

BCIT STUDENT ASSOCIATION

FINANCIAL STATEMENTS

May 31, 2007

BCIT STUDENT ASSOCIATION

INDEX TO THE FINANCIAL STATEMENTS

May 31, 2007

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

AUDITORS' REPORT

STATEMENT OF OPERATIONS

Statement 1

STATEMENT OF CHANGES IN FUND BALANCES

Statement 2

STATEMENT OF FINANCIAL POSITION

Statement 3

STATEMENT OF CASH FLOWS

Statement 4

NOTES TO THE FINANCIAL STATEMENTS

BCIT STUDENT ASSOCIATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

May 31, 2007

The accompanying financial statements of the BCIT Student Association and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Association maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Association's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Directors review the Association's financial statements and recommends their approval. The Board meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditors' report. The Board takes this information into consideration when approving the financial statements for issuance to the members. The Board also considers the engagement of the external auditors.

The financial statements have been audited by Reid Hurst Nagy, CGAs in accordance with Canadian generally accepted auditing standards on behalf of the members. Reid Hurst Nagy, CGAs have full access to the BCIT Student Association.

Executive Director

Treasurer, Board Of Directors

AUDITORS' REPORT

**To: THE MEMBERS OF
BCIT STUDENT ASSOCIATION**

We have audited the statement of financial position of BCIT Student Association as at May 31, 2007 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at May 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at May 31, 2006 and for the year then ended were reported on by other auditors who expressed an opinion without reservation on those statements in their report dated October 20, 2006.

REID HURST NAGY
CERTIFIED GENERAL ACCOUNTANTS

NOVEMBER 13, 2007
RICHMOND, B.C.

BCIT STUDENT ASSOCIATION

STATEMENT OF OPERATIONS For The Year Ended May 31, 2007

Statement 1

	2007	2006
	\$	\$
REVENUE		
Student fees	996,747	869,766
Pub revenue, net (Note 10)	572,800	595,283
Retail store revenue, net (Note 11)	519,166	485,702
Childcare	-	15,934
Pepsi revenue, net (Note 12)	188,884	185,805
Miscellaneous revenues (Note 13)	155,199	120,100
Copy centre revenues, net (Note 14)	70,942	83,943
Handbook and newspaper advertising	44,158	38,037
Interest and dividends	57,123	48,949
Rent	9,600	7,200
	2,614,619	2,450,719
EXPENSES		
Advertising and promotion	13,941	13,150
Amortization of deferred charges	17,346	20,182
Bad debts	788	664
Bank charges and interest	37,991	42,903
Bursaries	25,500	25,000
Depreciation	98,414	120,588
Childcare provisions	-	1,763
Equipment rental	62,870	65,606
Handbook expense	22,250	17,483
Honoraria	51,058	50,700
Insurance	38,363	40,903
Janitorial	28,203	22,925
Office and miscellaneous	42,189	27,724
Professional development	33,253	31,683
Professional fees	120,150	120,885
Rent	227,542	227,686
Repairs and maintenance	15,427	14,212
Societies and student services	112,117	115,620
Subcontract printing	12,018	11,355
Telephone and utilities	26,676	28,063
Wages and benefits	1,477,099	1,599,926
	2,463,195	2,599,021
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	151,424	(148,302)
OTHER ITEMS		
Gain on disposal of investments	472	30,363
Loss on disposal of capital assets	-	(980)
	472	29,383
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	151,896	(118,919)

The accompanying notes are an integral part of these financial statements

BCIT STUDENT ASSOCIATION

STATEMENT OF CHANGES IN FUND BALANCES For The Year Ended May 31, 2007

Statement 2

	Capital Asset Fund \$	Operating Fund \$	2007 \$	2006 \$
Balance, beginning of the year:	428,662	1,186,952	1,615,614	1,734,533
(Deficiency) excess of revenue over expenses	(98,414)	250,310	151,896	(118,919)
Capital assets acquired	96,991	(96,991)	-	-
<hr/>				
Balance, end of the year	427,239	1,340,271	1,767,510	1,615,614

The accompanying notes are an integral part of these financial statements

BCIT STUDENT ASSOCIATION

STATEMENT OF FINANCIAL POSITION As At May 31, 2007

Statement 3

	2007 \$	2006 \$
ASSETS		
CURRENT		
Cash	824,264	734,625
Temporary investments (Note 3)	606,603	617,120
Accounts receivable	163,160	76,676
Inventory	152,662	153,829
Prepaid expenses	28,957	45,189
	1,775,646	1,627,439
CAPITAL (Notes 2a and 5)	427,239	428,662
OTHER		
Investments (Note 4)	666,341	615,740
Deferred charges (Note 6)	241,514	258,860
	3,110,740	2,930,701
LIABILITIES		
CURRENT		
Bank indebtedness	214,743	-
Accounts payable and accruals	253,647	344,659
Wages payable	39,574	37,452
Government agencies payable	18,294	20,698
Student one-card deposits	8,300	11,822
Deferred revenue (Note 8)	16,588	152,786
Current portion of student medical plan payable (Note 9)	225,517	211,650
	776,663	779,067
OTHER		
Student medical plan payable (Note 9)	566,567	536,020
	1,343,230	1,315,087
NET ASSETS		
Invested in capital assets (Note 5)	427,239	428,662
Unrestricted	1,340,271	1,186,952
	1,767,510	1,615,614
	3,110,740	2,930,701

