

# **British Columbia Institute of Technology**

Consolidated Financial Statements

**March 31, 2020**

(in thousands of dollars)



BRITISH COLUMBIA  
INSTITUTE OF TECHNOLOGY

3700 Willingdon Avenue  
Burnaby, British Columbia  
Canada V5G 3H2

[bcit.ca](http://bcit.ca)

# Management's Report

## Management's responsibility for the consolidated financial statements

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

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

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

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

On behalf of the Institute:

Ms. Kathy Kinloch  
President

Mr. Lorcan O'Melinn  
Vice President, Administration and CFO



## *Independent auditor's report*

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

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### *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, 2020 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, 2020;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of remeasurement (losses) gains 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 a summary of significant accounting policies.

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### *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.

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*PricewaterhouseCoopers LLP*  
*PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7*  
*T: +1 604 806 7000, F: +1 604 806 7806*

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



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### *Comparative information*

The consolidated financial statements of the Institute for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on May 28, 2019.

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### *Emphasis of matter - basis of accounting*

We draw attention to note 2 to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 2 to the consolidated financial statements provides a description of the nature of these differences. Our opinion is not modified in respect of this matter.

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### *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.

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### *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 29, 2020

# British Columbia Institute of Technology

## Consolidated Statement of Financial Position

As at March 31, 2020

(in thousands of dollars)

	2020 \$	2019 \$
<b>Assets</b>		
Cash and cash equivalents	107,204	93,070
Accounts receivable (note 3)	7,534	5,822
Inventories for resale	1,472	1,425
Due from government and other government organizations (note 4)	13,277	14,177
Portfolio investments (note 5)	6,510	9,120
Debt sinking funds (note 6)	7,167	6,130
Investments in government business enterprises and partnerships (note 7)	13,647	12,957
	<u>156,811</u>	<u>142,701</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 8)	34,412	30,169
Due to government and other government organizations (note 4)	6,414	5,385
Employee future benefits (note 9)	27,613	26,916
Deferred tuition fees	39,470	38,909
Deferred revenue – other	6,109	6,516
Deferred contributions (note 10)	30,172	29,646
Deferred capital contributions (note 11)	278,905	251,428
Asset retirement obligation (note 12)	21,007	18,778
Debt (note 13)	56,398	56,570
Obligations under capital lease (note 14)	20,479	21,087
	<u>520,979</u>	<u>485,404</u>
<b>Net debt</b>	<u>(364,168)</u>	<u>(342,703)</u>
<b>Non-financial assets</b>		
Tangible capital assets (note 15)	471,392	445,096
Endowment investments (notes 5 and 16)	27,966	27,378
Inventories held for use	270	309
Prepaid expenses	881	746
	<u>500,509</u>	<u>473,529</u>
<b>Accumulated surplus</b>	<u>136,341</u>	<u>130,826</u>
<b>Accumulated surplus comprises:</b>		
Accumulated operating surplus	138,122	129,205
Accumulated remeasurement (losses) gains	(1,781)	1,621
	<u>136,341</u>	<u>130,826</u>
<b>Commitment and contingencies</b> (note 17)		
<b>COVID-19</b> (note 22)		

Approved by the Board of Directors



Director

Doug Eveneshen, Board Chair



Director

Cathy Young, 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, 2020

(in thousands of dollars)

