)
Decrease (increase) in due from government organizations	410,771	(137,069)
(Increase) decrease in prepaid expenses	(6,304)	74,543
(Increase) decrease in inventories held for resale	(100,739)	18,932
Increase (decrease) in accounts payable and accrued liabilities	2,668,265	(369,375)
(Decrease) increase in due to government organizations	(44,440)	105,811
Increase in deferred revenue	342,712	421,378
Increase (decrease) in deferred contributions	576,628	(94,075)
Net change in cash from operating activities	4,544,613	608,185
Capital activities		
Cash used to acquire tangible capital assets	(9,643,884)	(1,837,356)
Increase in deferred capital contributions	8,335,957	2,597,694
Proceeds on disposal of tangible capital assets	28,249	6,317
Net change in cash from capital activities	(1,279,678)	766,655
Investing activities		
Increase in investments	(930,942)	(60,891)
Net change in cash from investing activities	(930,942)	(60,891)
Net change in cash and cash equivalents	**2,333,993**	**1,313,949**
Cash and cash equivalents, beginning of year	7,522,590	6,208,641
Cash and cash equivalents, end of year	$ 9,856,583	$ 7,522,590

See accompanying notes to the financial statements

North Island College
Notes to the Financial Statements
Year ended March 31, 2018

1 Authority and purpose

North Island College operates under the authority of the College and Institute Act of British Columbia. The College is a not-for-profit entity governed by a Board of Governors, the majority of which are appointed by the provincial government of British Columbia. The College is a registered charity and is exempt from income taxes under section 149 of the Income Tax Act.

2 Summary of significant accounting policies

The financial statements of the College are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the College 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 related to accounting standards for not for profit organizations.

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.

(ii) Contributions 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.

2 Summary of significant accounting policies (continued)

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

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

(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) Financial instruments

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

(i) Fair value category: all portfolio investments are quoted in an active market and therefore reflected at fair value as at the reporting date. 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 derecognition, the related realized gains and losses are recognized in the Statements of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

(ii) Cost category: financial assets and liabilities are recorded at cost or amortized cost. Gains and losses are recognized in the Statements of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of financial assets are included in the cost of the related instrument.

(d) Inventories held for resale

Inventories held for resale, including books and merchandise for sale in campus bookstores are recorded at the lower of cost or net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated selling price less any costs to sell.

2 Summary of significant accounting policies (continued)

(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.

(i) 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 capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives shown below. The College prorates amortization on a monthly basis in the year of acquisition. Land is not amortized as it is deemed to have a permanent value.

Buildings and site improvements	
Concrete and steel buildings	10-40 years
Wood-framed buildings	10-20 years
Site improvements	10 years
Furniture and equipment	
Library books	10 years
Furniture, equipment, and vehicles	5 years
Computer servers	3-5 years
Computer equipment	3-5 years
Leasehold improvements	Remaining term of the lease

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the College'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.

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

(iii) Leased tangible capital assets
Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

2 Summary of significant accounting policies (continued)

(f) Employee future benefits

The College and its employees make contributions to the College Pension Plan and the 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 plan is accounted for as a defined contribution plan and any contributions of the College to the plan are expensed as incurred.

Sick leave benefits are also available to the College's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(g) 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 receivable if the amounts can be estimated and collection is reasonably assured.

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 set out in note 2(a).

The College leases certain land properties to third parties for a period of 99 years. Cash received from land leases is deferred and amortized to revenue on a straight-line basis over the term of the lease.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and writedowns on investments where the loss in value is determined to be other-than-temporary.

(h) Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the fair value of financial instruments, useful life of tangible capital assets and the present value of employee future benefits and commitments. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

2 Summary of significant accounting policies (continued)

(i) Foreign currency translation

The College's functional currency is the Canadian dollar. There are no significant foreign currency transactions.

(j) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the North Island College 2017-2018 Budget approved by the Board of Governors of North Island College on April 20, 2017.

Budget figures are presented only for information purposes.

(k) New accounting standards:

The College adopted the following accounting standards in this fiscal year:

(i)PS 2200, *Related Party Disclosures*, defines a related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements. Note 13 provides these disclosures.

(ii)PS 3420, *Inter-entity Transactions*, established standards of how to account for and report transactions between public sector entities that comprise of a government reporting entity from both a provider and a recipient perspective. The main features of the standards are as follows:

- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
- Transactions are measured at the carrying amount, except in specific circumstances;
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice; and
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.

Requirements of this standard are considered in conjunction with requirements of PS 2200. Note 13 provides these disclosures.

