

BCIT STUDENT ASSOCIATION

**Financial Statements
May 31, 2020**

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BCIT STUDENT ASSOCIATION

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BCIT Student Association (the "Association"), which comprise:

- the statement of financial position as at May 31, 2020;
- the statement of operations for the year then ended;
- the statement of changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at May 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on Other Legal and Regulatory Requirements

As required by the *Societies Act* (British Columbia), we report that, in our opinion, the principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
November 30, 2020

BCIT STUDENT ASSOCIATION
Statement of Financial Position
May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2020	2019
Assets (notes 13 and 14)					
Current					
Cash and cash equivalents (note 4)	\$ 273,000	\$ 1,335,140	\$ 248,160	\$ 1,856,300	\$ 2,481,907
Accounts receivable	75,209	138,194	484,600	698,003	445,481
Amount due from Joint Venture (notes 6 and 7)	0	0	222,163	222,163	0
GST receivable	919	373	6,096	7,388	783
Inventory	0	0	227,766	227,766	218,669
Prepaid expenses	0	0	57,311	57,311	83,495
Current portion of investments (note 5)	25,276	0	0	25,276	0
Current portion of loan due from Joint Venture (note 11)	0	0	81,798	81,798	77,183
Current portion of deferred costs (note 9)	0	0	13,376	13,376	13,376
Current portion of prepaid rent (note 10)	0	0	202,904	202,904	202,904
Interfund loans receivable (payable) (note 25)	92,345	6,698	(99,043)	0	0
	466,749	1,480,405	1,445,131	3,392,285	3,523,798
Investments (note 5)	2,914,869	0	0	2,914,869	1,387,041
Investment in Joint Venture (note 6)	0	0	0	0	106,412
Loan due from Joint Venture (note 11)	0	0	1,440,994	1,440,994	1,522,817
Capital Assets (note 8)	0	5,517	4,464,664	4,470,181	5,222,430
Deferred Costs (note 9)	0	0	54,247	54,247	67,623
Prepaid Rent (note 10)	0	0	913,067	913,067	1,115,970
	2,914,869	5,517	6,872,972	9,793,358	9,422,293
	\$ 3,381,618	\$ 1,485,922	\$ 8,318,103	\$ 13,185,643	\$ 12,946,091

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Financial Position - Continued
May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2020	2019
Liabilities					
Current					
Accounts payable and accruals (note 12)	\$ 470	\$ 299,268	\$ 221,183	\$ 520,921	\$ 682,992
Wages payable	4,761	6,432	536,238	547,431	636,356
Line of credit (note 13)	0	0	226,610	226,610	0
Deferred revenue (note 15)	0	399,734	434,792	834,526	833,123
Current portion of long-term debt (note 14)	0	0	317,015	317,015	412,311
Amount due to Joint Venture (note 7)	0	0	0	0	46,348
GST payable	0	0	0	0	9,816
	5,231	705,434	1,735,838	2,446,503	2,620,946
Long-Term Debt (note 14)	0	0	5,236,130	5,236,130	5,502,209
	5,231	705,434	6,971,968	7,682,633	8,123,155
Net Assets					
Internally Restricted	3,376,387	780,488	0	4,156,875	2,523,455
Unrestricted	0	0	1,346,135	1,346,135	2,299,481
	3,376,387	780,488	1,346,135	5,503,010	4,822,936
	\$ 3,381,618	\$ 1,485,922	\$ 8,318,103	\$ 13,185,643	\$ 12,946,091

Commitments (note 21)

Approved by the Directors:

Director

Director

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Operations
Year Ended May 31

