



Consolidated Financial Statements

British Columbia Institute of Technology

March 31, 2016

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BRITISH COLUMBIA  
INSTITUTE OF TECHNOLOGY

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## Management's Report

### **Management's responsibility for the consolidated financial statements**

The consolidated financial statements have been prepared by management of British Columbia Institute of Technology (the "Institute") in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The Board of Governors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercise this responsibility through the Audit and Finance Committee of the Board.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Institute and meet when required. The accompanying Independent auditor's report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of the Institute:

A handwritten signature in blue ink, appearing to read "Kathy Kinloch", written over a horizontal line.

Ms. Kathy Kinloch  
President

A handwritten signature in blue ink, appearing to read "Lorcan O'Melinn", written over a horizontal line.

Mr. Lorcan O'Melinn  
Vice President Administration and CFO

# Independent Auditor's Report

To the Board of Governors of  
[British Columbia Institute of Technology](#)  
To the Minister of Advanced Education of  
the Province of British Columbia

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We have audited the accompanying consolidated financial statements of British Columbia Institute of Technology (the "Institute"), which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations and accumulated surplus, remeasurement gains, 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 consolidated financial statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting requirements 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation of the consolidated 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 Institute'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 consolidated financial statements.

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

#### Opinion

In our opinion, the consolidated financial statements of the Institute for the year ended March 31, 2016 are prepared, in all material respects, in accordance with 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 to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Vancouver, Canada  
May 26, 2016



Chartered Professional Accountants

# British Columbia Institute of Technology

## Consolidated Statement of Financial Position

(in thousands of dollars)

March 31

2016

2015

### Financial assets

Cash and cash equivalents	\$	46,561	\$	40,418
Accounts receivable (Note 3)		5,054		4,891
Inventories for resale		1,821		1,687
Due from government and other government organizations (Note 4)		10,084		5,648
Portfolio investments (Note 5)		6,369		7,565
Debt sinking funds (Note 6)		4,494		4,010
Investments in government business enterprises and partnerships (Note 7)		16,417		15,172
		<u>90,800</u>		<u>79,391</u>

### Liabilities

Accounts payable and accrued liabilities (Note 8)		20,585		19,155
Due to government and other government organizations (Note 4)		4,459		4,720
Employee future benefits (Note 9)		22,724		21,508
Deferred tuition fees		26,899		23,270
Deferred revenue - other		6,654		6,495
Deferred contributions (Note 10)		24,237		21,881
Deferred capital contributions (Note 11)		211,397		209,055
Asset retirement obligation (Note 12)		17,119		17,743
Debt (Note 13)		59,081		61,041
Obligations under capital lease (Note 14)		18,838		16,790
		<u>411,993</u>		<u>401,658</u>
Net debt		<u>(321,193)</u>		<u>(322,267)</u>

### Non-financial assets

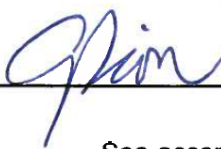

Tangible capital assets (Note 15)		401,739		402,559
Endowment investments (Note 5 and 16)		23,229		22,137
Inventories held for use		126		86
Prepaid expenses		764		861
		<u>425,858</u>		<u>425,643</u>

### Accumulated surplus

	\$	104,665	\$	103,376
<b>Accumulated surplus is comprised of:</b>				
Accumulated operating surplus	\$	104,103	\$	100,266
Accumulated remeasurement gains		562		3,110
	\$	<u>104,665</u>	\$	<u>103,376</u>

Contingencies (Note 17)

On behalf of the Board


 \_\_\_\_\_ Governor
 
 \_\_\_\_\_ Governor

See accompanying notes to the consolidated financial statements.

