

British Columbia Institute of Technology

Consolidated Financial Statements
March 31, 2022
(in thousands of dollars)



BRITISH COLUMBIA
INSTITUTE OF TECHNOLOGY

3700 Willingdon Avenue
Burnaby, British Columbia
Canada V5G 3H2

bcit.ca

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, PricewaterhouseCoopers 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:



Ms. Kathy Kinloch
President



Ms. Trish Pেকেles
CFO and Vice President, Finance and Corporate
Services



Independent auditor's report

To the Board of Directors of British Columbia Institute of Technology and the Minister of Advanced Education of the Province of British Columbia.

Our opinion

In our opinion, the accompanying consolidated financial statements of British Columbia Institute of Technology and its subsidiaries (together, the Institute) as at March 31, 2022 and for the year then ended are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

What we have audited

The Institute's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2022;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of remeasurement gains (losses) for the year then ended;
- the consolidated statement of changes in net debt for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Institute in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Emphasis of matter – basis of accounting

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. Note 2 to the consolidated financial statements provides a description of the nature of these differences. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the 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.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Institute to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 2, 2022

British Columbia Institute of Technology

Consolidated Statement of Financial Position

As at March 31, 2022

(in thousands of dollars)

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 94,720	\$ 114,242
Accounts receivable (note 3)	10,940	8,941
Inventories for resale	1,174	1,113
Due from government (note 4)	22,780	3,391
Portfolio investments (note 5)	10,970	12,270
Investments in government business enterprises and partnerships (note 6)	14,907	14,844
	155,491	154,801
Liabilities		
Accounts payable and accrued liabilities (note 7)	34,607	25,292
Due to government and other government organizations (note 4)	9,595	7,026
Employee future benefits (note 8)	30,466	29,500
Deferred tuition fees	30,169	39,062
Deferred revenue – other	11,023	9,736
Deferred contributions (note 9)	44,235	25,495
Deferred capital contributions (note 10)	357,914	317,602
Asset retirement obligation (note 11)	18,389	20,482
Debt (note 12)	41,316	47,677
Obligations under capital lease (note 13)	16,587	18,493
	594,301	540,365
Net debt	(438,810)	(385,564)
Non-financial assets		
Tangible capital assets (note 14)	539,836	500,065
Endowment investments (note 5 & 15)	31,006	28,377
Inventories held for use	354	488
Prepaid expenses	2,656	2,861
	573,852	531,791
Accumulated surplus	\$ 135,042	\$ 146,227
Accumulated surplus comprises:		
Accumulated operating surplus	\$ 133,777	\$ 143,164
Accumulated remeasurement gains	1,265	3,063
	\$ 135,042	\$ 146,227

Commitment and contingencies (note 16)

See accompanying notes to the financial statements

Approved by the Board of Directors



Dan Reader, Board Chair and Chair Audit & Finance Committee

The accompanying notes are an integral part of these consolidated financial statements.

British Columbia Institute of Technology
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2022

(in thousands of dollars)

	Budget	2022	2021
Revenue			
Province of British Columbia grants (note 9)	\$ 168,919	\$ 162,761	\$ 165,136
Tuition fees	145,126	133,658	143,317
Sales, ancillary revenue and other income	18,050	17,881	13,771
Industry services	11,829	13,178	11,870
Other contributions	1,525	9,934	7,760
Investment income	3,150	4,946	3,529
Gifts and donations	3,000	3,952	1,776
Gain from government business enterprises and partnerships (note 6)	-	146	917
Amortization of deferred capital contributions (note 10)	16,364	17,535	15,433
	367,963	363,991	363,509
Expenses (note 19)			
Academic and student support	55,651	50,896	49,791
Administrative support	66,831	73,542	69,259
Ancillary	12,069	10,462	9,653
Instruction	221,233	223,505	213,527
Externally funded and related entities	12,179	17,602	16,648
	367,963	376,007	358,878
Annual operating (loss) surplus	-	(12,016)	4,631
Net restricted endowment contributions	-	2,629	411
Annual (loss) surplus	-	(9,387)	5,042
Accumulated surplus, Beginning of year	143,164	143,164	138,122
Accumulated surplus, End of year	\$ 143,164	\$ 133,777	\$ 143,164

The accompanying notes are an integral part of these consolidated financial statements.