North Island College
Notes to the Financial Statements
Year ended March 31, 2018

2 Summary of significant accounting policies (continued)

(iii)PS 3210, *Assets*, provides guidance for applying the definition of assets set out in PS 1000, *Financial Statement Concepts*, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided. Management has determined that there is no impact of adoption of PS 3210 on the financial statements of the College.

(iv)PS 3320, *Contingent Assets*, defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely. Management has determined that there is no impact of adoption of PS 3210 on the financial statements of the College.

(v)PS 3380, *Contractual Rights*, defines and establishes disclosure standards for contractual rights. Contingent rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right. Disclosure of information about contractual rights is required including a description of their nature and extent, and the timing. Note 15 provides these disclosures.

3 Due from and to government organizations

Due from:	**2018**	**2017**
Federal government	$ 641	$ 1,063
Provincial government	114,649	524,747
Other government organizations	7,861	8,112
	$ 123,151	$ 533,922

Due to:	**2018**	**2017**
Federal government	$ 358,792	$ 337,043
Provincial government	25,361	22,963
Other government organizations	66,681	135,268
	$ 450,834	$ 495,274

4 Portfolio investments

Portfolio investments are recorded at fair value and are comprised of the following:

	2018	2017
Fixed income	$ 1,397,531	$ 403,020
Pooled bond funds	8,888,504	9,081,763
Pooled equity funds	9,111,718	9,105,586
	$ 19,397,753	$ 18,590,369

5 Accounts payable and accrued liabilities

	2018	2017
Trade payables	$ 1,250,569	$ 1,297,906
Salaries and benefits payable	906,265	1,049,361
Accrued leaves payable	3,037,302	2,795,769
Other payables and accrued liabilities	4,593,714	1,976,549
	$ 9,787,850	$ 7,119,585

6 Employee future benefits

(a) Pension benefits:

The College and its employees contribute to the College Pension Plan and the Municipal Pension Plan (jointly trusteed 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, 2017, the College Pension Plan has about 14,000 active members, and approximately 7,500 retired members. As at December 31, 2016, the Municipal Pension Plan has about 193,000 active members, including approximately 5,800 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.

6 Employee future benefits (continued)

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

The College paid $2,234,775 for employer contributions to the plans in fiscal 2018 (2017: $2,162,592).

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.

(b) Other benefits:

	2018	2017
Severance	$ 560,846	$ 318,902
Accumulated sick leave benefit	68,000	63,000
	$ 628,846	$ 381,902

(i) The College provides severance benefits to eligible employees based on eligibility, years of service, and final salary.

(ii) Employees of the College are entitled to sick leave in accordance with the terms and conditions of their employment contracts. Sick leave credits accumulate for employees of the College, as they render services they earn the right to the sick leave benefit. The College recognizes a liability and an expense for sick leave in the period in which employees render services in return for the benefits. The accrued benefit obligation and the net periodic benefit cost were estimated by an actuarial valuation.

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligation are as follows:

	2018	2017
Discount rates	2.00%	2.00%
Expected wage and salary increases	2.75%	2.75%

North Island College
Notes to the Financial Statements
Year ended March 31, 2018

7 Deferred contributions

Deferred contributions are comprised of funds for restricted uses including special programs, facilities and research. Changes in the deferred contribution balances are as follows:

	2018		
	Land Sale	**Other**	**Total**
Balance, beginning of year	$ 3,961,144	$ 6,690,538	$ 10,651,682
Contributions received	-	6,330,750	6,330,750
Revenue recognized	-	(5,754,122)	(5,754,122)
Balance, end of year	$ 3,961,144	$ 7,267,166	$ 11,228,310

	2017		
	Land Sale	**Other**	**Total**
Balance, beginning of year	$ 3,961,144	$ 6,784,613	$ 10,745,757
Contributions received	-	4,318,746	4,318,746
Revenue recognized	-	(4,412,821)	(4,412,821)
Balance, end of year	$ 3,961,144	$ 6,690,538	$ 10,651,682

In 2012/13, the College sold 11.164 acres of land to the Vancouver Island Health Authority for $4,030,114. Use of the sale proceeds is restricted under the College and Institute Act. The proceeds, net of land costs of $68,970, have been recorded as deferred contributions until permission to use the funds for acquisition of specific capital assets is granted.