# British Columbia Institute of Technology

## Consolidated Statement of Operations and Accumulated Surplus

(in thousands of dollars)

Year ended March 31	Budget	2016	2015
<b>Revenue</b>			
Province of British Columbia grants	\$ 131,702	\$ 131,325	\$ 131,052
Government of Canada grants	-	671	209
Tuition fees	100,277	107,042	98,721
Sales and ancillary revenue	13,017	12,473	12,574
Industry services	9,185	9,655	9,406
Facilities rental, cost recoveries and other income	8,560	5,999	6,089
Investment income	2,000	3,555	2,746
Gifts and donations	1,200	2,471	1,864
Income from government business enterprises and partnerships	-	1,114	1,157
Amortization of deferred contributions (Note 10)	4,750	9,700	8,711
Amortization of deferred capital contributions (Note 11)	11,772	12,735	11,735
	<u>282,463</u>	<u>296,740</u>	<u>284,264</u>
<b>Expenses (Note 20)</b>			
Academic and student support	40,662	44,188	40,979
Administrative support	45,559	48,930	45,993
Ancillary	12,251	11,623	11,564
Instruction	174,239	173,549	168,471
Externally funded and related entities	9,752	15,705	15,188
	<u>282,463</u>	<u>293,995</u>	<u>282,195</u>
Operating surplus before endowment contributions	-	2,745	2,069
Endowment contributions	-	1,092	1,774
Operating surplus	<u>\$ -</u>	<u>3,837</u>	<u>3,843</u>
Accumulated operating surplus, beginning of year		<u>100,266</u>	<u>96,423</u>
Accumulated operating surplus, end of year		<u>\$ 104,103</u>	<u>\$ 100,266</u>

See accompanying notes to the consolidated financial statements.

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## British Columbia Institute of Technology

### Consolidated Statement of Remeasurement Gains

(in thousands of dollars)

Year ended March 31	2016	2015
Other comprehensive (loss) income from government business enterprises and partnerships	\$ (612)	\$ (715)
Unrealized (losses) gains	(2,267)	993
Realized gains (losses) on investment, reclassified to statement of operations	<u>331</u>	<u>(10)</u>
Net remeasurement (losses) gains	(2,548)	268
Accumulated remeasurement gains, beginning of year	<u>3,110</u>	<u>2,842</u>
Accumulated remeasurement gains, end of year	<u>\$ 562</u>	<u>\$ 3,110</u>

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## British Columbia Institute of Technology

### Consolidated Statement of Changes in Net Debt

(in thousands of dollars)

Year ended March 31	Budget	2016	2015
Operating surplus	\$ -	\$ 3,837	\$ 3,843
Additions of tangible capital assets	(27,295)	(23,611)	(46,739)
Amortization of tangible capital assets	26,081	24,431	23,747
Loss on disposition of tangible capital assets	-	-	143
	(1,214)	820	(22,849)
Additions of endowment investments	-	(1,092)	(1,774)
Transfers of endowment investments	-	-	196
Change in inventories held for use	-	(40)	1
Change in prepaid expense	-	97	207
	-	(1,035)	(1,370)
Net remeasurement (losses) gains	-	(2,548)	268
Decrease (increase) in net debt	(1,214)	1,074	(20,108)
Net debt, beginning of year	(322,267)	(322,267)	(302,159)
Net debt, end of year	\$ (323,481)	\$ (321,193)	\$ (322,267)

# British Columbia Institute of Technology

## Consolidated Statement of Cash Flows

(in thousands of dollars)

Year ended March 31

2016

2015

Cash provided by (used in):

### Operating

Operating surplus	\$	3,837	\$	3,843
Items not involving cash				
Income from government business enterprises and partnerships		(1,114)		(1,157)
Amortization of tangible capital assets		24,431		23,747
Employee future benefits		1,216		666
Asset retirement obligation accretion expense		474		534
Loss on disposition of tangible capital assets		-		143
Amortization of deferred contributions				
Capital		(12,735)		(11,735)
Other externally restricted funds		(9,700)		(8,711)

6,409 7,330

Change in non-cash working capital items (Note 18) 281 3,435

6,690 10,765

### Capital

Purchases of tangible capital assets		(20,399)		(29,338)
Asset retirement obligation liabilities settled		(493)		(375)
		(20,892)		(29,713)

### Investing

Changes in investments, net		(1,832)		(2,451)
Contribution (to) from government business enterprises and partnerships		(743)		1,019
		(2,575)		(1,432)

### Financing

Capital contributions received		15,077		22,411
Other contributions received		12,056		4,515
Debt sinking funds		(484)		273
Capital lease payments		(1,769)		(1,455)
Debt repayments		(1,960)		(1,907)
		22,920		23,837

Net increase in cash and cash equivalents 6,143 3,457

Cash and cash equivalents, beginning of year 40,418 36,961

Cash and cash equivalents, end of year \$ 46,561 \$ 40,418

Supplemental cash flow information (Note 18)

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

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### 1. General

British Columbia Institute of Technology (the "Institute") is an agent of the Crown and operates under the College and Institute Act, R.S.B.C. 1996. The Act is administered by the Minister of Advanced Education. As an agent of the government, the Institute is not liable for taxation except to the extent the government is liable.

