



Consolidated Financial Statements

British Columbia Institute of Technology

March 31, 2017

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BRITISH COLUMBIA  
INSTITUTE OF TECHNOLOGY

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## Management's Report

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

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

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

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

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

On behalf of the Institute:

Handwritten signature of Ms. Kathy Kinloch in blue ink.

Ms. Kathy Kinloch  
President

Handwritten signature of Mr. Lorcan O'Melinn in blue ink.

Mr. Lorcan O'Melinn  
Vice President Administration and CFO

# Independent Auditor's Report

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

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We have audited the accompanying consolidated financial statements of British Columbia Institute of Technology (the "Institute"), which comprise the consolidated statement of financial position as at March 31, 2017 and the consolidated statements of operations and accumulated surplus, remeasurement gains, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the consolidated financial statements

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

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### Opinion

In our opinion, the consolidated financial statements of the Institute for the year ended March 31, 2017 are prepared, in all material respects, in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

#### Emphasis of matter

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

Vancouver, Canada  
May 30, 2017



Chartered Professional Accountants

# British Columbia Institute of Technology

## Consolidated Statement of Financial Position

(in thousands of dollars)

March 31

2017

2016

### Financial assets

Cash and cash equivalents	\$	56,158	\$	46,561
Accounts receivable (Note 3)		5,165		5,054
Inventories for resale		1,839		1,821
Due from government and other government organizations (Note 4)		7,806		10,084
Portfolio investments (Note 5)		8,496		6,369
Debt sinking funds (Note 6)		4,796		4,494
Investments in government business enterprises and partnerships (Note 7)		19,613		16,417
		<u>103,873</u>		<u>90,800</u>

### Liabilities

Accounts payable and accrued liabilities (Note 8)		18,312		20,585
Due to government and other government organizations (Note 4)		4,920		4,459
Employee future benefits (Note 9)		24,205		22,724
Deferred tuition fees		29,185		26,899
Deferred revenue - other		6,245		6,654
Deferred contributions (Note 10)		23,498		24,237
Deferred capital contributions (Note 11)		213,323		211,397
Asset retirement obligation (Note 12)		16,392		17,119
Debt (Note 13)		57,068		59,081
Obligations under capital lease (Note 14)		20,783		18,838
		<u>413,931</u>		<u>411,993</u>
Net debt		<u>(310,058)</u>		<u>(321,193)</u>

### Non-financial assets

Tangible capital assets (Note 15)		399,190		401,739
Endowment investments (Note 5 and 16)		23,925		23,229
Inventories held for use		170		126
Prepaid expenses		529		764
		<u>423,814</u>		<u>425,858</u>

### Accumulated surplus

	\$	113,756	\$	104,665
<b>Accumulated surplus is comprised of:</b>				
Accumulated operating surplus	\$	111,060	\$	104,103
Accumulated remeasurement gains		2,696		562
	\$	<u>113,756</u>	\$	<u>104,665</u>

Contingencies (Note 17)

On behalf of the Board

On behalf of the Board

 Governor

 Governor

# British Columbia Institute of Technology

## Consolidated Statement of Operations and Accumulated Surplus

(in thousands of dollars)