	Medical Insurance			2020	2019
	Capital Levy Fund	Fund	Operating Fund		
Retail Revenues					
Campus print and copy	\$ 0	\$ 0	\$ 106,934	\$ 106,934	\$ 154,954
Pub	0	0	644,813	644,813	909,473
Retail stores	0	0	1,219,571	1,219,571	1,749,573
	0	0	1,971,318	1,971,318	2,814,000
Cost of Sales					
Campus print and copy	0	0	29,421	29,421	26,849
Pub	0	0	229,341	229,341	340,380
Retail stores	0	0	747,356	747,356	1,028,905
	0	0	1,006,118	1,006,118	1,396,134
Gross Profit					
Campus print and copy	0	0	77,513	77,513	128,105
Pub	0	0	415,472	415,472	569,093
Retail stores	0	0	472,215	472,215	720,668
	0	0	965,200	965,200	1,417,866
Other Revenue					
Activities - student clubs (note 18)	0	0	293,279	293,279	344,309
Canadian Emergency Wage Subsidy Grant (note 24)	9,033	13,343	370,718	393,094	0
Capital levy fees - student spaces	134,527	0	0	134,527	142,329
Capital levy fees - student centre building	1,245,836	0	0	1,245,836	1,114,079
Catering revenue, net (note 20)	0	0	32,229	32,229	4,332
Childcare (note 16)	0	0	823,207	823,207	905,666
Coca-Cola/Pepsi and other sponsorship	0	0	210,718	210,718	132,049
Grants	0	0	73,225	73,225	223,131
Interest and dividends	63,104	15,727	19,510	98,341	104,113
Miscellaneous (note 17)	0	0	69,124	69,124	67,774
Publications (note 19)	0	0	48,399	48,399	44,979
Room and equipment rental	0	0	44,810	44,810	60,690
SE2 expansion	0	0	295,960	295,960	313,124
Student fees	0	0	3,508,036	3,508,036	3,583,767
Student medical fees	0	2,039,899	0	2,039,899	1,919,567
Vending	0	0	97,924	97,924	141,465
	1,452,500	2,068,969	5,887,139	9,408,608	9,101,374
Net Revenues	\$ 1,452,500	\$ 2,068,969	\$ 6,852,339	\$ 10,373,808	\$ 10,519,240

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Operations - Continued
Year Ended May 31

	Capital Levy Fund (note 27)	Medical Insurance Fund (note 27)	Operating Fund (note 27)	2020	2019
Expenses					
Advertising and promotion	\$ 0	\$ 86	\$ 52,580	\$ 52,666	\$ 83,744
Amortization of capital assets	0	1,938	855,654	857,592	875,931
Amortization of deferred costs	0	0	13,376	13,376	13,376
Amortization of prepaid rent	0	0	202,904	202,904	202,904
Bank charges and interest	3,149	77	134,664	137,890	171,529
Bursaries	0	0	63,270	63,270	65,364
Equipment rental	49	397	108,777	109,223	81,829
Honoraria (note 22)	0	0	89,791	89,791	81,711
Insurance	0	0	82,438	82,438	81,329
Interest on long-term debt	0	0	167,175	167,175	180,902
Janitorial	0	0	52,442	52,442	59,020
Medical insurance premiums	0	1,642,943	0	1,642,943	1,666,252
Office and miscellaneous	2,184	1,593	75,022	78,799	82,743
Printing - external and internal	0	618	44,678	45,296	52,270
Professional development	0	3,057	33,056	36,113	54,760
Professional fees	14,971	2,247	256,863	274,081	220,516
Provisions and supplies	0	0	72,117	72,117	119,493
Rent	0	0	175,870	175,870	171,360
Repairs and maintenance	0	152	34,088	34,240	83,859
Societies and student services	20,328	45,454	374,044	439,826	1,025,417
Telephone and utilities	0	728	20,825	21,553	21,397
Wages and benefits	27,970	149,032	4,731,960	4,908,962	4,760,207
	68,651	1,848,322	7,641,594	9,558,567	10,155,913
Excess (Deficiency) of Revenues Over Expenses Before Other Items	1,383,849	220,647	(789,255)	815,241	363,327
Other Items					
Change in fair value of investment and foreign exchange	28,924	0	0	28,924	1,453
Share in deficiency of revenues over expenditures of Joint Venture (note 6)	0	0	(147,728)	(147,728)	(58,640)
Write-off and loss from disposal of capital assets (note 8)	0	0	(16,363)	(16,363)	(6,482)
Excess (Deficiency) of Revenues Over Expenses	\$ 1,412,773	\$ 220,647	\$ (953,346)	\$ 680,074	\$ 299,658