The purpose of the Institute is to provide courses of instruction in advanced technological and vocational fields.

The Institute receives a significant portion of its revenue and capital funding from the Province of British Columbia (the "Province").

The Institute is a registered charity under the Income Tax Act.

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### 2. Summary of significant accounting policies

#### Basis of presentation

These consolidated 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 requires accounting policies which are consistent with Canadian public sector accounting standards except in regard to the accounting for restricted capital contributions.

Under Section 23.1 of the Budget Transparency and Accountability Act and its related regulations, the Institute is required to recognize restricted capital contributions as a liability and recognize them into revenue on the same basis as the related amortization expense.

Under Canadian public sector accounting standards, those transfers with stipulations that have been met or that do not contain stipulations that create a liability, are fully recognized into revenue.

The impact of this difference on the financial statements of the Institute would be a decrease in deferred capital contributions, an increase in accumulated surplus, and a change in revenues and annual surplus for each year.

#### Basis of consolidation

##### *Consolidated entities*

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of organizations which are controlled by the Institute. Controlled organizations are consolidated except for government business enterprises and partnerships which are accounted for by the modified equity method. All balances and transactions between the Institute and the consolidated entities have been eliminated on consolidation.

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

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### 2. Summary of significant accounting policies (continued)

#### Basis of consolidation (continued)

##### *Consolidated entities (continued)*

The following organization is controlled by the Institute and fully consolidated in these financial statements:

- BCIT Foundation, which is a controlled not-for-profit organization, was incorporated March 30, 1999, under the Society Act (British Columbia). The purpose of BCIT Foundation is to raise funds in order to further the goals, objectives and strategic interests of the Institute; to stimulate and provide financial support for the development and expansion of educational programs, services, capital projects and other initiatives as recommended by the Institute; and to provide financial support to enable students to participate in learning at the Institute.

##### *Investment in government business enterprises and partnerships*

Government business enterprises and partnerships are accounted for by the modified equity method. Under this method, the Institute's investment in the business enterprise and its net income and other changes in equity are recorded. No adjustment is made to conform the accounting policies of the government business enterprise / partnership to those of the Institute, other than if other comprehensive income exists, it is accounted for as an adjustment to accumulated surplus (deficit) of the Institute. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions between entities on assets that remain within the entities controlled by the Institute.

The following organizations are controlled government business enterprises and partnerships and are accounted for by the modified equity method:

- Great Northern Way Campus Trust (the "Trust") – the Trust is an equal share joint venture between the Institute, Simon Fraser University, University of British Columbia, and Emily Carr University of Art + Design. The purpose of the Trust is to develop an integrated, learning-centred campus with a high-technology focus, supported by new media and telecommunication technologies. The Trust's activities currently comprise two distinct business activities: property management and site development activities, and educational activities.
- TTA Technology Training Associates Ltd. ("TTA") – TTA is a wholly-owned corporation which was incorporated July 12, 1999 under the Business Corporations Act (British Columbia). The purpose of TTA is to provide international delivery and/or management of technical training and educational programs to public and private organizations, business development and marketing for the Institute in overseas markets.

#### Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid securities.

#### Inventories for resale and held for use

Inventories of merchandise held for resale are recorded at the lower of cost and net realizable value. Inventories held for use are recorded at the lower of cost and replacement cost. Cost is determined using the first-in, first-out method for all inventories.

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

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### 2. Summary of significant accounting policies (continued)

#### Tangible capital assets

Tangible capital asset acquisitions 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 market value at the date of acquisition.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Leasehold improvements	30 years
Capital projects/renovations	10 to 25 years
Computer hardware	4 years
Computer software	5 years
Furniture and equipment	10 years
Library holdings	10 years

Computers and equipment under capital lease are amortized on a straight-line basis over the lesser of their estimated useful lives and the 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 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.

#### Employee future benefits

The Institute 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 pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as defined contribution plans and any Institute contributions to the plans are expensed as incurred.