8 Deferred capital contributions

Funding contributions for tangible capital assets are referred to as deferred capital contributions. Amounts are recognized into revenue as the asset is amortized over the useful life of the asset. Treasury Board specifies this accounting treatment as disclosed in note 2(a). Changes in the deferred capital contributions balance are as follows:

	2018	**2017**
Balance, beginning of year	$ 23,287,981	$ 22,763,490
Contributions received and expended on tangible capital assets	7,835,957	2,597,694
Revenue recognized from deferred capital contributions	(2,306,083)	(2,073,203)
Balance, end of year	$ 28,817,855	$ 23,287,981

9 Tangible capital assets

Cost	**Mar 31, 2017**	**Additions**	**Transfers**	**Disposals**	**Mar 31, 2018**
Land	$ 457,919	$ -	$ -	$ -	$ 457,919
Site improvements	2,404,933	-	-	-	2,404,933
Buildings	57,839,126	77,301	357,589	-	58,274,016
Furniture & equipment	4,252,472	339,400	-	(428,085)	4,163,787
Software & licences	54,942	16,830	-	(23,572)	48,200
Computer equipment	1,112,172	182,198	-	(180,852)	1,113,518
Leasehold improvements	77,169	220,655	1,333,183	-	1,631,007
Vehicles	363,955	190,545	-	-	554,500
Library books	495,217	31,483	-	(55,134)	471,566
Assets under construction	191,674	8,585,472	(1,690,772)	-	7,086,374
Total	$ 67,249,579	$ 9,643,884	$ -	$ (687,643)	$ 76,205,820

Accumulated amortization	**Mar 31, 2017**	**Amortization**	**Disposals**	**Mar 31, 2018**
Site improvements	$ 2,021,991	$ 107,277	$ -	$ 2,129,268
Buildings	35,899,681	1,640,329	-	37,540,010
Furniture & equipment	2,489,781	672,714	(428,085)	2,734,410
Software & licences	42,777	9,260	(23,572)	28,465
Computer equipment	552,444	193,318	(180,852)	564,910
Leasehold improvements	16,017	69,244	-	85,261
Vehicles	132,645	80,897	-	213,542
Library books	273,586	43,140	(55,134)	261,592
Total	$ 41,428,922	$ 2,816,179	$ (687,643)	$ 43,557,458

	Net Book Value Mar 31, 2017	**Net Book Value Mar 31, 2018**
Land	$ 457,919	$ 457,919
Site improvements	382,942	275,665
Buildings	21,939,445	20,734,006
Furniture & equipment	1,762,691	1,429,377
Software & licences	12,165	19,735
Computer equipment	559,728	548,608
Leasehold improvements	61,152	1,545,746
Vehicles	231,310	340,958
Library books	221,631	209,974
Assets under construction	191,674	7,086,374
Total	$ 25,820,657	$ 32,648,362

North Island College
Notes to the Financial Statements
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9 Tangible capital assets (continued)

Cost	**Mar 31, 2016**	**Additions**	**Transfers**	**Disposals**	**Mar 31, 2017**
Land	$ 457,919	$ -	$ -	$ -	$ 457,919
Site improvements	2,306,379	98,554	-	-	2,404,933
Buildings	57,133,104	706,022	-	-	57,839,126
Furniture & equipment	4,215,698	560,029	-	(523,255)	4,252,472
Software & licences	59,636	-	-	(4,694)	54,942
Computer equipment	1,130,776	173,446	-	(192,050)	1,112,172
Leasehold improvements	19,674	-	57,495	-	77,169
Vehicles	335,333	35,909	-	(7,287)	363,955
Library books	504,514	41,849	-	(51,146)	495,217
Assets under construction	27,622	221,547	(57,495)	-	191,674
Total	$ 66,190,655	1,837,356	$ -	$ (778,432)	$ 67,249,579

Accumulated amortization	**Mar 31, 2016**	**Amortization**	**Disposals**	**Mar 31, 2017**
Site improvements	$ 1,857,733	$ 164,258	$ -	$ 2,021,991
Buildings	34,322,034	1,577,647	-	35,899,681
Furniture & equipment	2,271,611	736,642	(518,472)	2,489,781
Software & licences	39,265	8,206	(4,694)	42,777
Computer equipment	560,907	183,587	(192,050)	552,444
Leasehold improvements	2,388	13,629	-	16,017
Vehicles	73,724	66,208	(7,287)	132,645
Library books	280,750	43,982	(51,146)	273,586
Total	$ 39,408,412	2,794,159	(773,649)	$ 41,428,922

	Net Book Value Mar 31, 2016	**Net Book Value Mar 31, 2017**
Land	$ 457,919	$ 457,919
Site improvements	448,646	382,942
Buildings	22,811,070	21,939,445
Furniture & equipment	1,944,087	1,762,691
Software & licences	20,371	12,165
Computer equipment	569,869	559,728
Leasehold improvements	17,286	61,152
Vehicles	261,609	231,310
Library books	223,764	221,631
Assets under construction	27,622	191,674
Total	$ 26,782,243	$ 25,820,657

9 Tangible capital assets (continued)

(a) Assets under construction

Assets under construction having a value of $7,086,374 (2017: $191,674) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

10 Financial risk management

The College is potentially exposed to credit risk, liquidity risk, foreign exchange risk and interest rate risk from the entity's financial instruments. Qualitative and quantitative analysis of the significant risks from the College's financial instruments is provided below by type of risk.