British Columbia Institute of Technology

Consolidated Statement of Remeasurement Gains (Losses)

For the year ended March 31, 2022

(in thousands of dollars)

	2022	2021
Accumulated remeasurement gains (losses), Beginning of year	\$ 3,063	\$ (1,781)
Unrealized (losses) gains attributed to fair value of investments	(962)	4,091
Amount reclassified to investment income	(836)	753
Net remeasurement (losses) gains	(1,798)	4,844
Accumulated remeasurement gains, End of year	\$ 1,265	\$ 3,063

The accompanying notes are an integral part of these consolidated financial statements.

British Columbia Institute of Technology

Consolidated Statement of Changes in Net Debt

For the year ended March 31, 2022

(in thousands of dollars)

	Budget	2022	2021
Annual (loss) surplus	\$ -	\$ (9,387)	\$ 5,042
Additions of tangible capital assets	(74,262)	(71,339)	(58,032)
Amortization of tangible capital assets	30,093	30,788	29,353
Loss on disposition of tangible capital assets	250	780	6
	(43,919)	(39,771)	(28,673)
Change in endowment investments	-	(2,629)	(412)
Change in inventories held for use	-	134	(217)
Change in prepaid expenses	-	205	(1,980)
	-	(2,290)	(2,609)
Net remeasurement (losses) gains	-	(1,798)	4,844
Increase in net debt	(43,919)	(53,246)	(21,396)
Net debt, Beginning of year	(385,564)	(385,564)	(364,168)
Net debt, End of year	\$ (429,483)	\$ (438,810)	\$ (385,564)

The accompanying notes are an integral part of these consolidated financial statements.

British Columbia Institute of Technology

Consolidated Statement of Cash Flows

For the year ended March 31, 2022

(in thousands of dollars)

	2022	2021
Cash provided by (used in):		
Operating activities		
Annual (loss) surplus	\$ (9,387)	\$ 5,042
Items not involving cash		
Net gain from government business enterprises and partnerships	(63)	(917)
Amortization of tangible capital assets	30,788	29,353
Employee future benefits	966	1,887
Asset retirement obligation accretion expense	566	489
Loss on disposition of tangible capital assets	780	6
Amortization of deferred capital contributions (note 10)	(17,535)	(15,433)
	6,116	20,427
Change in non-cash working capital items (note 17)	1,908	(3,348)
	8,024	17,079
Capital		
Acquisition of tangible capital assets	(73,377)	(58,413)
Asset retirement obligation liabilities settled	-	(11)
	(73,377)	(58,424)
Investing activities		
Net acquisition of investments	(3,127)	(1,093)
Contribution from government business enterprises and partnerships	-	(280)
	(3,127)	(1,373)
Financing activities		
Capital contributions received	57,847	54,130
Payment to debt sinking funds	(1,104)	(1,088)
Capital lease payments	(2,528)	(2,820)
Debt repayments	(5,257)	(466)
	48,958	49,756
(Decrease) increase in cash and cash equivalents	(19,522)	7,038
Cash and cash equivalents, Beginning of year	114,242	107,204
Cash and cash equivalents, End of year	\$ 94,720	\$ 114,242

Supplemental cash flow information (note 17)

The accompanying notes are an integral part of these consolidated financial statements.

British Columbia Institute of Technology

Notes to Consolidated Financial Statements

March 31, 2022

1 Authority and Purpose

British Columbia Institute of Technology (the Institute) operates under the College and Institute Act of British Columbia (the Act) and is principally funded by the Province of British Columbia (the Province) through the Ministry of Advanced Education and Skills Training (the Ministry). The Institute is a not-for-profit entity governed by a Board of Governors, the majority of whom are appointed by the Province. The Institute is a registered charity and is exempt from income taxes under Section 149 of the Income Tax Act (Canada).

The Institute provide courses of instruction in advanced technological and vocational fields to nearly 50,000 full and part-time students annually and operates across five main campuses in the Province.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including Canadian federal and provincial governments enacting emergency measures to combat the spread of the virus. During the fiscal year, the Institute experienced declines in tuition revenue from international students due to travel restrictions, challenges with obtaining study permits and students opting out of remote learning from their home country. While the affects are expected to be temporary, the duration of the disruption and related financial impact cannot be reasonably estimated at this time. Management will continue to monitor the ongoing financial impacts and adjust operations as required to ensure its ability to fulfill obligations and continue operations.

2 Summary of significant accounting policies

(a) Basis of accounting

The 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 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 consolidated 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 regulations.

Regulation 257/2010 requires all taxpayer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections related to not-for-profit accounting standards.

