British Columbia Institute of Technology

Consolidated Financial Statements
March 31, 2023
(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 regulato1y 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:

Paul McCullough Interim President	Trish Pekeles CFO and Vice President, Finance & Corporate Services

May 30, 2023

Independent auditor's report

To the Board of Governors of British Columbia Institute of Technology and the Minister of Post-Secondary Education and Future Skills 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, 2023 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, 2023;
- 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.

Emphasis of matter – basis of accounting

We draw attention to note 2(a) 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 22 to the consolidated financial statements discloses the impact 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 30, 2023

British Columbia Institute of Technology

Consolidated Statement of Financial Position

As at March 31, 2023

(in thousands of dollars)

	2023	2022
Financial assets		
Cash and cash equivalents	$ 80,465	$ 94,720
Accounts receivable (note 3)	13,374	10,940
Inventories for resale	1,142	1,174
Due from government (note 4)	6,053	22,780
Portfolio investments (note 5)	29,531	10,970
Investments in government business enterprises and partnerships (note 6)	14,174	14,907
	144,739	155,491
Liabilities		
Accounts payable and accrued liabilities (note 7)	38,146	34,607
Due to government and other government organizations (note 4)	10,105	9,595
Derivative (note 5)	1,588	-
Employee future benefits (note 8)	29,418	30,466
Deferred tuition fees	33,192	30,169
Deferred revenue – other	11,912	11,023
Deferred contributions (note 9)	31,031	44,235
Deferred capital contributions (note 10)	404,635	357,914
Asset retirement obligation (note 11)	20,121	18,389
Debt (note 12)	39,892	41,316
Obligations under capital lease (note 13)	24,598	16,587
	644,638	594,301
Net debt	(499,899)	(438,810)
Non-financial assets		
Tangible capital assets (note 14)	583,296	539,836
Endowment investments (note 5 & 15)	31,414	31,006
Inventories held for use	195	354
Prepaid expenses	2,741	2,656
	617,646	573,852
Accumulated surplus	$ 117,747	$ 135,042
Accumulated surplus comprises:		
Accumulated operating surplus	$ 118,555	$ 133,777
Accumulated remeasurement gains (losses)	(808)	1,265
	$ 117,747	$ 135,042

Commitment and contingencies (note 16)

See accompanying notes to the financial statements

Approved by the Board of Governors

Dan Reader, Governor and Board Chair

Don Matthew, Governor and Audit & Finance Committee Chair

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, 2023

(in thousands of dollars)

	Budget	2023	2022
Revenue			
Province of British Columbia grants (note 9)	$ 148,578	$ 166,759	$ 147,528
Tuition fees	142,900	126,568	133,658
Sales, ancillary revenue and other income	18,978	17,902	17,881
Industry services	13,414	12,388	13,178
Other contributions	22,494	25,543	25,167
Investment income	1,397	4,345	4,946
Gifts and donations	4,200	4,592	3,952
(Loss) gain from government business enterprises and partnerships (note 6)	-	(733)	146
Amortization of deferred capital contributions (note 10)	19,775	18,820	17,535
	371,736	376,184	363,991
Expenses (note 20)			
Academic and student support	57,103	53,197	50,896
Administrative support	40,707	42,174	42,949
Facilities	31,410	32,402	30,593
Ancillary	12,769	10,431	10,462
Instruction	233,228	233,698	223,505
Externally funded and related entities	12,274	19,912	17,602
	387,491	391,814	376,007
Annual operating loss	**(15,755)**	**(15,630)**	**(12,016)**
Net restricted endowment contributions	-	408	2,629
Annual loss	**(15,755)**	**(15,222)**	**(9,387)**
Accumulated operating surplus, Beginning of year	143,164	133,777	143,164
Accumulated operating surplus, End of year	$ 127,409	$ 118,555	$ 133,777

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, 2023

(in thousands of dollars)

	2023	2022
Accumulated remeasurement gains, Beginning of year	$ 1,265	$ 3,063
Unrealized losses attributed to fair value of		
Portfolio investments	(632)	(962)
Derivative	(1,588)	-
Amount reclassified to investment income	147	(836)
Net remeasurement losses	(2,073)	(1,798)
Accumulated remeasurement (losses) gains, End of year	$ (808)	$ 1,265