(a) Credit risk

Credit risk primarily arises from the College's cash and cash equivalents, accounts receivable and portfolio investments. The risk exposure is limited to their varying amounts at the date of the statement of financial position.

Accounts receivable primarily consist of amounts receivable from government organizations, students, clients and sponsors. To reduce the risk, the College regularly reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2018 the amount of allowance for doubtful debts was $135,601 (2017: $135,451), as these accounts receivable are deemed by management not to be collectible. The College historically has not had difficulty collecting receivables, nor have counterparties defaulted on any payments.

(b) Market and interest rate risk

Market risk is the risk that changes in market prices and inputs, such as interest rates, will affect the College's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

The College manages market risk by holding cash balances with a top rated Canadian Schedule I financial institution. The portfolio investments are professionally managed following the investment program which is approved by the College's Board of Governors and consistent with the requirements of the College and Institute Act. The College periodically reviews its investments and is satisfied that the portfolio investments are being managed in accordance with the investment program.

10 Financial risk management (continued)

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 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 the College will not be able to meet its financial obligations as they become due.

The College manages liquidity risk by continually monitoring actual and forecasted cash flows from operations, anticipated investing, and financial activities to ensure that its financial obligations are met.

(d) Foreign exchange risk

The College has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

11 Contractual obligations

The nature of the College's activities can result in multiyear contracts and obligations whereby the College will be committed to make future payments. Significant contractual obligations related to operations that can be reasonably estimated are as follows:

	Port Alberni Campus	Port Hardy Campus	Total
2019	$ 114,894	$ 118,752	$ 233,646
2020	114,894	118,752	233,646
2021	114,894	118,752	233,646
2022	-	49,480	49,480
Total lease obligations	$ 344,682	$ 405,736	$ 750,418

12 Contingent liabilities

The College may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of business. In the event that any such claims or litigation are resolved against the College, such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of the College. At March 31, 2018 there are no outstanding claims.

North Island College
Notes to the Financial Statements
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13 Related parties

North Island College is related through common ownership to all Province of British Columbia ministries, agencies, crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

North Island College Foundation is a not-for-profit organization and a registered charity under the Income Tax Act. The Foundation was created to enhance the delivery of North Island College's programs and services by raising funds to provide scholarships and bursaries, and to support various College projects. Although there is no common control of the organizations through the Board appointment or other forms of control, the Foundation is related to the College by virtue of holding resources which are to be used to provide support to students attending the College. Transactions with the Foundation were recorded at the exchange amount.

At March 31, 2018, accounts payable of the College included $35,007 (2017: $132,036) due to the Foundation.

	2018	2017
Bursaries	$ 347,980	$ 291,037
Donations and other	49,794	86,547
Gifts-in-kind	65,048	19,409
Foundation contributions to the College	$ 462,822	$ 396,993
College contributions to the Foundation	$ 74,900	$ 170,500

14 Comparative Information

Certain comparative information has been reclassified to conform with the current year's financial statement presentation.

15 Contractual rights

The College has entered into multi-year contracts with the Province of British Columbia that entitles the College to receive the following amounts:

	Port Alberni Campus	Port Hardy Campus	Total
2019	$ 114,894	$ 118,752	$ 233,646
2020	114,894	118,752	233,646
2021	114,894	118,752	233,646
2022	-	49,480	49,480
Total contractual rights	$ 344,682	$ 405,736	$ 750,418

North Island College

Schedule 1 - Schedule of Expenses by Object

For the year ended March 31, 2018 with comparative information for 2017

	Budget 2018	2018	2017
Expenses			
Salaries and benefits	$ 30,618,476	$ 30,480,251	$ 28,905,816
Other personnel costs	702,357	954,806	823,713
Advertising and promotion	531,013	730,072	611,550
Books and periodicals	248,283	267,359	255,792
Cost of goods sold	1,006,350	998,217	1,128,570
Equipment costs	1,006,746	1,610,023	1,708,259
Facility costs	2,423,142	3,125,750	2,740,941
Financial service charges	182,561	228,088	208,764
General fees and services	1,541,310	1,763,049	1,384,243
Student awards	607,180	593,952	684,575
Supplies and general expenses	840,922	864,266	861,972
Travel	791,315	745,744	667,016
Grant transfers	200,000	213,149	213,149
Donations to NIC Foundation	-	74,900	170,500
Amortization of tangible capital assets	2,736,595	2,816,179	2,794,159
	$ 43,436,250	$ 45,465,805	$ 43,159,019