	Budget \$	2020 \$	2019 \$
<b>Revenue</b>			
Province of British Columbia grants	144,770	146,638	139,740
Government of Canada grants	-	173	155
Tuition fees	128,007	148,303	131,463
Sales and ancillary revenue	12,688	13,090	12,762
Industry services	12,083	12,685	11,842
Facilities rental, cost recoveries and other income	7,731	7,684	6,953
Investment income	2,050	4,633	4,291
Gifts and donations	1,200	2,552	2,060
(Loss) income from government business enterprises and partnerships (note 7)	-	(557)	3,576
Amortization of deferred contributions (note 10)	12,132	17,335	15,562
Amortization of deferred capital contributions (note 11)	12,321	13,222	12,713
	332,982	365,758	341,117
<b>Expenses</b> (note 20)			
Academic and student support	49,463	50,896	47,343
Administrative support	59,653	61,551	57,726
Ancillary	11,340	11,710	12,145
Instruction	204,238	219,246	202,967
Externally funded and related entities	8,288	15,358	12,968
	332,982	358,761	333,149
<b>Operating surplus before endowment contributions</b>	-	6,997	7,968
<b>Endowment contributions</b>	-	588	2,710
<b>Operating surplus for the year</b>	-	7,585	10,678
<b>Accumulated operating surplus – Beginning of year</b>		129,205	118,681
<b>Recognition adjustment – Government business enterprises</b> (note 7)		1,332	-
<b>Transitional adjustment to IFRS 9</b>		-	(154)
<b>Accumulated operating surplus – End of year</b>		138,122	129,205

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

**British Columbia Institute of Technology**  
**Consolidated Statement of Remeasurement (Losses) Gains**  
**For the year ended March 31, 2020**

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(in thousands of dollars)

	<b>2020</b> <b>\$</b>	<b>2019</b> <b>\$</b>
<b>Government business enterprises and partnerships</b>		
Transitional adjustment to IFRS 9 (note 7)	-	154
<b>Unrealized losses</b>	(3,094)	(161)
<b>Realized losses on investment, reclassified to consolidated statement of operations and accumulated surplus</b>	(308)	(417)
<b>Net remeasurement losses</b>	(3,402)	(424)
<b>Accumulated remeasurement gains – Beginning of year</b>	1,621	2,045
<b>Accumulated remeasurement (losses) gains – End of year</b>	(1,781)	1,621

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, 2020

(in thousands of dollars)

	Budget \$	2020 \$	2019 \$
<b>Operating surplus for the year</b>	-	7,585	10,678
Additions of tangible capital assets	(51,350)	(52,007)	(55,336)
Amortization of tangible capital assets	27,567	25,834	27,224
(Gain) loss on disposition of tangible capital assets	250	(123)	1,066
	(23,533)	(26,296)	(27,046)
Additions of endowment investments	-	(588)	(2,710)
Change in inventories held for use	-	39	(67)
Change in prepaid expenses	-	(135)	93
	-	(684)	(2,684)
<b>Recognition adjustment – Government business enterprises (note 7)</b>	-	1,332	-
<b>Net remeasurement losses</b>	-	(3,402)	(578)
<b>Increase in net debt</b>	(23,533)	(21,465)	(19,630)
<b>Net debt – Beginning of year</b>		(342,703)	(323,073)
<b>Net debt – End of year</b>		(364,168)	(342,703)

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, 2020

(in thousands of dollars)

	2020 \$	2019 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Operating surplus for the year	7,585	10,678
Items not involving cash		
Loss (income) from government business enterprises and partnerships	557	(3,576)
Amortization of tangible capital assets	25,834	27,224
Employee future benefits	699	1,097
Asset retirement obligation accretion expense	511	520
(Gain) loss on disposition of tangible capital assets	(123)	1,066
Amortization of deferred capital contributions (note 11)	(13,222)	(12,713)
	21,841	24,296
Change in non-cash working capital items (note 18)	4,997	13,343
	26,838	37,639
<b>Capital</b>		
Purchases of tangible capital assets	(47,186)	(49,294)
Asset retirement obligation liabilities settled	(379)	(273)
	(47,565)	(49,567)
<b>Investing activities</b>		
Changes in investments, net	(1,380)	(3,595)
Contribution from government business enterprises and partnerships	85	32
	(1,295)	(3,563)
<b>Financing activities</b>		
Capital contributions received	40,699	37,631
Repayment of debt sinking funds	(1,037)	(1,019)
Capital lease payments	(3,334)	(3,420)
Debt repayments	(172)	(252)
	36,156	32,940
<b>Increase in cash and cash equivalents</b>	14,134	17,449
<b>Cash and cash equivalents – Beginning of year</b>	93,070	75,621
<b>Cash and cash equivalents – End of year</b>	107,204	93,070
<b>Supplemental cash flow information (note 18)</b>		

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

# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

March 31, 2020

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(in thousands of dollars)

### 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). 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 (Canada).