Year ended March 31	Budget	2017	2016
<b>Revenue</b>			
Province of British Columbia grants	\$ 132,514	\$ <b>132,674</b>	\$ 131,325
Government of Canada grants	-	<b>282</b>	671
Tuition fees	109,095	<b>116,288</b>	107,042
Sales and ancillary revenue	12,507	<b>12,837</b>	12,473
Industry services	8,956	<b>9,528</b>	9,655
Facilities rental, cost recoveries and other income	7,078	<b>4,505</b>	5,999
Investment income	2,000	<b>3,035</b>	3,555
Gifts and donations	1,317	<b>2,141</b>	2,471
Income from government business enterprises and partnerships	-	<b>2,673</b>	1,114
Amortization of deferred contributions (Note 10)	5,443	<b>13,645</b>	9,700
Amortization of deferred capital contributions (Note 11)	11,311	<b>13,764</b>	12,735
	<u>290,221</u>	<u><b>311,372</b></u>	<u>296,740</u>
<b>Expenses (Note 20)</b>			
Academic and student support	44,085	<b>43,325</b>	44,188
Administrative support	47,446	<b>55,650</b>	48,930
Ancillary	11,622	<b>12,143</b>	11,623
Instruction	178,502	<b>177,320</b>	173,549
Externally funded and related entities	8,566	<b>16,673</b>	15,705
	<u>290,221</u>	<u><b>305,111</b></u>	<u>293,995</u>
Operating surplus before endowment contributions	-	<b>6,261</b>	2,745
Endowment contributions	-	<b>696</b>	1,092
Operating surplus	<u>\$ -</u>	<u><b>6,957</b></u>	<u>3,837</u>
Accumulated operating surplus, beginning of year		<u><b>104,103</b></u>	<u>100,266</u>
Accumulated operating surplus, end of year		<u><b>\$ 111,060</b></u>	<u>\$ 104,103</u>

See accompanying notes to the consolidated financial statements.

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## British Columbia Institute of Technology

### Consolidated Statement of Remeasurement Gains

(in thousands of dollars)

Year ended March 31	2017	2016
Other comprehensive (loss) income from government business enterprises and partnerships	\$ 527	\$ (612)
Unrealized gains (losses)	1,760	(2,267)
Realized gains (losses) on investment, reclassified to statement of operations	<u>(153)</u>	<u>331</u>
Net remeasurement gains (losses)	2,134	(2,548)
Accumulated remeasurement gains, beginning of year	<u>562</u>	<u>3,110</u>
Accumulated remeasurement gains, end of year	<u>\$ 2,696</u>	<u>\$ 562</u>

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## British Columbia Institute of Technology

### Consolidated Statement of Changes in Net Debt

(in thousands of dollars)

Year ended March 31	Budget	2017	2016
Operating surplus	\$ -	\$ 6,957	\$ 3,837
Additions of tangible capital assets	(29,643)	(25,264)	(23,611)
Amortization of tangible capital assets	25,531	25,157	24,431
Loss on disposition of tangible capital assets	-	2,656	-
	<u>(4,112)</u>	<u>2,549</u>	<u>820</u>
Additions of endowment investments	-	(696)	(1,092)
Change in inventories held for use	-	(44)	(40)
Change in prepaid expense	-	235	97
	<u>-</u>	<u>(505)</u>	<u>(1,035)</u>
Net remeasurement gains (losses)	<u>-</u>	<u>2,134</u>	<u>(2,548)</u>
Decrease (increase) in net debt	(4,112)	11,135	1,074
Net debt, beginning of year	<u>(322,267)</u>	<u>(321,193)</u>	<u>(322,267)</u>
Net debt, end of year	<u>\$ (326,379)</u>	<u>\$ (310,058)</u>	<u>\$ (321,193)</u>

# British Columbia Institute of Technology

## Consolidated Statement of Cash Flows

(in thousands of dollars)

Year ended March 31

2017

2016

Cash provided by (used in):

### Operating

Operating surplus	\$	6,957	\$	3,837
Items not involving cash				
Income from government business enterprises and partnerships		(2,673)		(1,114)
Amortization of tangible capital assets		25,157		24,431
Employee future benefits		1,481		1,216
Asset retirement obligation accretion expense		514		474
Loss on disposition of tangible capital assets		2,656		-
Amortization of deferred contributions				
Capital		(13,764)		(12,735)
Other externally restricted funds		(13,645)		(9,700)

6,683 6,409

Change in non-cash working capital items (Note 18) 2,402 281

9,085 6,690

### Capital

Purchases of tangible capital assets		(22,283)		(20,399)
Asset retirement obligation liabilities settled		(442)		(493)
		(22,725)		(20,892)

### Investing

Changes in investments, net		(1,216)		(1,832)
Contribution from (to) government business enterprises and partnerships		4		(743)
		(1,212)		(2,575)