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 as follows:

- Contributions for the purposes of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are to be deferred and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded.

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- 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 period in which the stipulation or restriction on the contributions have been met.
- For British Columbia taxpayer supported organizations, these contributions include government transfers and externally restricted contributions.

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

- Government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standards PS3410; and
- Externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standards PS3100.

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

(b) Basis of consolidation

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenue 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.

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 and is incorporated under the Societies 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.

British Columbia Institute of Technology

Notes to Consolidated Financial Statements

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(ii) 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.

The following organizations are controlled government business enterprises and partnerships and are consolidated in these financial statements using the modified equity method:

- Great Northern Way Campus Trust ("GNWCT") 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) 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.
- PanGlobal Training Systems Ltd. PlanGlobal is an equal share joint venture between the Institute, Southern Alberta Institute of Technology and Northern Alberta Institute of Technology. The purpose of PanGlobal is to produce and market Power Engineering multimedia learning products.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. These investments generally have a maturity date of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(d) 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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(e) 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 and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

Donated assets are recorded at fair market value at the date of acquisition. When fair value of the donated asset cannot be reliably determined, the asset is recorded at nominal value.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Basis
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 and development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate 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.

British Columbia Institute of Technology

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(f) 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 lives of the employees.

(g) 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 obligation is measured at the best estimate of the future cash flows required to settle the liability, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and amortized over the life of the asset.

The liability is accreted to reflect the passage of time. Subsequent to the initial measurement, the asset retirement obligation is adjusted each year for changes in factors such as the amount and timing of expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

(h) Revenue recognition

Tuition fees, ancillary revenue and industry services are recognized as revenue at the time the products are delivered or the services are substantially provided and collection is reasonably assured. Revenue related to fees or services received in advance of the fee being earned or the service performed is deferred until 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 writedowns on investments where the loss in value is determined to be other than temporary.

British Columbia Institute of Technology

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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 has been met.
- (iii) Contributions to be retained in perpetuity are classified as endowment donations and are recorded 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.

i) Capital Leases

Leases that, from the point of view of the lessee, transfer substantially all the benefits and risks incident to ownership of the property to the Institute are considered capital leases. These are accounted for as an asset and an obligation. Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs such as insurance and maintenance costs. The discount rate used to determine the present value of the lease payments is the lower of the Institute's rate for incremental borrowing or the interest rate implicit in the lease.

All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

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(j) Financial instruments

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

- i) Fair value category: Portfolio investments and endowment investments that are quoted in an active market are 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 consolidated statement of remeasurement of gains (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 consolidated statement of operations and accumulated surplus and related balances reversed from the consolidated statement of remeasurement of gains (losses).
- (ii) Cost category: Cash and cash equivalents, accounts receivable, due to/from government and other government organizations, accounts payable and accrued liabilities, debt and obligations under capital lease are measured at cost using the effective interest rate method. Any gains, losses or interest expense is recorded in the annual surplus depending on the nature of the financial asset/liability that gave rise to the gain, loss or expense. Valuation allowances are made when collection is in doubt.

(k) 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:

(i) 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 includes Foundation & Alumni, 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 include Vice Presidents, management, administration, support staff and related support costs.

(ii) Administrative support

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

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(iii) 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 Institute. This includes Bookstore, Room Rentals, Leases, Food Services, Parking and Residences. Costs associated with this function include management, administration, support staff and related support costs.

(iv) 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 include instructors, contract expenses, deans, instructional administration, support staff and related support costs.

(v) Externally funded and related entities

Externally funded and related entities include 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 Wards and BCIT Foundation. Costs associated with this function include deans, management, administration, support staff and related support costs.

(l) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2022/2021 Fiscal Plan approved by the Board of Governors of the Institute on April 21, 2021.

(m) Use of estimates

The preparation of consolidated 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 consolidated 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.