The Institute also provides certain benefits, including accumulated sick and vacation pay, retirement allowance, group benefits, and life insurance, for certain employees pursuant to certain contracts and union agreements. The costs of these benefits are actuarially determined based on service and management's best estimate of salary escalation, retirement ages of employees, and expected plan benefits costs. The obligation under these benefit plans is accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service life of the employees.

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

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### 2. Summary of significant accounting policies (continued)

#### Asset retirement obligation

The Institute recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a statutory, contractual, or legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The Institute concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the useful life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation or the discount rate. Changes in the obligation due to the passage of time are recognized in the statement of operations as accretion expense. Changes in the obligation due to changes in estimated cash flows or discount rates are recognized as an adjustment of the carrying amount of the related long-lived asset that is depreciated over the remaining life of the asset.

#### Revenue recognition

Tuition fees and receipts from sales of services and products are recognized as revenue at the time the products are delivered or the services are substantially provided.

Rental revenue is recognized over the period earned.

Revenue related to fees or services received in advance of the fee being earned or the service performed is deferred and recognized when the fee is earned or service performed.

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.

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received by the Institute or the transfer of property is completed.

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.

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

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### 2. Summary of significant accounting policies (continued)

#### Revenue recognition (continued)

(iii) Contributions to be retained in perpetuity are reported as revenue when received. Investment income earned on endowment principal is recorded as deferred revenue if it meets the definition of a liability and is recognized as revenue in the year related expenses are incurred. If the investment income earned does not meet the definition of a liability, it is recognized as revenue in the year it is earned.

#### Financial instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, portfolio investments, debt sinking funds, accounts payable and accrued liabilities, debt, and endowment investments.

Investments are measured at fair value. All other financial instruments are measured at cost or amortized cost.

Transaction costs are expensed for financial instruments measured at fair value. Transaction costs are added to the cost of the financial instruments for financial instruments measured at cost or amortized cost.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses until such time that the financial instrument is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the statement of operations and accumulated surplus and related balances reversed from the statement of remeasurement gains and losses.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

#### Functional classification of expenses

The Institute has identified the following segments and associated groups of activities based upon the functional areas of service as provided by various departments within the Institute:

##### *Academic and student support*

Academic and student support includes expenses related to the direct support of academic functions, as well as centralized functions that support students and groups of students. This would include Foundation & Alumni, VP ERI, Student Services, Research & Planning, International Education, Learner Services, Learning & Teaching Centre, Library, Marketing & Communication, Print Services, Registrar's Office, and Technology Centre administration. Costs associated with this function would include VP's, management, administration, support staff and related support costs.

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

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### 2. Summary of significant accounting policies (continued)

#### Functional classification of expenses (continued)

##### *Administrative support*

Administrative support includes expenses related to activities that support the institution as a whole. This would include Financial Services, Human Resources, Internal Auditing, President's Office, Board of Governors, Purchasing & Supply Management, Safety and Security, Facilities, Amortization, and IT & Communications. Costs associated with the function would include VP's, management, administration, support staff and related support costs.

##### *Ancillary*

Ancillary includes expenses related to business activities outside of instruction and research that provide goods and services to students, staff and others external to the organization. This would include Bookstore, Room Rentals, Leases, Food Services, Parking and Residences. Costs associated with this function would include management, administration, support staff and related support costs.

##### *Instruction*

Instruction includes expenses related to the direct business of delivering education. This would include full time studies, part time studies, and training supported by industry services. Costs associated with this function would include instructors, contract expenses, deans, instructional administration, support staff, and related support costs.

##### *Externally funded and related entities*

Externally funded and related entities includes expenses related to research and non-research activities funded by external contracts and/or grants, trust activities, and subsidiaries. This would include Restricted Funds, Applied Research Grants, Student Awards, and BCIT Foundation. Costs associated with this function would include deans, management, administration, support staff and related support costs.

#### **Budget figures**

Budget figures have been provided for comparative purposes and have been derived from the 2015/2016 Fiscal Plan approved by the Board of Governors of the Institute on March 5, 2015.

#### **Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the useful lives for amortization of tangible capital assets and deferred capital contributions, the valuation of employee future benefit obligations, future cash flows associated with asset retirement obligations, the provision for uncollectible accounts, and the provision for contingencies. Actual amounts may ultimately differ from these estimates.

#### **Comparative figures**

Certain of the prior year comparative figures have been reclassified to conform to the current year presentation.



# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

<b>3. Accounts receivable</b>	<u>2016</u>	<u>2015</u>
Student	\$ 3,249	\$ 2,608
Trade and other	2,180	2,658
Allowance for doubtful accounts	<u>(375)</u>	<u>(375)</u>
	<u>\$ 5,054</u>	<u>\$ 4,891</u>

### 4. Balances with government and other government organizations

#### Due from government and other government organizations

	<u>2016</u>	<u>2015</u>
Federal government	\$ 2,827	\$ 2,124
Provincial government	6,823	2,348
Other government organizations	<u>434</u>	<u>1,176</u>
	<u>\$ 10,084</u>	<u>\$ 5,648</u>

#### Due to government and other government organizations

	<u>2016</u>	<u>2015</u>
Federal government	\$ 887	\$ 697
Provincial government	2,536	3,028
Other government organizations	<u>1,036</u>	<u>995</u>
	<u>\$ 4,459</u>	<u>\$ 4,720</u>

### 5. Investments

Investments consist of:

	<u>2016</u>	<u>2015</u>
Portfolio investments	\$ 6,369	\$ 7,565
Endowment investments	<u>23,229</u>	<u>22,137</u>
	<u>\$ 29,598</u>	<u>\$ 29,702</u>

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

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### 5. Investments (continued)

The underlying investments consist of:

		<u>2016</u>	<u>2015</u>
	<u>Fair value hierarchy level</u>		
Equities	Level 1	\$ 14,416	\$ 14,168
Cash and cash equivalents	Level 1	1,064	1,618
Fixed income	Level 2	<u>14,118</u>	<u>13,916</u>
		<u>\$ 29,598</u>	<u>\$ 29,702</u>
Historical cost		<u>\$ 28,854</u>	<u>\$ 26,703</u>

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### 6. Debt sinking funds

Contributions to the sinking funds are made for certain long-term debt obligations with the Province. Investments held in the sinking funds, including interest earned, are used to repay the related debt at maturity. The Institute makes annual principal and interest payments towards the sinking funds to the Province using revenue proceeds from the Downtown training centre. The sinking funds are held and invested by the Province to provide for the retirement of the debt.

Aggregate payments for the next five fiscal years and thereafter to meet sinking fund instalments on externally restricted sinking funds and retirement provisions on notes, bonds and debentures are:

2017	\$ 114
2018	114
2019	114
2020	114
2021	114
Thereafter	<u>341</u>
	<u>\$ 911</u>

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

### 7. Investments in government business enterprises and partnerships

	Balance, beginning of year	Net contributions paid	Net earnings	Other comprehensive income	Balance, end of year
Investment in Trust	\$ 14,834	\$ 743	\$ 1,109	\$ (612)	\$ 16,074
Investment in TTA	338	-	5	-	343
	<u>\$ 15,172</u>	<u>\$ 743</u>	<u>\$ 1,114</u>	<u>\$ (612)</u>	<u>\$ 16,417</u>

Condensed financial information of government business enterprises and partnerships that are part of the Institute's reporting entity are as follows:

#### Great Northern Way Campus Trust

<b>Statement of financial position</b>	<b>25% share 2016</b>	<b>25% share 2015</b>
Total assets	\$ 20,657	\$ 20,056
Total liabilities	4,583	5,222
Equity	<u>\$ 16,074</u>	<u>\$ 14,834</u>
<b>Statement of operations</b>	<b>2016</b>	<b>2015</b>
Revenue	\$ 3,543	\$ 3,325
Expenses	(2,434)	(2,170)
Net earnings	1,109	1,155
Other comprehensive income	(612)	(715)
Net earnings and comprehensive income	<u>\$ 497</u>	<u>\$ 440</u>

Total liabilities include \$434 (2015 - \$1,176) payable to the Institute.

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

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### 7. Investments in government business enterprises and partnerships (continued)

#### TTA Technology Training Associates Ltd.

	<u>2016</u>	<u>2015</u>
<b>Statement of financial position</b>		
Total assets	\$ 598	\$ 736
Total liabilities	<u>255</u>	<u>398</u>
Equity	<u>\$ 343</u>	<u>\$ 338</u>
<b>Statement of operations</b>		
Revenue	\$ 830	\$ 1,085
Expenses	<u>(823)</u>	<u>(1,082)</u>
Earnings before income taxes	7	3
Income taxes	<u>2</u>	<u>1</u>
Net earnings	<u>\$ 5</u>	<u>\$ 2</u>

Revenue includes \$24 (2015 - \$98) of project fees and project expense recoveries from the Institute.