### Financing

Capital contributions received		15,690		15,077
Other contributions received		12,906		12,056
Debt sinking funds		(302)		(484)
Capital lease payments		(1,835)		(1,769)
Debt repayments		(2,010)		(1,960)
		24,449		22,920

Net increase in cash and cash equivalents 9,597 6,143

Cash and cash equivalents, beginning of year 46,561 40,418

Cash and cash equivalents, end of year \$ 56,158 \$ 46,561

Supplemental cash flow information (Note 18)

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2017

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### 1. General

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

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

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

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

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### 2. Summary of significant accounting policies

#### Basis of presentation

These consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia which requires accounting policies which are consistent with Canadian public sector accounting standards except in regard to the accounting for restricted capital contributions.

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

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

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

#### Basis of consolidation

##### *Consolidated entities*

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

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2017

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

#### Basis of consolidation (continued)

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

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

- BCIT Foundation, which is a controlled not-for-profit organization, was incorporated March 30, 1999, under the 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.

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

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

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

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

#### Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid securities.

#### Inventories for resale and held for use

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

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2017

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

#### Tangible capital assets

Tangible capital asset acquisitions are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Donated assets are recorded at fair market value at the date of acquisition.

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

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

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

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

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

#### Employee future benefits

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

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

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2017

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

#### Asset retirement obligation

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

#### Revenue recognition

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

Rental revenue is recognized over the period earned.

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

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

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

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

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

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2017

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

#### Revenue recognition (continued)

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

#### Financial instruments

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

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

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

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

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

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

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

#### Functional classification of expenses

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

##### *Academic and student support*

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

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2017

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

#### Functional classification of expenses (continued)

##### *Administrative support*

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

##### *Ancillary*

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

##### *Instruction*

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

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

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

#### **Budget figures**

Budget figures have been provided for comparative purposes and have been derived from the 2016/2017 Fiscal Plan approved by the Board of Governors of the Institute on March 1, 2016.

#### **Use of estimates**

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

#### **Comparative figures**

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



# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2017

<b>3. Accounts receivable</b>	<u>2017</u>	<u>2016</u>
Student	\$ 2,983	\$ 3,249
Trade and other	2,557	2,180
Allowance for doubtful accounts	<u>(375)</u>	<u>(375)</u>
	<u>\$ 5,165</u>	<u>\$ 5,054</u>

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

#### Due from government and other government organizations

	<u>2017</u>	<u>2016</u>
Federal government	\$ 532	\$ 2,827
Provincial government	6,836	6,823
Other government organizations	<u>438</u>	<u>434</u>
	<u>\$ 7,806</u>	<u>\$ 10,084</u>

#### Due to government and other government organizations

	<u>2017</u>	<u>2016</u>
Federal government	\$ 1,048	\$ 887
Provincial government	2,811	2,536
Other government organizations	<u>1,061</u>	<u>1,036</u>
	<u>\$ 4,920</u>	<u>\$ 4,459</u>

### 5. Investments

Investments consist of:

	<u>2017</u>	<u>2016</u>
Portfolio investments	\$ 8,496	\$ 6,369
Endowment investments	<u>23,925</u>	<u>23,229</u>
	<u>\$ 32,421</u>	<u>\$ 29,598</u>

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2017

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### 5. Investments (continued)

The underlying investments consist of:

		<u>2017</u>	<u>2016</u>
	<u>Fair value hierarchy level</u>		
Equities	Level 1	\$ 16,246	\$ 14,416
Cash and cash equivalents	Level 1	1,613	1,064
Fixed income	Level 2	<u>14,562</u>	<u>14,118</u>
		<u>\$ 32,421</u>	<u>\$ 29,598</u>
Historical cost		<u>\$ 29,994</u>	<u>\$ 28,854</u>

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### 6. Debt sinking funds

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

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

2018	\$ 114
2019	114
2020	114
2021	114
2022	114
Thereafter	<u>227</u>
	<u>\$ 797</u>