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3 Accounts receivable

	2022	2021
Student	\$ 4,820	\$ 5,169
Trade and other	6,495	4,147
Allowance for doubtful accounts	(375)	(375)
	<u>\$ 10,940</u>	<u>\$ 8,941</u>

4 Balances with government and other government organizations

(a) Due from government and other government organizations

	2022	2021
Federal government	\$ 1,997	\$ 1,985
Provincial government	18,778	1,102
Other government organizations	2,005	304
	<u>\$ 22,780</u>	<u>\$ 3,391</u>

(b) Due to government and other government organizations

	2022	2021
Federal government	\$ 2,400	\$ 1,641
Provincial government	6,136	4,316
Other government organizations	1,059	1,069
	<u>\$ 9,595</u>	<u>\$ 7,026</u>

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Notes to Consolidated Financial Statements

March 31, 2022

5 Financial instruments

Investments consist of fixed income pooled funds and equity pooled funds. Investments in pooled investment funds are measured at fair value, which represents the Institute's proportionate share of underlying net assets at fair value determined using closing market values. The unit net asset value is supplied by the pooled fund administrator. Financial instruments measured at fair value held within each investment are classified according to a hierarchy that includes three levels reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

- 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 are unobservable, because there is little or no market activity and reflect an entity's own determination about the assumptions that market participants would use in pricing the assets or liabilities. The Institute does not own financial investments classified as Level 3.

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

	Fair value hierarchy	2022	2021
Cash and cash equivalents	Level 1	\$ 3,156	\$ 2,957
Equities	Level 2	22,710	21,241
Fixed income	Level 2	16,110	16,449
		38,820	37,690
Total investments		41,976	40,647
Endowment investments		31,006	28,377
Portfolio investments		\$ 10,970	\$ 12,270

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6 Investments in government business enterprises and partnerships

The change in government business enterprises and partnership investments is comprised of the following:

	Balance, Beginning of year	Net distributions paid	Net adjustment	Net income	Balance, End of year
Investment in GNWCT	\$ 13,303	(83)	(15)	380	\$ 13,585
Investment in PanGlobal	1,176	-	-	(226)	950
Investment in TTA	365	-	-	7	372
	\$ 14,844	(83)	(15)	161	\$ 14,907

Condensed financial information of GNWCT that is part of the Institute's reporting entity is as follows:

	25% share	
	2022	2021
Statement of financial position		
Total assets	\$ 16,239	\$ 16,514
Total liabilities	2,202	1,946
Equity	\$ 14,037	\$ 14,568
Statement of operations and accumulated surplus		
Revenue	\$ 1,634	\$ 1,332
Expenses	(1,470)	(1,556)
Unrealized gain on investment	216	1,349
Net gain	\$ 380	\$ 1,125
Statement of cash flows		
Operating activities	\$ 171	\$ 11
Investing activities	(245)	(186)
Financing activities	(170)	-
Decrease in cash during the year	\$ (244)	\$ (175)

Total liabilities for 2022 include \$0 (2021 - \$170) payable to the Institute.

7 Accounts payable and accrued liabilities

	2022	2021
Trade payables	\$ 15,480	\$ 11,290
Salaries and benefits payable	18,819	13,597
Other	308	5,395
	\$ 34,607	\$ 30,282

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8 Pension plans and employee future benefits

(a) Pension plans

The Institute and its employees contribute to the College Pension Plan and the Municipal Pension Plan, which are jointly trustee pension plans. The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2021, the College Pension Plan has about 16,500 active members and approximately 9,500 retired members. As at December 31, 2020, the Municipal Pension Plan has about 220,000 active members, including approximately 7,000 from colleges.

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

The most recent actuarial valuation from the College Pension Plan as at August 31, 2018, indicated a \$303 million surplus for basic pension benefits on a going concern basis.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Institute paid \$19 million for employer contributions to the plan in fiscal 2022 (2021 –\$19 million), consisting of \$15 million to the College Pension Plan and \$4 million to the Municipal Pension Plan.

The next valuation for the College Pension Plan will be as at August 31, 2021, with results available in late 2022. The next valuation for the Municipal Pension Plan will be as at December 31, 2021, with results available in late 2022.

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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 the plans in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

(b) 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, 2022.

Information about these employee future benefits is as follows:

	2022	2021
Accrued benefit obligation	\$ 23,114	\$ 25,381
Fair value of plan assets	-	-
Funded status	(23,114)	(25,381)
Unamortized net actuarial gains	(5,437)	(2,055)
Accrued benefit liability	(28,551)	(27,436)
Employer's share of benefits (EI, CPP, pension)	(1,915)	(2,064)
Total liability	\$ (30,466)	\$ (29,500)

Components of net benefit expense

	2022	2021
Service cost	\$ 1,541	\$ 1,503
Interest cost	488	455
Long-term disability experience	(71)	540
Amortization of net actuarial gain	(332)	(334)
Net benefit expense	\$ 1,626	\$ 2,164

The significant assumptions used are as follows:

	2022	2021
Accrued benefit obligations as at March 31		
Discount rate	3.2%	2.0%
Benefit cost for year ended March 31		
Discount rate	2.0%	2.4%
Assumed health care cost trend rates as March 31	4.0% - 5.9%	4.0% - 6.1%

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9 Deferred contributions

Deferred contributions represent unspent externally restricted grants and donations. Deferred contributions are primarily restricted for research purposes.