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, 2023

(in thousands of dollars)

	Budget	2023	2022
Annual loss	$ (15,755)	$ (15,222)	$ (9,387)
Additions of tangible capital assets	(72,260)	(76,771)	(71,339)
Amortization of tangible capital assets	34,135	33,176	30,788
Loss on disposition of tangible capital assets	250	135	780
	(37,875)	(43,460)	(39,771)
Change in endowment investments	-	(408)	(2,629)
Change in inventories held for use	-	159	134
Change in prepaid expenses	-	(85)	205
	-	(334)	(2,290)
Net remeasurement losses	-	(2,073)	(1,798)
Increase in net debt	(53,630)	(61,089)	(53,246)
Net debt, Beginning of year	(438,810)	(438,810)	(385,564)
Net debt, End of year	$ (492,440)	$ (499,899)	$ (438,810)

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, 2023

(in thousands of dollars)

	2023	2022
Cash provided by (used in):		
Operating activities		
Annual loss	$ (15,222)	$ (9,387)
Items not involving cash		
Net loss (gain) from government business enterprises and partnerships	733	(63)
Realized loss (gain) on sale of portfolio investments	147	(836)
Employee future benefits expense	231	1,478
Asset retirement obligation accretion expense (note 11)	607	566
Loss on disposition of tangible capital assets	135	780
Amortization of tangible capital assets (note 14)	33,176	30,788
Amortization of deferred capital contributions (note 10)	(18,820)	(17,535)
Capital lease obligation	1,391	-
Amortization of debt premium	(273)	(257)
	2,105	5,534
Change in non-cash working capital items (note 18)	9,156	1,908
Employee future benefits paid	(1,279)	(511)
	9,982	6,931
Capital		
Acquisition of tangible capital assets	(66,570)	(73,377)
Investing activities		
Acquisition of portfolio and endowment investments	(58,826)	(10,772)
Disposal of portfolio and endowment investments	39,226	8,481
Acquisition of debt sinking fund investments	(1,151)	(1,104)
	(20,751)	(3,395)
Financing activities		
Capital contributions received (note 10)	65,541	57,847
Capital lease payments	(2,457)	(2,528)
Debt repayments	-	(5,000)
	63,084	50,319
Decrease in cash and cash equivalents	(14,255)	(19,522)
Cash and cash equivalents, Beginning of year	94,720	114,242
Cash and cash equivalents, End of year	$ 80,465	$ 94,720

Supplemental cash flow information (note 18)

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

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 Post-Secondary Education and Future Skills (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 with a gradual transition to normal commencing June 30, 2021. The Institute has experienced lasting impacts from COVID-19 including a drop in international enrollment, supply chain disruptions, and higher than expected inflation and interest rates, contributing to the Institute being in a second year of deficit. Recovery is expected over the next few years and 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.

- 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.

(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.

(e) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to the 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.

(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 trusteed 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) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that a future event is likely to confirm that a liability has been incurred at the date of the financial statements and a reasonable estimate of the liability can be made by the Institute, a contingent liability is recognized in the Statement of Financial Position and the related expense is recorded in the Statement of Operations and Accumulated Surplus in accordance with its nature. The Institute discloses contingencies in the consolidated financial statements if the likelihood of the occurrence of the confirming future event is not determinable or it is likely but either the amount of the liability cannot be reasonably estimated, or an accrual has been made, but there exists an exposure to liability in excess of the amount accrued.

(h) Asset retirement obligation

Effective April 1, 2022, the Institute adopted section PS 3280 – Asset Retirement Obligations issued by the Public Sector Accounting Board. The adoption of this standard does not impact these consolidated financial statements as the Institute has been recording an asset retirement obligation prior to the adoption of this standard. 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.

(i) 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. 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.

(j) 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.

(k) Financial instruments

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

(i) Fair value category: Portfolio investments, endowment investments and derivative financial instruments 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.

(l) 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 Student Services, Research & Planning, International Education, Learner Services, Learning & Teaching Centre, Library, Marketing & Communication, Print Services and Registrar's Office.

(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 and Safety and Security.