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2017

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

	Balance, beginning of year	Net contributions paid	Net earnings	Other comprehensive income	Balance, end of year
Investment in Trust	\$ 16,074	\$ (4)	\$ 2,673	\$ 527	\$ 19,270
Investment in TTA	343	-	-	-	343
	<u>\$ 16,417</u>	<u>\$ (4)</u>	<u>\$ 2,673</u>	<u>\$ 527</u>	<u>\$ 19,613</u>

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

#### Great Northern Way Campus Trust

<b>Statement of financial position</b>	<b>25% share 2017</b>	<b>25% share 2016</b>
Total assets	\$ 22,977	\$ 20,657
Total liabilities	3,707	4,583
Equity	<u>\$ 19,270</u>	<u>\$ 16,074</u>
<b>Statement of operations</b>	<b>2017</b>	<b>2016</b>
Revenue	\$ 5,706	\$ 3,543
Expenses	(3,033)	(2,434)
Net earnings	2,673	1,109
Other comprehensive income	527	(612)
Net earnings and comprehensive income	<u>\$ 3,200</u>	<u>\$ 497</u>

Total liabilities include \$438 (2016 - \$434) payable to the Institute.

On April 7, 2017, Great Northern Way Campus Trust (the "Trust") declared a distribution of \$14.4M to each of the four shareholders and issued promissory notes to the four shareholders. The promissory notes were made pursuant to the resolution of the Trust regarding the Emily Carr University relocation project and the terms of a purchase and sale agreement between Emily Carr University and the Trust.

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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

#### TTA Technology Training Associates Ltd.

	<u>2017</u>	<u>2016</u>
<b>Statement of financial position</b>		
Total assets	\$ 447	\$ 598
Total liabilities	<u>104</u>	<u>255</u>
Equity	<u>\$ 343</u>	<u>\$ 343</u>
<b>Statement of operations</b>		
Revenue	\$ 1,030	\$ 830
Expenses	<u>(1,029)</u>	<u>(823)</u>
Earnings before income taxes	1	7
Income taxes	<u>1</u>	<u>2</u>
Net earnings	<u>\$ -</u>	<u>\$ 5</u>

Revenue includes \$115 (2016 - \$24) of project fees and project expense recoveries from the Institute.

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<b>8. Accounts payable and accrued liabilities</b>	<u>2017</u>	<u>2016</u>
Trade payables	\$ 3,837	\$ 3,833
Salaries and benefits payable	9,137	11,832
Other	<u>5,338</u>	<u>4,920</u>
	<u>\$ 18,312</u>	<u>\$ 20,585</u>

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### 9. Pension plans and employee future benefits

#### Pension plans

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans, 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, 2016, the College Pension Plan has about 14,000 active members, and approximately 7,000 retired members. As at December 31, 2015, the Municipal Pension Plan has about 189,000 active members, including approximately 5,800 from colleges.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2015, indicated a \$67 million surplus for basic pension benefits. The next valuation will be August 31, 2018, with results available in 2019. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits. The next valuation will be December 31, 2018, with results available in 2019.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for 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.

The Institute paid \$15,821 for employer contributions to the plan in fiscal 2017 (2016 - \$14,795).

#### 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, 2017.

Information about these employee future benefits is as follows:

	<u>2017</u>	<u>2016</u>
Accrued benefit obligation	\$ 22,592	\$ 21,539
Fair value of plan assets	-	-
Funded status	(22,592)	(21,539)
Balance of unamortized amounts	<u>184</u>	<u>519</u>
Accrued benefit liability	(22,408)	(21,020)
Employer's share of benefits (EI, CPP, pension)	<u>(1,797)</u>	<u>(1,704)</u>
Total liability	<u>\$ (24,205)</u>	<u>\$ (22,724)</u>

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2017

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

Components of net benefit expense	2017	2016
Service cost	\$ 1,364	\$ 1,420
Interest cost	425	370
Long-term disability experience	(45)	29
Amortization of net actuarial loss (gain)	35	(160)
Net benefit expense	\$ 1,779	\$ 1,659

The significant assumptions used are as follows:

	2017	2016
Accrued benefit obligations as of March 31		
Discount rate	2.5%	2.2%
Benefit cost for year ended March 31		
Discount rate	2.1%	2.1%
Assumed health care cost trend rates at March 31	4.5% - 6.5%	4.5% - 6.5%

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### 10. Deferred contributions

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

	2017	2016
Balance, beginning of year	\$ 24,237	\$ 21,881
Add contributions received during the year relating to future periods	12,906	12,056
Less amounts recognized as revenue	(13,645)	(9,700)
Balance, end of year	\$ 23,498	\$ 24,237

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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### 11. Deferred capital contributions

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

Changes in the deferred capital contributions balance are as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 211,397	\$ 209,055
Add contributions received during the year	15,690	15,077
Less amounts amortized to revenue	<u>(13,764)</u>	<u>(12,735)</u>
Balance, end of year	<u>\$ 213,323</u>	<u>\$ 211,397</u>

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

	<u>2017</u>	<u>2016</u>
Unamortized capital contributions used to purchase assets	\$ 210,171	\$ 211,134
Unspent capital funding	<u>3,152</u>	<u>263</u>
	<u>\$ 213,323</u>	<u>\$ 211,397</u>

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### 12. Asset retirement obligation

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

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 17,119	\$ 17,743
Add accretion expense	514	474
Add adjustment for change in estimate	(489)	-
Add adjustment for change in discount rate	(310)	(605)
Less liabilities settled	<u>(442)</u>	<u>(493)</u>
Balance, end of year	<u>\$ 16,392</u>	<u>\$ 17,119</u>

The accretion expense is included in interest expense. The undiscounted estimated cash flows required to settle the obligation are approximately \$20,597 to be paid during the fiscal years 2018 to 2070. The estimated cash flows were discounted using the credit-adjusted risk-free rates of 3.18% (2016 - 3.00%).

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# British Columbia Institute of Technology

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<b>13. Debt</b>	<u>2017</u>	<u>2016</u>
BC Immigrant Investment Fund, 2.70% due August 2017 (i)	\$ 44,180	\$ 46,193
Province of British Columbia, 8% bond, due September 2023 (ii)	<u>12,888</u>	<u>12,888</u>
	<u>\$ 57,068</u>	<u>\$ 59,081</u>

- (i) Principal and interest payments are made to the BC Immigrant Investment Fund at \$809 per quarter. The debt is unsecured. The debt will be refinanced in August 2017.
- (ii) Interest payments are made to the Province of British Columbia semi-annually. The Institute makes contributions to the sinking fund each year to repay the bond at maturity (Note 6). The bond is unsecured.

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

	<u>BC Immigrant Investment Fund</u>	<u>Province of British Columbia</u>	<u>Total</u>
2018	\$ 44,180	\$ -	\$ 44,180
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
Thereafter	<u>-</u>	<u>12,888</u>	<u>12,888</u>
	<u>\$ 44,180</u>	<u>\$ 12,888</u>	<u>\$ 57,068</u>



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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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### 14. Obligations under leases

#### Capital leases

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

2018	\$	2,952
2019		2,916
2020		1,956
2021		971
2022		802
Thereafter		<u>23,136</u>
		32,733
Less interest at rates from 4.19% to 7.76%		<u>11,950</u>
Present value of minimum lease payments	\$	<u>20,783</u>

#### Operating leases

The Institute has entered into operating leases for land.

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

2018	\$	232
2019		232
2020		247
2021		247
2022		247
Thereafter		<u>7,115</u>
	\$	<u>8,320</u>

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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### 15. Tangible capital assets

#### Cost

	2016	Additions	Disposals	2017
Land	\$ 44,808	\$ -	\$ -	\$ 44,808
Buildings, leasehold improvements and capital projects / renovations	465,012	11,405	(799)	475,618
Buildings under capital lease	15,295	-	-	15,295
Furniture and equipment	129,071	7,105	(3,901)	132,275
Computer hardware and software	29,550	4,481	(2,497)	31,534
Equipment under capital lease	9,255	2,068	(744)	10,579
Library holdings	4,277	205	(870)	3,612
	<u>\$ 697,268</u>	<u>\$ 25,264</u>	<u>\$ (8,811)</u>	<u>\$ 713,721</u>