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Changes in Fund Balances
Year Ended May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2020	2019
Balance, Beginning of Year	\$ 1,963,614	\$ 559,841	\$ 2,299,481	\$ 4,822,936	\$ 4,523,278
Excess (Deficiency) of Revenues over Expenses	1,412,773	220,647	(953,346)	680,074	299,658
Balance, End of Year	\$ 3,376,387	\$ 780,488	\$ 1,346,135	\$ 5,503,010	\$ 4,822,936

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Cash Flows
Year Ended May 31

	Medical				
	Capital Levy Fund	Insurance Fund	Operating Fund	2020	2019
Operating Activities					
Excess (deficiency) of revenues over expenses	\$ 1,412,773	\$ 220,647	\$ (953,346)	\$ 680,074	\$ 299,658
Items not involving cash					
Amortization of capital assets	0	1,938	855,654	857,592	875,931
Amortization of deferred charges	0	0	13,376	13,376	13,376
Amortization of prepaid rent	0	0	202,904	202,904	202,904
Contribution of capital assets – Entrepreneurship Centre	0	0	0	0	163,169
Foreign exchange gain on investments	(17,555)	0	0	(17,555)	(1,453)
Loss from sale of capital asset	0	0	8,410	8,410	0
Share in deficiency of revenues over expenses from Joint Venture	0	0	147,728	147,728	58,640
Change in fair value of investments	(11,369)	0	0	(11,369)	(42,543)
Write-off of capital assets	0	0	7,953	7,953	6,482
	1,383,849	222,585	282,679	1,889,113	1,576,164
Net changes in working capital accounts					
Accounts receivable	12,085	(112,688)	(151,919)	(252,522)	(153,149)
GST receivable (payable)	368	40	(16,829)	(16,421)	5,315
Inventory	0	0	(9,097)	(9,097)	5,834
Prepaid expenses	0	1,081	25,103	26,184	(18,123)
Interfund loans receivable (payable)	(134,128)	287,096	(152,968)	0	0
Accounts payable and accruals	0	0	(162,072)	(162,072)	197,912
Due from (to) Joint Venture	0	0	(191,303)	(191,303)	46,348
Wages payable	4,761	2,219	(95,905)	(88,925)	58,965
Deferred revenue	0	3,212	(1,809)	1,403	(292,246)
	(116,914)	180,960	(756,799)	(692,753)	(149,144)
Cash Provided by (Used in) Operating Activities	1,266,935	403,545	(474,120)	1,196,360	1,427,020
Investing Activities					
Capital assets acquired	0	0	(122,831)	(122,831)	(193,823)
Investment purchases	(1,524,180)	0	0	(1,524,180)	(1,343,045)
Investment in Joint Venture	0	0	(41,316)	(41,316)	(138,307)
Proceeds from sale of capital asset	0	0	1,125	1,125	0
Cash Used in Investing Activities	(1,524,180)	0	(163,022)	(1,687,202)	(1,675,175)
Total Cash Provided by (Used in) Operating and Investing Activities	\$ (257,245)	\$ 403,545	\$ (637,142)	\$ (490,842)	\$ (248,155)

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Cash Flows - Continued
Year Ended May 31

	Medical				
	Capital Levy Fund	Insurance Fund	Operating Fund	2020	2019
Total Cash Provided by (Used in) Operating and Investing Activities – carry forward	\$ (257,245)	\$ 403,545	\$ (637,142)	\$ (490,842)	\$ (248,155)
Financing Activities					
Proceeds from long-term debt	0	0	0	0	1,600,000
Proceeds from line of credit	0	0	226,610	226,610	0
Loan to Joint Venture	0	0	0	0	(1,600,000)
Repayment of long-term debt	0	0	(361,375)	(361,375)	(329,037)
Cash Provided by (Used in) Financing Activities	0	0	(134,765)	(134,765)	(329,037)
Increase (Decrease) in Cash and Cash Equivalents	(257,245)	403,545	(771,907)	(625,607)	(577,192)
Cash and Cash Equivalents, Beginning of Year	530,245	931,595	1,020,067	2,481,907	3,059,099
Cash and Cash Equivalents, End of Year	\$ 273,000	\$ 1,335,140	\$ 248,160	\$ 1,856,300	\$ 2,481,907