(iii) Facilities

Facilities includes expenses relating to the operation and maintenance of infrastructure, including building and equipment for all institutional activities, utilities, custodial services, landscaping and grounds keeping, and technology related infrastructure costs.

(iv) 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.

(v) 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.

(vi) 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 Awards and BCIT Foundation.

(m) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2023/2022 Fiscal Plan approved by the Board of Governors of the Institute on March 29, 2022.

(n) 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.

3 Accounts receivable

	2023	2022
Student	$ 6,206	$ 4,820
Trade and other	7,543	6,495
Allowance for doubtful accounts	(375)	(375)
	$ 13,374	$ 10,940

4 Balances with government and other government organizations

(a) Due from government and other government organizations

	2023	2022
Federal government	$ 1,549	$ 1,997
Provincial government	3,369	18,778
Other government organizations	1,135	2,005
	$ 6,053	$ 22,780

(b) Due to government and other government organizations

	2023	2022
Federal government	$ 2,608	$ 2,400
Provincial government	6,315	6,136
Other government organizations	1,182	1,059
	$ 10,105	$ 9,595

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.

(a) Portfolio and endowment investments recorded at fair value are comprised of the following:

	Fair value hierarchy	2023	2022
Cash and cash equivalents	Level 1	$ 3,245	$ 3,156
Equities	Level 2	27,664	22,710
Fixed income	Level 2	30,036	16,110
		57,700	38,820
Total investments		60,945	41,976
Endowment investments		31,414	31,006
Portfolio investments		$ 29,531	$ 10,970

(b) Derivative

	Fair value hierarchy	2023	2022
Derivative – interest rate swaps on debt quoted at fair value:			
Interest rate derivative	Level 2	$ (1,588)	$ -
Total derivative		$ (1,588)	$ -

On September 22, 2022, the Institute entered into an interest rate swap to hedge the exposure to interest rate fluctuations during the construction period of the new Student Housing project. The valuation for the derivative is obtained from the Province of BC based on observable market data.

The Institute's derivative includes a Province of BC interest rate swap with a notional value of $60 million terminating on December 17, 2054, whereby BCIT pays a fixed rate of 3.378% and receives a floating rate based on the Three Month CDOR rate. The derivative has a mandatory early termination date of December 17, 2024.

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 loss	Balance, End of year
Investment in GNWCT	$ 13,585	-	-	40	$ 13,625
Investment in PanGlobal	950	-	-	(775)	175
Investment in TTA	372	-	-	2	374
	$ 14,907	-	-	(733)	$ 14,174

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

	25% share	
	2023	**2022**
Statement of financial position		
Total assets	$ 15,175	$ 16,239
Total liabilities	1,967	2,202
Equity	$ 13,208	$ 14,037
Statement of operations and accumulated surplus		
Revenue	$ 1,782	$ 1,634
Expenses	(1,517)	(1,470)
Unrealized gain (loss) on investment	(225)	216
Net gain	$ 40	$ 380
Statement of cash flows		
Operating activities	$ 255	$ 171
Investing activities	(205)	(245)
Financing activities	-	(170)
Increase (decrease) in cash during the year	$ 50	$ (244)

Total liabilities for 2023 include $83 (2022 - $83) payable to the Institute.

7 Accounts payable and accrued liabilities

	2023	2022
Trade payables	$ 16,203	$ 15,480
Salaries and benefits payable	21,380	18,819
Other	563	308
	$ 38,146	$ 34,607

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 trusteed pension plans. The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2022, the College Pension Plan has about 16,600 active members and approximately 10,100 retired members. As at December 31, 2022, the Municipal Pension Plan has about 240,000 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, 2021, indicated a $202 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, 2021, indicated a $3,761 million funding surplus for basic pension benefits on a going concern basis.

The Institute paid $19.7 million for employer contributions to the plan in fiscal 2023 (2022 –$19 million), consisting of $15.4 million to the College Pension Plan and $4.3 million to the Municipal Pension Plan.

The next valuation for the College Pension Plan will be as at August 31, 2024, with results available in late 2025. The next valuation for the Municipal Pension Plan will be as at December 31, 2024, with results available in late 2025.