Approved by the Directors:

Director

Director

The accompanying notes are an integral part of these financial statements

BCIT STUDENT ASSOCIATION

STATEMENT OF CASH FLOWS For the year ended May 31, 2007

Statement 4

	2007	2006
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	151,896	(118,919)
Depreciation	98,414	120,588
Amortization of deferred charges	17,346	20,182
Loss on sale of capital assets	-	980
Gain on disposal of temporary investments	(472)	(30,363)
	267,184	(7,532)
NET CHANGES IN WORKING CAPITAL ACCOUNTS		
Accounts receivable	(86,484)	5,259
Inventory	1,168	(26,472)
Prepaid expenses	16,232	(2,276)
Student fees receivable	-	10,000
Accounts payable and accruals	(91,014)	102,129
Wages payable	2,122	486
Government agencies payable	(2,404)	(3,555)
Student one-card deposits	(3,522)	(4,767)
Deferred revenue	(136,198)	19,958
Student medical plan payable	44,415	78,807
	11,499	172,037
INVESTING ACTIVITIES		
Increase in temporary investments	(326,612)	(216,598)
(Increase) decrease in investments	(50,601)	147,833
Acquisition of capital assets	(96,991)	(67,366)
Proceeds on disposition of capital assets	-	2,135
Proceeds on disposition of temporary investments	337,601	63,482
	(136,603)	(70,514)
(DECREASE) INCREASE IN CASH	(125,104)	101,523
CASH - BEGINNING OF THE YEAR	734,625	633,102
CASH - END OF THE YEAR	609,521	734,625
REPRESENTED BY:		
Cash	824,264	734,625
Bank indebtedness	(214,743)	-
	609,521	734,625

The accompanying notes are an integral part of these financial statements

BCIT STUDENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2007

NOTE 1: ORGANIZATION AND MISSION

The BCIT Student Association (the "Association") was incorporated under the British Columbia Society Act on October 3, 1968 as a not-for-profit organization. It is tax exempt under the Income Tax Act. Its mission is to be an advocate for students and provide services which are student-centered, responsive and pro-active in supporting and enhancing the quality of student life.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of the financial statements:

a) Fund accounting

The Association follows the deferral method of accounting for contributions.

The Operating Fund accounts for the Association's program delivery and administration activities.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Association's capital assets and building expansion campaign.

b) Revenue recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

c) Temporary investments

Temporary investments, representing money market funds, equity securities and a bond maturing within one year, are recorded at cost.

d) Inventory

Inventory is valued at the lower of cost and net realizable value.

e) Investments

Strip bonds are carried at cost. If the market value becomes lower than cost and the decline is considered to be other than temporary, the investments are written down to market value.

BCIT STUDENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2007

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Capital assets and depreciation

Purchased capital assets are valued at cost. Contributed capital assets are valued at fair value at the date of contribution. Depreciation is provided on a declining balance method at the following annual rates:

Furniture and equipment	20%
Office equipment	20%
Computer software	100%
Computer hardware	30%
Vehicles	30%
Video tapes	100%

Depreciation of leasehold improvements is calculated on a ten year straight-line method. In the year of acquisition, depreciation is recorded at one-half the normal rate.

g) Deferred charges

Deferred charges represent professional fees paid in relation to various long-term agreements entered into by the Association and a capital funding contribution paid to the British Columbia Institute of Technology in conjunction with the construction of the Campus Centre building. The professional fees are amortized on a straight-line basis over the terms of the related agreements that vary between ten and thirty years. The capital funding contribution is amortized on a straight-line basis over the term of the Campus Centre lease of thirty years.

h) Contributed services

Volunteers contribute numerous hours per year to assist the Association in carrying out its services. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

i) Income taxes

Income taxes are not reflected in these financial statements as the Association is a not-for-profit organization.

j) Financial instruments

The Association's financial instruments consist of cash, temporary investments, accounts receivable, investments, bank indebtedness, accounts payable and accruals, wages payable and government agencies receivable. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments.

k) 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 financial statements and reported amounts of revenues and expenses during the reporting year. Actual results may differ from those estimates.