See notes to financial statements.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2020

1. NATURE OF OPERATIONS

The BCIT Student Association (the "Association") was incorporated under the *Society Act* (British Columbia) on October 3, 1968 as a not-for-profit organization and is a registered charity. As such, the Association is exempt from taxes under section 149(1)(l) of the *Income Tax Act* (Canada). The Association's mission is to be an advocate for students and provide services that are student-centred, responsive and proactive in supporting and enhancing the quality of student life.

On January 1, 2018, the Association entered into a Food Service Collaboration Agreement (the "Joint Venture") with British Columbia Institute of Technology ("BCIT") to establish the Pavilion, a cafeteria, and combine the Stand North retail store with the purpose to better coordinate and serve the growing demand for food services on campus. Operations of the joint venture commenced during the 2019 year-end and net profits (losses) are shared on a 50% basis between the Association and BCIT.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Association were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies.

(a) Fund accounting

The Operating Fund accounts for the Association's program delivery, administrative activities and share in the Joint Venture's activities. This fund is unrestricted.

The Medical Insurance Fund reports the assets, liabilities, revenues and expenses related to the students' medical insurance program. The Association collects premiums from students each year. Any premiums not required to be paid out for insurance coverage are maintained by the Association to cover future rate increases. Expenditures from this internally restricted fund must relate to the delivery of the Student Health Plan.

The Capital Levy Fund reports revenues and expenses related to specific capital levy amounts charged to the members. Expenditures from this internally restricted fund must relate to student spaces.

(b) Revenue recognition

The Association follows the restricted fund method of accounting for contributions.

Restricted contributions, including capital levy student spaces fees, capital levy student centre building fees and student medical fees revenue, are recognized as revenue in the appropriate fund. When a restricted contribution is received for which there is not a separate fund established, the contribution is deferred in the Operating Fund and recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions, including student fees, SE 2 expansion fees and club fee revenue, are recognized as revenue in the year received or receivable if the amount receivable can be reasonably estimated and collection is reasonably assured.

Child Care revenue is recognized when services have been provided and collection is reasonably assured.

Pub and retail revenue is recognized at the point of sale.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Revenue recognition (Continued)

Contribution relating to the Child Care Centre facility operations are deferred and recognized as revenue in accordance with the terms of the contract.

(c) Inventory

Inventory that is held at the Association's copy centre, pub and retail stores consists primarily of goods held for resale, and is valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of operations, less any applicable selling costs.

(d) Capital assets and amortization

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if the amount is readily determinable. Amortization is provided using the following annual rates and methods:

Furniture and equipment	- 20%	declining-balance
Computer hardware	- 30%	declining-balance
Vehicle	- 30%	declining-balance
Office equipment	- 20%	declining-balance
Computer software	- 100%	declining-balance
Leasehold improvements	- 10%	straight-line

(e) Impairment of long-lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(f) Investment in Joint Venture

The Association accounts for its 50% interest in its Joint Venture with BCIT (note 6) using the equity method whereby the original cost of investment in the joint venture is adjusted annually for the Association's share of the excess (deficiency) of revenues over expenses of the Joint Venture.

(g) Prepaid rent

Prepaid rent under the lease for the third floor of the Campus Centre is recorded at cost plus applicable taxes. Amortization of prepaid rent is calculated on a straight-line basis over the remaining term of the Campus Centre lease.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Deferred costs

Deferred costs represent professional fees paid in relation to the lease agreement for the Campus Centre lease with BCIT and a capital funding contribution paid to BCIT in conjunction with the construction of the Campus Centre building.

These amounts are amortized on a straight-line basis over the term of the Campus Centre lease.