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:

	2023	2022
Accrued benefit obligation	$ 23,825	$ 23,114
Fair value of plan assets	-	-
Funded status	(23,825)	(23,114)
Unamortized net actuarial gains	(5,293)	(5,437)
Accrued benefit liability	(29,118)	(28,551)
Employer's share of benefits	(300)	(1,915)
Total liability	$ (29,418)	$ (30,466)

Components of net benefit expense

	2023	2022
Service cost	$ 1,672	$ 1,541
Interest cost	664	488
Long-term disability experience	199	(71)
Amortization of net actuarial gain	(689)	(332)
Net benefit expense	$ 1,846	$ 1,626

The Institute paid out future employee benefits of $1,279 (2022 - $511) during the year.

The significant assumptions used are as follows:

	2023	2022
Accrued benefit obligations as at March 31		
Discount rate	3.8%	3.2%
Benefit cost for year ended March 31		
Discount rate	3.2%	2.0%
Assumed health care cost trend rates as March 31	4.0% - 5.7%	4.0% - 5.9%

9 Deferred contributions

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

	2023	2022
Deferred contributions, Beginning of year	$ 44,235	$ 25,495
Contributions received during the year	31,230	45,476
Amounts recognized as revenue in the year	(44,434)	(26,736)
Balance, End of year	$ 31,031	$ 44,235

Total amount of deferred contributions received from the Province that was recognized as revenue in the year was $18,891 (2022 - $8,401).

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.

Changes in the deferred capital contributions balance are as follows:

	2023	2022
Balance, Beginning of year	$ 357,914	$ 317,602
Contributions received during the year	65,541	57,847
Amounts recognized as revenue in the year	(18,820)	(17,535)
Balance, End of year	$ 404,635	$ 357,914

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

	2023	2022
Unamortized capital contributions used to purchase assets	$ 383,071	$ 338,075
Unspent capital funding	21,564	19,839
	$ 404,635	$ 357,914

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:

	2023	2022
Balance, Beginning of year	$ 18,389	$ 20,482
Accretion expense for the year	607	566
Adjustment for change in discount rate	1,125	(2,659)
Balance, End of year	$ 20,121	$ 18,389

The accretion expense is included in interest expense. The undiscounted estimated cash flows required to settle the obligation are approximately $20,479 to be paid during the fiscal years 2024 to 2070. The estimated cash flows were discounted using the credit-adjusted risk-free rate of 4.09% (2022 – 3.303%).

12 Debt

	2023	2022
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
	45,077	45,077
Province of British Columbia, 4.3% bond, premium payable (ii)	5,325	5,598
	50,402	50,675
Less: Sinking fund investments	(10,510)	(9,359)
	$ 39,892	$ 41,316

(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.

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
2024	-	12,888	12,888
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
Thereafter	32,189	-	32,189
	$ 32,189	$ 12,888	$ 45,077

Interest expense on debt is $2,142 (2022 – $2,128).

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:

2024	$ 787
2025	674
2026	674
2027	674
2028	674
Thereafter	8,762
	$ 12,245

13 Obligations under leases

(a) Capital leases

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

2024	$ 3,567
2025	2,859
2026	2,455
2027	1,897
2028	1,743
Thereafter	34,061
	46,582
Less interest at rates from 2.0% to 5.5%	21,984
Present value of minimum lease payments	$ 24,598

Interest expense on capital leases is $820 (2022 – $889).

(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:

2024	$ 382
2025	408
2026	420
2027	420
2028	420
Thereafter	8,216
	$ 10,266

14 Tangible capital assets

	2022	Additions	Disposals	2023
Cost				
Land	$ 44,808	-	-	$ 44,808
Buildings	622,408	107,127	-	729,535
Leasehold improvements	10,455	-	-	10,455
Furniture and equipment	165,931	15,580	(17,164)	164,347
Computer hardware and software	36,702	536	(347)	36,891
Library holdings	2,838	-	-	2,838
Construction-in-process	70,134	(46,472)	-	23,662
	$ 953,276	76,771	(17,511)	$ 1,012,536