	2022	2021
Deferred contributions, Beginning of year	\$ 25,495	\$ 30,172
Contributions received during the year	45,476	23,366
Amounts recognized as revenue in the year	(26,736)	(27,262)
Transferred to deferred capital contributions	-	(781)
Balance, End of year	\$ 44,235	\$ 25,495

Total amount of deferred contributions received from the Province that was recognized as revenue in the year was \$8,401 (2021 - \$9,939).

10 Deferred capital contributions

Contributions that are restricted 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:

	2022	2021
Balance, Beginning of year	\$ 317,602	\$ 278,905
Contributions received during the year	57,847	54,130
Amounts recognized as revenue in the year	(17,535)	(15,433)
Balance, End of year	\$ 357,914	\$ 317,602

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

	2022	2021
Unamortized capital contributions used to purchase assets	\$ 338,075	\$ 307,939
Unspent capital funding	19,839	9,603
	\$ 357,914	\$ 317,542

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11 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:

	2022	2021
Balance, Beginning of year	\$ 20,482	\$ 21,007
Accretion expense for the year	566	489
Adjustment for change in discount rate	(2,659)	(1,003)
Liabilities settled in the year	-	(11)
Balance, End of year	\$ 18,389	\$ 20,482

The accretion expense is included in interest expense. The undiscounted estimated cash flows required to settle the obligation are approximately \$20,036 to be paid during the fiscal years 2023 to 2070. The estimated cash flows were discounted using the credit-adjusted risk-free rate of 3.303% (2021 – 2.765%).

12 Debt

	2022	2021
Province of British Columbia, 8% bond, due September 2023 (i)	\$ 12,888	\$ 12,888
Province of British Columbia, 4.3% bond, due June 2042 (i)	32,189	32,189
Province of British Columbia, 3.25% bond, due December 2021 (i)	-	5,000
	45,077	50,077
Province of British Columbia, 4.3% bond, premium payable (ii)	5,598	5,803
Province of British Columbia, 3.25%, bond premium payable (ii)	-	52
	50,675	55,932
Less: Sinking fund investments	(9,359)	(8,255)
	\$ 41,316	\$ 47,677

(i) Interest payments are made to the Province semi-annually. The Institute makes contributions to the sinking fund each year to repay the bonds at maturity. The bonds are unsecured.

(ii) The bond premium is being amortized based upon the effective interest method.

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

	Province of British Columbia, 4.3% bond	Province of British Columbia, 8% bond	Total
2023	-	-	-
2024	-	12,888	12,888
2025	-	-	-
2026	-	-	-
2027	-	-	-
Thereafter	32,189	-	32,189
	<u>\$ 32,189</u>	<u>\$ 12,888</u>	<u>\$ 45,077</u>

Interest expense on debt is \$2,128 (2021 – \$2,224).

In addition to principal payments, sinking fund payments were made for certain long-term debt obligations with the Province. Investments held in sinking funds, including interest earned, are used to repay the related debt at maturity. The Institute makes annual payments of principal and interest towards the sinking funds, which 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 notes, bonds and debentures are:

2023	\$ 787
2024	787
2025	674
2026	674
2027	674
Thereafter	10,110
	<u>\$ 13,706</u>

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13 Obligations under leases

(a) Capital leases

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

2023	\$ 2,031
2024	1,385
2025	877
2026	877
2027	877
Thereafter	15,213
	21,260
Less interest at rates from 2.0% to 5.5%	4,673
Present value of minimum lease payments	\$ 16,587

Interest expense on capital leases is \$889 (2021 – \$902).

(b) Operating leases

The Institute has entered into operating leases for land.