### 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 to be 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 consolidated 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

##### a) 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.

# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

March 31, 2020

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(in thousands of dollars)

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, 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.

b) 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 accounted for using 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 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.
- PanGlobal Training Systems Ltd. (PanGlobal) – 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.

### Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid securities which will mature within 90 days or less.

# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

March 31, 2020

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(in thousands of dollars)

### **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.

### **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 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 trusted 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.

# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

March 31, 2020

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(in thousands of dollars)

### **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 consolidated statement of operations and accumulated surplus 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.

### **Liability for contaminated sites**

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Institute
  - is directly responsible; or
  - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring, that is an integral part of the remediation strategy for a contaminated site.

### **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 writedowns on investments where the loss in value is determined to be other than temporary.

# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

March 31, 2020

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(in thousands of dollars)

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:

- a) 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.
- b) 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.
- c) 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.

### 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.

# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

March 31, 2020

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(in thousands of dollars)

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the consolidated statement of remeasurement (losses) gains 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 consolidated statement of operations and accumulated surplus and related balances reversed from the consolidated statement of remeasurement (losses) gains.

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 consolidated statement of operations and accumulated surplus.

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

### **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 includes 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 include VPs, management, administration, support staff and related support costs.

#### Administrative support

Administrative support includes expenses related to activities that support the Institute as a whole. This includes Financial Services, Human Resources, Internal Auditing, President's Office, Board of Governors, Purchasing & Supply Management, Safety and Security, Facilities, Amortization and IT & Communications. Costs associated with the function include VPs 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 includes Bookstore, Room Rentals, Leases, Food Services, Parking and Residences. Costs associated with this function include management, administration, support staff and related support costs.



# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

March 31, 2020

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(in thousands of dollars)

### Instruction

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

### Externally funded and related entities

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

### Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2019/2020 Fiscal Plan approved by the Board of Governors of the Institute on March 19, 2019.

### 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

	2020 \$	2019 \$
Student	3,364	3,099
Trade and other	2,990	3,098
Allowance for doubtful accounts	(375)	(375)
Funds owed by external agencies	1,555	-
	<hr/> 7,534	<hr/> 5,822

# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

March 31, 2020

(in thousands of dollars)

### 4 Balances with government and other government organizations

#### Due from government and other government organizations

	2020 \$	2019 \$
Federal government	2,530	766
Provincial government	9,754	12,332
Other government organizations	993	1,079
	<u>13,277</u>	<u>14,177</u>

#### Due to government and other government organizations

	2020 \$	2019 \$
Federal government	1,430	1,111
Provincial government	3,998	3,291
Other government organizations	986	983
	<u>6,414</u>	<u>5,385</u>

### 5 Investments

Investments consist of:

	2020 \$	2019 \$
Portfolio investments	6,510	9,120
Endowment investments	27,966	27,378
	<u>34,476</u>	<u>36,498</u>

The underlying investments consist of:

	Fair value hierarchy level	2020 \$	2019 \$
Equities	Level 2	18,027	15,882
Cash and cash equivalents	Level 1	1,521	2,917
Fixed income	Level 2	14,928	17,699
		<u>34,476</u>	<u>36,498</u>
Historical cost		<u>36,616</u>	<u>35,082</u>

# British Columbia Institute of Technology

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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 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 externally restricted sinking funds and retirement provisions on notes, bonds and debentures are:

	\$
2021	788
2022	788
2023	788
2024	788
2025	788
Thereafter	12,028
	<u>15,968</u>

### 7 Investments in government business enterprises and partnerships

	Balance – Beginning of year \$	Net contributions received \$	Recognition adjustment \$	Net (loss) income \$	Balance – End of year \$
Investment in Trust	12,607	(85)	-	(623)	11,899
Investment in PanGlobal	-	-	1,332	64	1,396
Investment in TTA	352	-	-	-	352
	<u>12,959</u>	<u>(85)</u>	<u>1,332</u>	<u>(559)</u>	<u>13,647</u>

The recognition adjustment relates to an uplift to recognize the investment in PanGlobal. The Institute identified that there was joint control over PanGlobal during the financial year and, therefore, has recognized the investment as the proportion of PanGlobal's net assets attributable to the Institute.

# British Columbia Institute of Technology

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

### Great Northern Way Campus Trust

	25% share	
	2020 \$	2019 \$
<b>Statement of financial position</b>		
Total assets	14,563	15,452
Total liabilities	2,664	2,845
Equity	11,899	12,607
<b>Statement of operations</b>		
Revenue	1,721	6,504
Expenses	(1,564)	(2,910)
Unrealized loss on investment	(780)	(20)
Net (loss) earnings	(623)	3,574

Total liabilities include \$280 (2019 – \$195) payable to the Institute.

## 8 Accounts payable and accrued liabilities

	2020 \$	2019 \$
Trade payables	16,645	8,688
Salaries and benefits payable	11,879	10,413
Held for external agencies	-	6,363
Other	5,888	4,705
	34,412	30,169

## 9 Pension plans and employee future benefits

### Pension plans

The Institute and its employees contribute to the College Pension Plan and the Municipal Pension Plan, which are jointly trustee pension plans. The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2019, the College Pension Plan had about 15,000 active members, and approximately 8,000 retired members. As at December 31, 2018, the Municipal Pension Plan had about 205,000 active members, including approximately 6,000 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

# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

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(in thousands of dollars)

fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation from the College Pension Plan as at August 31, 2018, indicated a \$303 million surplus for basic pension benefits on a going concern basis. The next valuation for the College Pension Plan will be as at August 31, 2021, with results available in 2022. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. The next valuation for the Municipal Pension Plan will be as at December 31, 2021, with results available in 2022.

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 \$17,775 for employer contributions to the plan in fiscal 2020 (2019 –\$16,253), consisting of \$13,738 to the College Pension Plan and \$4,037 to the Municipal Pension Plan.

### **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, 2019.

# British Columbia Institute of Technology

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Information about these employee future benefits is as follows:

	2020 \$	2019 \$
Accrued benefit obligation	23,297	21,821
Fair value of plan assets	-	-
Funded status	(23,297)	(21,821)
Unamortized net actuarial gains	(2,407)	(3,361)
Accrued benefit liability	(25,704)	(25,182)
Employer's share of benefits (EI, CPP, pension)	(1,909)	(1,734)
Total liability	(27,613)	(26,916)

### Components of net benefit expense

	2020 \$	2019 \$
Service cost	1,409	1,346
Interest cost	480	637
Long-term disability experience	(411)	(1)
Amortization of net actuarial gain	(396)	(41)
Net benefit expense	1,082	1,941

The significant assumptions used are as follows:

	2020 %	2019 %
Accrued benefit obligations as of March 31		
Discount rate	2.0	2.4
Benefit cost for year ended March 31		
Discount rate	2.4	2.8
Assumed health care cost trend rates at March 31	4.0 – 6.1	4.0 – 6.2

## 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.

	2020 \$	2019 \$
Balance – Beginning of year	29,646	26,988
Add: Contributions received during the year	28,898	26,307
Less: Amounts recognized as amortization of deferred contributions revenue	(17,335)	(15,562)
Less: Amounts recognized as Province of British Columbia grants revenue	(9,037)	(8,087)
Less: Amounts transferred to deferred capital contributions	(2,000)	-
Balance – End of year	30,172	29,646