	2022	Amortization	Disposals	2023
Accumulated amortization				
Buildings	$ 257,071	20,348	-	$ 277,419
Leasehold improvements	2,391	489	-	2,880
Furniture and equipment	123,803	8,545	(17,029)	115,319
Computer hardware and software	28,640	3,553	(347)	31,846
Library holdings	1,535	241	-	1,776
	$ 413,440	33,176	(17,376)	$ 429,240

	2023	2022
Net book value		
Land	$ 44,808	$ 44,808
Buildings	452,116	365,337
Leasehold improvements	7,575	8,064
Furniture and equipment	49,028	42,128
Computer hardware and software	5,045	8,062
Library holdings	1,062	1,303
Construction-in-process	23,662	70,134
	$ 583,296	$ 539,836

15 Endowments

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

	2023	2022
Balance, Beginning of year	$ 31,006	$ 28,377
Contributions received during the year	408	2,629
Balance, End of year	$ 31,414	$ 31,006

16 Commitments and contingencies

The total commitment under construction contracts for capital projects as at March 31, 2023 is $125,220 (2022 $37,011) which are funded by the Province and the Institute.

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.

As at March 31, 2023, the Institute recorded a contingent liability of $5,000 (2022 - $0) in salaries and benefits payable, related to the renegotiation of expired collective agreements. The contingent liability is based on the elements of the Province of BC's 2022 Shared Recovery Mandate, which will take effect upon ratification of the respective collective agreements.

The Institute also has a contingent asset of $5,000 (2022 - $0) based on the Province of BC 2022 Shared Recovery Mandate. The probability of ratification of the collective agreements is likely to result in a recovery or future receipt of an asset that is likely to materialize next year.

17 Contractual Obligations

The Institute has entered into multi-year construction contracts. The contractual obligations will become future liabilities once the terms of these agreements have been met. The table below highlights the delivery dates of the contractual obligations.

	Construction Contracts
2024	$ 40,802
2025	49,786
2026	394
	$ 90,982

18 Supplemental cash flow information

	2023	2022
Change in non-cash working capital items		
Accounts receivable	$ (2,434)	$ (1,999)
Inventories	191	73
Prepaid expenses	(85)	205
Due from government and other government organizations	16,727	(19,389)
Accounts payable and accrued liabilities	3,539	4,325
Due to government and other government organizations	510	2,569
Deferred tuition fees	3,023	(8,893)
Deferred revenue – other	889	6,277
Deferred contributions	(13,204)	18,740
	$ 9,156	$ 1,908

	2023	2022
Non-cash transactions		
Receipt of donated capital assets	$ 304	$ 742
Buildings and equipment under capital lease	9,077	623
Increase (decrease) in asset retirement obligation	1,124	(195)
Derivative	(1,588)	-

19 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. The Institute has entered into a derivative for the purpose of mitigating exposure to future interest rate fluctuations.

(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.

20 Expenses by object

	2023	2022
Salaries and wages	$ 220,453	$ 213,746
Employee benefits	47,011	46,398
Amortization of tangible capital assets	33,176	30,787
Supplies and general	24,191	22,010
Repairs and maintenance	22,587	20,895
Fees for service	18,314	19,738
Student awards	7,831	5,613
Utilities and taxes	6,184	5,938
Training, travel and professional development	4,965	3,625
Interest	3,585	3,646
Cost of goods sold	3,517	3,611
	$ 391,814	$ 376,007

21 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 $2,533 (2022 – $2,206) from BCCAT.

22 Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011

As disclosed in the significant accounting policies Note 2 (a), Regulation 198/2011 requires the Institute to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related tangible capital asset, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

The impact of the departure from PSAS on the consolidated financial statements of the Institute is as follows:

As at March 31, 2021	
Increase in accumulated operating surplus	307,939
Decrease in deferred capital contributions	(307,939)
For the year ended March 31, 2022	
Decrease in annual operating loss	(30,136)
As at March 31, 2022	
Increase in accumulated operating surplus	338,075
Decrease in deferred capital contributions	(338,075)
For the year ended March 31, 2023	
Decrease in annual operating loss	(44,996)
As at March 31, 2023	
Increase in accumulated operating surplus	383,071
Decrease in deferred capital contributions	(383,071)

23 Comparative information

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