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<b>8. Accounts payable and accrued liabilities</b>	<u>2016</u>	<u>2015</u>
Trade payables	\$ 3,833	\$ 4,566
Salaries and benefits payable	11,832	10,724
Other	<u>4,920</u>	<u>3,865</u>
	<u>\$ 20,585</u>	<u>\$ 19,155</u>

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# British Columbia Institute of Technology

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### 9. Pension plans and employee future benefits

#### Pension plans

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 represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2015, the College Pension Plan has approximately 14,000 active members and approximately 6,500 retired members. As at December 31, 2014, the Municipal Pension Plan has approximately 185,000 active members, with approximately 5,800 from colleges.

The most recent valuation for the College Pension Plan as at August 31, 2012 indicated a \$105 million funding deficit for basic pension benefits. The next valuation was as at August 31, 2015, with results available in 2016. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation was as at December 31, 2015 with results available in 2016. Defined contribution plan accounting is applied to the plan as the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan. The Institute paid \$14,795 for employer contributions to the plans in fiscal 2016 (2015 - \$14,122).

#### Employee future benefits

The Institute also provides certain benefits, including accumulated sick and vacation pay, retirement allowance, group benefits, and life insurance, for certain employees pursuant to certain contracts and union agreements. The most recent actuarial valuation was completed as at March 31, 2016.

Information about these employee future benefits is as follows:

<b>Employee future benefits obligations</b>	<b>2016</b>	<b>2015</b>
Balance, beginning of year	\$ 18,672	\$ 17,264
Current service cost	1,420	1,215
Interest on accrued benefit obligation	370	540
Benefits paid	(711)	(828)
Long term disability experience	29	(165)
Recognized actuarial losses	1,759	646
Balance, end of year	21,539	18,672
Unamortized actuarial (loss) gain	(519)	1,400
Employer's share of benefits (EI, CPP, Pension)	1,704	1,436
<b>Total liability</b>	<b>\$ 22,724</b>	<b>\$ 21,508</b>

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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March 31, 2016

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### 9. Pension plans and employee future benefits (continued)

Components of net benefit expense	2016	2015
Service cost	\$ 1,420	\$ 1,215
Interest cost	370	540
Long-term disability experience	29	(165)
Amortization of net actuarial gain	(160)	(225)
Net benefit expense	\$ 1,659	\$ 1,365

The significant assumptions used are as follows:

	2016	2015
Accrued benefit obligations as of March 31		
Discount rate	2.2%	2.1%
Benefit cost for year ended March 31		
Discount rate	2.1%	2.1%
Assumed health care cost trend rates at March 31	4.5% - 6.5%	4.5% - 6.6%

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### 10. Deferred contributions

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations. Deferred contributions are primarily restricted for research purposes.

	2016	2015
Balance, beginning of year	\$ 21,881	\$ 26,077
Add contributions received during the year relating to future periods	12,056	4,515
Less amounts recognized as revenue	(9,700)	(8,711)
Balance, end of year	\$ 24,237	\$ 21,881

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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March 31, 2016

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### 11. Deferred capital contributions

Capital contributions for the purpose of acquiring or developing a depreciable tangible capital asset are referred to as deferred capital contributions. Amounts are recognized into revenue at the same rate that amortization of the tangible capital asset is recorded. Treasury Board provided direction on accounting treatment as disclosed in Note 2.

Changes in the deferred capital contributions balance are as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 209,055	\$ 198,379
Add contributions received during the year	15,077	22,411
Less amounts amortized to revenue	<u>(12,735)</u>	<u>(11,735)</u>
Balance, end of year	<u>\$ 211,397</u>	<u>\$ 209,055</u>

The balance of unamortized capital contributions related to capital assets consists of the following:

	<u>2016</u>	<u>2015</u>
Unamortized capital contributions used to purchase assets	\$ 211,134	\$ 208,800
Unspent capital funding	<u>263</u>	<u>255</u>
	<u>\$ 211,397</u>	<u>\$ 209,055</u>

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### 12. Asset retirement obligation