#### Accumulated amortization

	2016	Amortization	Accumulated amortization on disposals	2017
Land	\$ -	\$ -	\$ -	\$ -
Buildings, leasehold improvements and capital projects / renovations	160,618	14,356	(2)	174,972
Buildings under capital lease	913	447	-	1,360
Furniture and equipment	101,439	6,220	(2,121)	105,538
Computer hardware and software	24,237	2,116	(2,419)	23,934
Equipment under capital lease	5,719	1,677	(743)	6,653
Library holdings	2,603	341	(870)	2,074
	<u>\$ 295,529</u>	<u>\$ 25,157</u>	<u>\$ (6,155)</u>	<u>\$ 314,531</u>

#### Net book value

	2017	2016
Land	\$ 44,808	\$ 44,808
Buildings, leasehold improvements and capital projects/renovations	300,646	304,394
Buildings under capital lease	13,935	14,382
Furniture and equipment	26,737	27,632
Computer hardware and software	7,600	5,313
Equipment under capital lease	3,926	3,536
Library holdings	1,538	1,674

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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### 16. Endowments

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

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 23,229	\$ 22,137
Contributions received during the year	<u>696</u>	<u>1,092</u>
Balance, end of year	<u>\$ 23,925</u>	<u>\$ 23,229</u>

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### 17. Contingencies

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

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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18. Supplemental cash flow information	2017	2016
<b>Change in non-cash working capital items</b>		
Accounts receivable	\$ (111)	\$ (163)
Inventories	(62)	(174)
Prepaid expenses	232	97
Due from government and other government organizations	2,278	(4,436)
Accounts payable and accrued liabilities	(2,273)	1,430
Due to government and other government organizations	461	(261)
Deferred tuition fees	2,286	3,629
Deferred revenue - other	(409)	159
	\$ 2,402	\$ 281

During the year, interest of \$3,291 was paid (2016 - \$3,177).

### Non-cash transactions

Receipt of donated capital assets	\$ 1,825	\$ 1,000
Buildings and equipment under capital lease	3,780	3,817
(Decrease) increase in asset retirement obligation and capital assets	(799)	(605)

## 19. Financial instruments

### Fair value

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

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

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

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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### 19. Financial instruments (continued)

#### Risk management

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

##### *Credit risk*

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

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

As at March 31, 2017, accounts receivable is comprised of:

	<u>Under 90 days</u>	<u>Over 90 days</u>	<u>Total</u>
Student	\$ 2,983	\$ -	\$ 2,983
Trade and other	2,373	184	2,557
Allowance for doubtful accounts	<u>(285)</u>	<u>(90)</u>	<u>(375)</u>
	<u>\$ 5,071</u>	<u>\$ 94</u>	<u>\$ 5,165</u>

##### *Market risk*

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

##### *Interest rate risk*

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

##### *Foreign currency risk*

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

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

##### *Liquidity risk*

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

The Institute manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

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# British Columbia Institute of Technology

## Notes to the Consolidated Financial Statements

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<b>20. Expenses by object</b>	<b>2017</b>	<b>2016</b>
Salaries and wages	\$ 165,910	\$ 160,853
Employee benefits	35,326	34,055
Amortization of tangible capital assets	25,157	24,431
Repairs and maintenance	16,333	15,083
Fees for service	15,324	14,453
Supplies and general	14,862	13,486
Utilities and taxes	6,041	5,844
Student awards	5,414	5,873
Cost of sales	5,046	5,001
Interest	3,796	3,957
Training and travel	3,373	3,305
Printing and advertising	2,403	1,535
Contractual professional development	1,809	1,752
Promotional and catering	1,377	1,186
Telecommunications	1,191	1,109
Equipment and facilities leases	1,036	1,100
Official functions	447	559
Banking and insurance	266	413
	<b>\$ 305,111</b>	<b>\$ 293,995</b>

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