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

2023	\$ 255
2024	255
2025	255
2026	255
2027	255
Thereafter	5,833
	\$ 7,108

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14 Tangible capital assets

	2021	Additions	Disposals	2022
Cost				
Land	\$ 44,808	-	-	\$ 44,808
Buildings	594,560	27,868	(20)	624,872
Leasehold improvements	10,455	-	-	10,455
Furniture and equipment	155,715	14,619	(4,403)	165,931
Computer hardware and software	38,451	1,650	(3,399)	36,702
Library holdings	2,947	261	(370)	2,838
Construction-in-process	43,193	26,941	-	70,134
	\$ 890,129	71,339	(8,192)	\$ 955,740
	2021	Amortization	Disposals	2022
Accumulated amortization				
Buildings	\$ 238,494	18,581	(4)	\$ 257,071
Leasehold improvements	2,043	348	-	2,391
Furniture and equipment	120,695	7,373	(4,265)	123,803
Computer hardware and software	27,185	4,228	(2,773)	28,640
Library holdings	1,647	258	(370)	1,535
	\$ 390,064	30,788	(7,412)	\$ 413,440
	2022		2021	
Net book value				
Land		\$ 44,808		\$ 44,808
Buildings		365,337		356,066
Leasehold improvements		8,064		8,412
Furniture and equipment		42,128		35,020
Computer hardware and software		8,062		11,266
Library holdings		1,303		1,300
Construction-in-process		70,134		43,193
		\$ 539,836		\$ 500,065

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15 Endowments

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

	2022	2021
Balance, Beginning of year	\$ 28,377	\$ 27,966
Contributions received during the year	2,629	411
Balance, End of year	\$ 31,006	\$ 28,377

16 Commitments and contingencies

The total commitment under construction contracts for capital projects as at March 31, 2022 was \$37,011, which are funded by the Province and BCIT.

There are lawsuits pending arising in the ordinary course of business, in which the Institute is involved. 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.

17 Supplemental cash flow information

	2022	2021
Change in non-cash working capital items		
Accounts receivable	\$ (1,999)	\$ (1,407)
Inventories	73	142
Prepaid expenses	205	(1,980)
Due from government and other government organizations	(19,389)	9,886
Accounts payable and accrued liabilities	4,325	(4,153)
Due to government and other government organizations	2,569	612
Deferred tuition fees	(8,893)	(408)
Deferred revenue – other	6,277	(1,363)
Deferred contributions	18,740	(4,677)
	\$ 1,908	\$ (3,348)
	2022	2021
Non-cash transactions		
Receipt of donated capital assets	\$ 742	\$ 3,446
Buildings and equipment under capital lease	623	623
Decrease in asset retirement obligation and capital assets	(195)	(1,002)

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18 Financial risk management

Risk management

The Institute is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives. The Board of Governors ensures that the Institute has identified major risks and management monitors and controls them.

(a) 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 establishes budgets, monitors actuals and forecasts cash flow projections to ensure that it has the necessary funds to meet its obligations as they become due.

(b) Market and interest rate risk

Market risk is the risk that fluctuations in market prices will affect the Institute's net assets and the value of holdings in investments. The objective of market risk management is to control market risk exposure within acceptable parameters while optimizing the return on risk. Market risk comprised of the following:

(i) Interest rate risk

Interest rate risk refers to the effect on the market value of the Institute's assets due to the 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.

(ii) Foreign currency risk

Foreign exchange risk is the risk of financial impact due to exchange rate fluctuations. The Institute has investments in global pooled equity funds where the underlying securities are denominated in foreign currencies. The Institute manages this risk by diversifying its investment portfolio in accordance with its approved investment policy.

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

(c) Credit risk

Credit risk is the risk of financial loss to the Institute if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Institute consisting of cash and cash equivalents, investments and accounts receivable.

The Institute manages credit risk with established credit management and investment policies and guidelines that include regular monitoring of each debtor's payment history and performance.

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19 Expenses by object

	2022	2021
Salaries and wages	\$ 213,746	\$ 206,662
Employee benefits	46,398	44,074
Amortization of tangible capital assets	30,788	29,353
Repairs and maintenance	20,895	17,374
Fee for service	19,738	18,756
Supplies and general	16,895	16,697
Utilities and taxes	5,938	4,888
Student awards	5,613	5,747
Interest	3,646	3,648
Training, travel and professional development	3,625	3,135
Cost of goods sold	3,611	3,489
Printing and advertising	3,266	3,177
Equipment and facilities leases	1,223	1,349
Banking and insurance	625	529
	\$ 376,007	\$ 358,878

20 Related party transactions

The Institute is related through common ownership to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities and crown corporations. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

The Institute administers funds on behalf of British Columbia Council of Admissions and Transfer (BCCAT) and other external agencies. Included in accounts receivable is \$2,206 (2021 – \$1,778) from BCCAT.

21 Comparative information

Certain comparative information has been reclassified to conform with the consolidated financial statement presentation adopted for the current year.