The Institute has recorded an asset retirement obligation for the estimated costs of asbestos removal from certain facilities. The following is a reconciliation of the changes in the asset retirement obligation during the year:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 17,743	\$ 15,946
Add accretion expense	474	534
Add adjustment for change in discount rate	(605)	1,638
Less liabilities settled	<u>(493)</u>	<u>(375)</u>
Balance, end of year	<u>\$ 17,119</u>	<u>\$ 17,743</u>

The accretion expense is included in interest expense. The undiscounted estimated cash flows required to settle the obligation are approximately \$24,326 to be paid during the fiscal years 2017 to 2038. The estimated cash flows were discounted using the credit-adjusted risk-free rates of 3.00% (2015 - 2.67%).

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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<b>13. Debt</b>	<u>2016</u>	<u>2015</u>
BC Immigrant Investment Fund, 2.70% due August 2017 (i)	\$ 46,193	\$ 48,153
Province of British Columbia, 8% bond, due September 2023 (ii)	<u>12,888</u>	<u>12,888</u>
	<u>\$ 59,081</u>	<u>\$ 61,041</u>

- (i) Principal and interest payments are made to the BC Immigrant Investment Fund at \$809 per quarter. The debt is unsecured.
- (ii) Interest payments are made to the Province of British Columbia semi-annually. The Institute makes contributions to the sinking fund each year to repay the bond at maturity (Note 6). The bond is unsecured.

Principal payments for the next five years and thereafter are as follows:

	<u>BC Immigrant Investment Fund</u>	<u>Province of British Columbia</u>	<u>Total</u>
2017	\$ 2,013	\$ -	\$ 2,013
2018	44,180	-	44,180
2019	-	-	-
2020	-	-	-
2021	-	-	-
Thereafter	-	<u>12,888</u>	<u>12,888</u>
	<u>\$ 46,193</u>	<u>\$ 12,888</u>	<u>\$ 59,081</u>

### 14. Obligations under leases

#### Capital leases

Capital lease payments, including principal and interest, are as follows:

2017	\$ 2,051
2018	1,903
2019	1,594
2020	1,047
2021	802
Thereafter	<u>23,136</u>
	30,533
Less interest at rates from 4.19% to 7.76%	<u>11,695</u>
Present value of minimum lease payments	<u>\$ 18,838</u>



# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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### 14. Obligations under leases (continued)

#### Operating leases

The Institute has entered into operating leases for land.

Operating lease payments for the next five years and thereafter are as follows:

2017	\$	232
2018		232
2019		232
2020		247
2021		247
Thereafter		7,362
	\$	<u>8,552</u>

### 15. Tangible capital assets

#### Cost

	2015	Additions	Disposals	2016
Land	\$ 44,808	\$ -	\$ -	\$ 44,808
Buildings, leasehold improvements and capital projects / renovations	453,913	11,099	-	465,012
Buildings under capital lease	15,295	-	-	15,295
Furniture and equipment	126,301	7,316	(4,546)	129,071
Computer hardware and software	31,889	1,119	(3,458)	29,550
Equipment under capital lease	7,989	3,817	(2,551)	9,255
Library holdings	4,017	260	-	4,277
	<u>\$ 684,212</u>	<u>\$ 23,611</u>	<u>\$ (10,555)</u>	<u>\$ 697,268</u>

#### Accumulated amortization

	2015	Amortization	Accumulated amortization on disposals	2016
Land	\$ -	\$ -	\$ -	\$ -
Buildings, leasehold improvements and capital projects / renovations	147,327	13,291	-	160,618
Buildings under capital lease	340	573	-	913
Furniture and equipment	99,756	6,374	(4,691)	101,439
Computer hardware and software	25,413	2,152	(3,328)	24,237
Equipment under capital lease	6,552	1,703	(2,536)	5,719
Library holdings	2,265	338	-	2,603
	<u>\$ 281,653</u>	<u>\$ 24,431</u>	<u>\$ (10,555)</u>	<u>\$ 295,529</u>

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2016

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### 15. Tangible capital assets (continued)

#### Net book value

	<u>2016</u>	<u>2015</u>
Land	\$ 44,808	\$ 44,808
Buildings, leasehold improvements and capital projects/renovations	304,394	306,586
Buildings under capital lease	14,382	14,955
Furniture and equipment	27,632	26,545
Computer hardware and software	5,313	6,476
Equipment under capital lease	3,536	1,437
Library holdings	1,674	1,752
	<u>\$ 401,739</u>	<u>\$ 402,559</u>