BCIT STUDENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS May 31, 2007

NOTE 3: TEMPORARY INVESTMENTS

	2007 \$	2006 \$
Equity securities (market value \$317,308, 2006: \$235,877)	164,718	164,282
Bonds (market value \$162,656, 2006: \$353,597)	141,695	327,664
Money market fund (market value \$300,190, 2006: \$125,174)	300,190	125,174
	<u>606,603</u>	<u>617,120</u>

NOTE 4: INVESTMENTS

	2007 \$	2006 \$
Bonds (market value \$646,688, 2006: \$602,633)	630,351	582,046
Accrued interest	35,990	33,694
	<u>666,341</u>	<u>615,740</u>

NOTE 5: CAPITAL ASSETS

Capital assets consist of the following:

	<u>COST</u> \$	<u>ACCUMULATED DEPRECIATION</u> \$	<u>2007 NET</u> \$	<u>2006 NET</u> \$
Computer hardware	94,046	38,112	55,934	46,466
Computer software	15,293	10,409	4,884	2,762
Furniture and fixtures	1,184,097	1,003,456	180,641	191,714
Leasehold improvements	218,614	75,444	143,170	134,726
Office equipment	397,576	354,966	42,610	52,675
Vehicle	20,708	20,708	-	319
	<u>1,930,334</u>	<u>1,503,095</u>	<u>427,239</u>	<u>428,662</u>

BCIT STUDENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS May 31, 2007

NOTE 6: DEFERRED CHARGES

	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>2007 NET</u>	<u>2006 NET</u>
	\$	\$	\$	\$
Capital funding contribution	289,500	115,326	174,174	183,824
Professional fees	179,846	112,506	67,340	75,036
	469,346	227,832	241,514	258,860

NOTE 7: LINE OF CREDIT

The Association has available a line of credit totaling \$330,000, of which \$214,743 has been utilized as at May 31, 2007. Advances under this facility bears interest at the bank prime rate plus 0.5% per annum.

NOTE 8: DEFERRED REVENUE

The deferred revenue represents grant revenue received in advance for the period June 1, 2007 to December 31, 2007 and grant revenue to be used in the subsequent year.

NOTE 9: STUDENT MEDICAL PLAN PAYABLE

	<u>2007</u>	<u>2006</u>
	\$	\$
Student medical plan payable	792,084	747,670
Less: current portion	225,517	211,650
	566,567	536,020

The Association collects premiums from the students each year. Any premiums not required to be paid out for insurance coverage are maintained by the Association to cover future rate increases. The current portion of the medical plan reflects premiums payable through August 2007.

NOTE 10: PUB REVENUE, NET

	<u>2007</u>	<u>2006</u>
	\$	\$
Pub revenue	949,293	990,704
Less: cost of sales	376,493	395,421
	572,800	595,283

BCIT STUDENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS May 31, 2007

NOTE 11: RETAIL STORE REVENUE, NET

	2007	2006
	\$	\$
Retail store sales revenue	1,371,400	1,264,064
Less: cost of sales	852,234	778,362
	519,166	485,702

NOTE 12: PEPSI REVENUE, NET

	2007	2006
	\$	\$
Pepsi vending/sponsorship revenue	202,335	208,865
Less: commission	13,451	23,060
	188,884	185,805

NOTE 13: MISCELLANEOUS REVENUES

	2007	2006
	\$	\$
Miscellaneous	107,626	66,183
Cost recovery	5,517	12,382
Grants	42,056	41,535
	155,199	120,100

NOTE 14: COPY CENTRE REVENUE, NET

	2007	2006
	\$	\$
Copy centre revenue	74,512	90,761
Less: cost of sales	3,570	6,818
	70,942	83,943

BCIT STUDENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2007

NOTE 15: LEASE COMMITMENTS

The Association's premises are leased under an agreement with BCIT for office and retail space in the Campus Centre and will expire on July 26, 2025. Upon expiration of the lease agreement, the lease will automatically renew for an additional five year period.

The Association has entered into lease agreements with Ikon Capital and Nexcap Finance Corporation for equipment.

Future minimum lease payments for the next five years are as follows:

	Premises	Equipment	Total
	\$	\$	\$
2008	210,000	23,083	233,083
2009	160,000	21,421	181,421
2010	160,000 *	21,421	181,421
2011	160,000 *	21,421	181,421
2012	160,000 *	21,421	181,421
	<u>850,000</u>	<u>108,767</u>	<u>958,767</u>

*Gross rent of the premises for the period beginning on April 1, 2009 and ending on March 31, 2010 and in subsequent one year periods will be subject to adjustment based on the consumer price index for the Province of British Columbia as established by Statistics Canada.

NOTE 16: CONTINGENT LIABILITIES

The Association is contingently liable for a letter of guarantee in the amount of \$20,000 and \$10,000 issued by Vancouver City Savings Credit Union in favour of Brewers Distributors Ltd. and the BC Liquor Distribution Branch respectively.

NOTE 17: COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.