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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:

	2020 \$	2019 \$
Balance – Beginning of year	251,428	226,510
Add: Contributions received during the year	40,699	37,631
Less: Amounts amortized to revenue	(13,222)	(12,713)
Balance – End of year	278,905	251,428

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

	2020 \$	2019 \$
Unamortized capital contributions used to purchase assets	273,668	250,512
Unspent capital funding	5,237	916
	278,905	251,428

### 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:

	2020 \$	2019 \$
Balance – Beginning of year	18,778	17,309
Add: Accretion expense	511	520
Add: Adjustment for change in discount rate	2,097	1,222
Less: Liabilities settled	(379)	(273)
Balance – End of year	21,007	18,778

The accretion expense is included in interest expense. The undiscounted estimated cash flows required to settle the obligation are approximately \$21,515 to be paid during the fiscal years 2020 to 2070. The estimated cash flows were discounted using the credit-adjusted risk-free rate of 2.58% (2019 – 2.70%).

# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

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### 13 Debt

	2020 \$	2019 \$
Province of British Columbia, 8% bond, due September 2023 (i)	12,888	12,888
Province of British Columbia, 4.3% bond, due June 2042 (i)	32,189	32,189
Province of British Columbia, 1.95% promissory note, due August 2019	-	5,055
Province of British Columbia, 3.25% bond, due December 2021 (i)	5,000	-
	50,077	50,132
Province of British Columbia, 4.3% bond, premium payable (ii)	6,165	6,438
Province of British Columbia, 3.25%, premium payable (ii)	156	-
	56,398	56,570

(i) 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 bonds at maturity (note 6). 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, 3.25% bond \$	Province of British Columbia, 4.3% bond \$	Province of British Columbia, 8% bond \$	Total \$
2021	-	-	-	-
2022	5,000	-	-	5,000
2023	-	-	-	-
2024	-	-	12,888	12,888
2025	-	-	-	-
Thereafter	-	32,189	-	32,189
	5,000	32,189	12,888	50,077

Interest expense on debt is \$2,741 (2019 – \$2,187).



# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

March 31, 2020

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(in thousands of dollars)

### 14 Obligations under leases

#### Capital leases

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

	\$
2021	3,391
2022	2,916
2023	1,766
2024	1,214
2025	877
Thereafter	<u>20,137</u>
	30,301
Less: Interest at rates from 2.0% to 5.5%	<u>9,822</u>
Present value of minimum lease payments	<u>20,479</u>

Interest expense on capital leases is \$913 (2019 – \$933).

#### Operating leases

The Institute has entered into operating leases for land.

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

	\$
2021	255
2022	255
2023	255
2024	255
2025	255
Thereafter	<u>6,343</u>
	<u>7,618</u>

# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

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(in thousands of dollars)

### 15 Tangible capital assets

	2019 \$	Additions \$	Disposals \$	2020 \$
<b>Cost</b>				
Land	44,808	-	-	44,808
Buildings, leasehold improvements and capital projects/ renovations	501,543	26,650	-	528,193
Buildings under capital lease	15,295	-	-	15,295
Furniture and equipment	138,440	6,191	(4,008)	140,623
Computer hardware and software	37,147	2,859	(8,158)	31,848
Equipment under capital lease	14,392	2,735	(3,475)	13,652
Library holdings	3,120	176	-	3,296
Construction-in-process	43,202	13,397	-	56,599
	797,947	52,008	(15,641)	834,314