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### 16. Endowments

Endowment contributions form part of accumulated surplus. Changes to the endowment balances are as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 22,137	\$ 20,559
Contributions received during the year	1,092	1,774
Transfers during the year	-	(196)
Balance, end of year	<u>\$ 23,229</u>	<u>\$ 22,137</u>

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### 17. Contingencies

There are lawsuits pending in which the Institute is involved arising in the ordinary course of business. It is considered that the potential claims against the Institute resulting from such litigation would not materially affect the consolidated financial statements of the Institute. Any difference between the liability accrued by the Institute related to the lawsuits and the amounts ultimately settled will be recorded in the period in which the claim is resolved.

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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March 31, 2016

18. Supplemental cash flow information	2016	2015
<b>Change in non-cash working capital items</b>		
Accounts receivable	\$ (163)	\$ 562
Inventories	(174)	(282)
Prepaid expenses	97	207
Due from government and other government organizations	(4,436)	4,220
Accounts payable and accrued liabilities	1,430	(3,251)
Due to government and other government organizations	(261)	597
Deferred tuition fees	3,629	2,103
Deferred revenue - other	159	(721)
	\$ 281	\$ 3,435

During the year, interest of \$3,177 was paid (2015 - \$3,001).

### Non-cash transactions

Receipt of donated capital assets	\$ 1,000	\$ 1,448
Buildings and equipment under capital lease	3,817	15,763
(Decrease) increase in asset retirement obligation and capital assets	(605)	1,638

## 19. Financial instruments

### Fair value

The following classification system is used to describe the basis of the inputs used to measure the fair value of investments:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
- Level 3 Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's-length transaction

The classification of portfolio and endowment investments is disclosed in Note 5.

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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March 31, 2016

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### 19. Financial instruments

#### Risk management

The Institute has exposure to the following risks from its use of financial instruments.

##### *Credit risk*

The Institute is exposed to the risk that the counterparty defaults or becomes insolvent. The Institute's investments in pooled funds that hold debt securities are exposed to such risk. Credit risk also arises from the possibility that student, trade and other receivables may not be collected.

This risk is mitigated by proactive credit management and investment policies that include regular monitoring of each debtor's payment history and performance.

As at March 31, 2016, accounts receivable is comprised of:

	<u>Under 90 days</u>	<u>Over 90 days</u>	<u>Total</u>
Student	\$ 3,249	\$ -	\$ 3,249
Trade and other	2,032	148	2,180
Allowance for doubtful accounts	<u>(285)</u>	<u>(90)</u>	<u>(375)</u>
	<u>\$ 4,996</u>	<u>\$ 58</u>	<u>\$ 5,054</u>

##### *Market risk*

There is a risk that fluctuations in market prices will affect the Institute's net assets and the value of holdings in investments. Market risk is comprised of the following:

##### *Interest rate risk*

Interest rate risk refers to the effect on the market value of the Institute's assets due to fluctuations in interest rates. The market value of the Institute's investments in fixed income pooled funds is also affected by fluctuations in interest rates.

##### *Foreign currency risk*

Foreign currency exposure arises from the Institute's foreign currency denominated investments. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments.

The Institute manages its credit risk and market risks on its investments by investing in funds that have a well-diversified portfolio of securities.

##### *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.

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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March 31, 2016

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<b>20. Expenses by object</b>	<b>2016</b>	<b>2015</b>
Salaries and wages	\$ 160,853	\$ 158,294
Employee benefits	34,055	33,055
Amortization of tangible capital assets	24,431	23,747
Repairs and maintenance	15,083	13,361
Fees for service	14,453	11,965
Supplies and general	13,486	12,160
Student awards	5,873	4,517
Utilities and taxes	5,844	5,456
Cost of sales	5,001	5,199
Interest	3,957	3,649
Training and travel	3,305	2,867
Contractual professional development	1,752	1,854
Printing and advertising	1,535	1,227
Promotional and catering	1,186	1,301
Telecommunications	1,109	1,137
Equipment and facilities leases	1,100	1,494
Official functions	559	468
Banking and insurance	413	444
	<b>\$ 293,995</b>	<b>\$ 282,195</b>

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