(i) Contributed services

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

(j) Use of estimates

The preparation of these financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include useful lives of capital assets, net realizable value of inventories and accrued liabilities. While management believes these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash and highly liquid investments with initial terms to maturity of 90 days or less.

(l) Financial instruments

The Association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments and fixed income investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. In the event a previously recognized impairment loss should be reversed, the amount of the reversal is recognized in operations provided it is not greater than the original amount prior to write-down.

For any financial instrument that is measured at amortized cost, the instrument's cost is adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption. These transaction costs are amortized into operations on a straight-line basis over the term of the instrument. All other transaction costs are recognized in operations in the period incurred.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. Financial assets measured at fair value are investments.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Government assistance

Government assistance for wages and salary received as a result of the Government of Canada COVID-19 response program is included as other revenue in the corresponding period.

3. FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Association is not exposed to significant credit risk, as accounts receivable and loan receivable are primarily due from various BCIT departments and the Joint Venture and are expected to be collected in full. Cash and cash equivalents are held with a major Canadian credit union.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Association may be exposed to interest rate cash flow risk on its line of credit bearing a variable interest rate, when the line of credit is used. The Association is exposed to interest rate price risk in respect of its long-term debt and cash equivalents with a fixed interest rate.

(c) Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities.

The Association is exposed to this risk mainly in respect of its accounts payable, wages payable and long-term debt. Cash flow from operations provides a substantial portion of the Association's cash requirements. Additional cash requirements are met with the use of the available lines of credit. The available lines of credit provide flexibility in the short term to meet operational needs.

(d) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, of factors affecting all similar financial instruments traded in the market. The Association is exposed to other price risk through its investments.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2020

4. CASH AND CASH EQUIVALENTS

	2020	2019
Internally restricted cash	\$ 1,608,140	\$ 1,461,840
Cash and cash equivalents	248,160	1,020,067
	<u>\$ 1,856,300</u>	<u>\$ 2,481,907</u>

Included in cash and cash equivalents is a guaranteed investment certificate in the amount of \$57,500 (2019 - \$57,500) held with a major Canadian financial institution. The investment bears interest at prime minus 0.19% (2019 – prime minus 2.70%) and matures April 7, 2021 (2019 - April 6, 2020).

Any interest earned from this investment is pledged as security for any advances to the Association from a Canadian financial institution.

5. INVESTMENTS

Investments made by the Association through its restricted funds are classified as follows:

	2020	2019
Equities (cost: 2020 - \$1,311,140; 2019 - \$703,857)	\$ 1,490,728	\$ 737,922
Fixed income (cost: 2020 - \$1,408,053; 2019 - \$640,621)	1,449,417	649,119
	<u>\$ 2,940,145</u>	<u>\$ 1,387,041</u>

Fixed income investments represent corporate and government-backed securities bearing fixed interest yields ranging from 1.25% to 2.90% (2019 – 1.25% to 3.75%) and have maturity dates between December 2020 to June 2027 (2019 – December 2020 to June 2027).

6. INVESTMENT IN JOINT VENTURE

The excess (deficiency) of revenues over expenses of the Joint Venture is allocated to the joint venturers on the following basis:

BCIT Student Association	50%
British Columbia Institute of Technology	50%
	<u>100%</u>

The details of the Association's investment in the Joint Venture is as follows:

	2020	2019
Opening balance	\$ 106,412	\$ 0
Initial contribution	0	26,745
Additional investment during the year (note 7)	41,316	138,307
Share in the deficiency over expenses of the Joint Venture for the year	(147,728)	(58,640)
Ending balance	<u>\$ 0</u>	<u>\$ 106,412</u>

The Association's 50% share in the asset, liabilities, net assets and cash flows of the Joint Venture is as follows:

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2020

6. INVESTMENT IN JOINT VENTURE (Continued)

	2020		2019	
Assets	\$	782,918	\$	797,867
Liabilities	\$	999,087	\$	856,507
Net Deficiency	\$	(147,728)	\$	(58,640)
Cash flows from operating activities	\$	83,741	\$	8,323
Cash flows from investing activities	\$	(86,453)	\$	(808,323)
Cash flows from financing activities	\$	2,712	\$	(800,000)

7. AMOUNT DUE TO/FROM JOINT VENTURE

The amount due from Joint Venture relates to purchases and expenses paid by the Association on behalf of the Joint Venture. During the year ended May 31, 2019, the Association had an amount due to the Joint Venture for cash held on behalf of the Joint Venture.