	2019 \$	Amortization \$	Accumulated amortization on disposals \$	2020 \$
<b>Accumulated amortization</b>				
Land	-	-	-	-
Buildings, leasehold improvements and capital projects/ renovations	205,352	14,486	-	219,838
Buildings under capital lease	2,368	505	-	2,873
Furniture and equipment	107,126	4,242	(3,969)	107,399
Computer hardware and software	27,331	3,598	(8,208)	22,721
Equipment under capital lease	8,853	2,743	(3,591)	8,005
Library holdings	1,824	262	-	2,086
	352,854	25,836	(15,768)	362,922

	2020 \$	2019 \$
<b>Net book value</b>		
Land	44,808	44,808
Buildings, leasehold improvements and capital projects/renovations	308,355	296,191
Buildings under capital lease	12,422	12,927
Furniture and equipment	33,224	31,317
Computer hardware and software	9,127	9,816
Equipment under capital lease	5,647	5,539
Library holdings	1,210	1,296
Construction-in-process	56,599	43,202
	471,392	445,096

# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

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### 16 Endowments

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

	2020 \$	2019 \$
Balance – Beginning of year	27,378	24,668
Contributions received during the year	588	2,710
Balance – End of year	27,966	27,378

### 17 Commitments and contingencies

Total commitments under construction contracts for capital projects as at March 31, 2020 was \$74,795, which is fully funded by the Province.

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.

### 18 Supplemental cash flow information

	2020 \$	2019 \$
<b>Change in non-cash working capital items</b>		
Accounts receivable	(157)	922
Inventories	(8)	89
Prepaid expenses	(135)	93
Due from government and other government organizations	900	(5,927)
Funds owed by external agencies	(1,555)	-
Accounts payable and accrued liabilities	4,243	6,738
Due to government and other government organizations	1,029	168
Deferred tuition fees	561	8,462
Deferred revenue – other	(407)	140
Deferred contributions	526	2,658
	4,997	13,343
	2020 \$	2019 \$
<b>Non-cash transactions</b>		
Receipt of donated capital assets	359	382
Buildings and equipment under capital lease	2,724	4,820
Increase in asset retirement obligation and capital assets	2,097	1,222

# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

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### 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.

#### 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, 2020, accounts receivable comprises:

	Under 90 days \$	Over 90 days \$	Total \$
Student	3,241	123	3,364
Trade and other	2,753	237	2,990
Allowance for doubtful accounts	(285)	(90)	(375)
Funds owed by external	1,555	-	1,555
	<u>7,264</u>	<u>270</u>	<u>7,534</u>

# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

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### 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 comprises the following:

#### 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.

#### 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.

Other than the Institute's debt, which matures according to the timeline provided in note 13, the Institute's financial liabilities mature within 12 months from the consolidated statement of financial position date.

# British Columbia Institute of Technology

## Notes to Consolidated Financial Statements

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### 20 Expenses by object

	2020 \$	2019 \$
Salaries and wages	194,350	181,956
Employee benefits	41,092	37,289
Amortization of tangible capital assets	25,834	27,224
Supplies and general	22,869	18,095
Fees for service	20,929	18,000
Repairs and maintenance	19,806	17,835
Utilities and taxes	6,137	6,155
Student awards	4,691	4,357
Training and travel	4,347	4,114
Cost of sales	4,275	4,893
Interest	3,763	3,727
Printing and advertising	3,162	2,608
Promotional and catering	2,551	2,239
Contractual professional development	1,933	1,890
Equipment and facilities leases	1,207	1,220
Telecommunications	1,151	1,008
Banking and insurance	601	465
Official functions	63	74
	<u>358,761</u>	<u>333,149</u>

### 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 \$1,555 (2019 – \$6,363 included in accounts payable).

### 22 COVID-19

In March 2020, the World Health Organization declared a global pandemic related to the coronavirus known as COVID-19. The impacts to the economy are expected to be far-reaching. The Canadian public post-secondary sector is expected to be impacted due to the economic environment and related uncertainty including physical distancing measures and international travel bans, which may cause a potential decrease in revenues. The potential impacts are being reviewed, but the nature and amount is still to be determined.

### 23 Comparative information

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