During the year ended May 31, 2020, the Association's share in the deficiency of the Joint Venture exceeded the investment balance by \$41,316. This amount has been treated as an additional contribution to the Joint Venture and has depleted the balance of the investment in Joint Venture to \$nil.

8. CAPITAL ASSETS

	2020			2019	
	Cost	Accumulated Amortization	Net	Net	
Computer hardware and software	\$ 292,087	\$ 175,194	\$ 116,893	\$ 119,081	
Furniture and equipment	1,990,606	1,359,244	631,362	730,851	
Leasehold improvements	6,712,874	3,016,983	3,695,891	4,343,742	
Vehicle	62,445	36,410	26,035	28,756	
	\$ 9,058,012	\$ 4,587,831	\$ 4,470,181	\$ 5,222,430	

During the year ended May 31, 2020, the Association wrote-off capital assets with a net book value of \$7,953 (cost of \$49,248, net of accumulated amortization of \$41,295) (2019 - \$6,842 with cost of \$154,617, net of accumulated amortization of \$148,135).

During the year ended May 31, 2020, the Association disposed of an asset with a net book value of \$9,535 for total proceeds of \$1,125 resulting in a loss on disposal of \$8,410.

BCIT STUDENT ASSOCIATION**Notes to Financial Statements**

Year Ended May 31, 2020

9. DEFERRED COSTS

	2020	2019
Capital contribution	\$ 289,500	\$ 289,500
Professional fees	111,787	111,787
	401,287	401,287
Accumulated amortization	(333,664)	(320,288)
	67,623	80,999
Current portion	(13,376)	(13,376)
	\$ 54,247	\$ 67,623

10. PREPAID RENT

	2020	2019
Cost	\$ 2,637,750	\$ 2,637,750
Accumulated amortization	(1,521,779)	(1,318,876)
	1,115,971	1,318,874
Current portion	(202,904)	(202,904)
	\$ 913,067	\$ 1,115,970

The Association entered into a Lease Amending Agreement dated March 15, 2012 with BCIT to include occupancy of the third floor of the Campus Building. Under the terms of the Lease Amending Agreement, the Association was required to pay \$2,500,000 plus applicable taxes during 2012 as a prepayment of rent for the third floor of the Campus Building. No further payments are required. This amount, together with the net applicable GST less Public Service Bodies' rebate of \$137,750 is being amortized over the remaining term of the related lease which expires in fiscal 2026.

11. LOAN DUE FROM JOINT VENTURE

During the year ended May 31, 2019, the Association entered into a fixed term loan of \$1,600,000. This was subsequently disbursed as a loan to the Joint Venture for the building construction and improvements of the Pavilion and purchase of furniture and equipment.

The loan due from Joint Venture bears interest at 4.17% per annum and has set repayment terms of \$11,975 per annum which matches the bank loan as stated in note 14.

12. GOVERNMENT REMITTANCES

Included in accounts payable are government remittances payable of \$33,225 (2019 - \$54,256).

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2020

13. LINES OF CREDIT

The Association has available the following lines of credit:

- (a) An operating line of credit to a maximum of \$330,000 (2019 - \$330,000). The line of credit is secured by a general security agreement over the Association's assets. Advances under this facility bear interest at the bank prime rate plus 0.5% per annum. As of year-end, the balance of the line of credit was \$226,610 (2019 - \$nil).
- (b) Electronic funds transfer credit facility ("EFT") to a maximum of \$150,000 (2019 - \$150,000). The EFT credit facility does not bear any terms of interest. As of year-end, the balance of the EFT credit facility was \$nil (2019 - \$nil).

14. LONG-TERM DEBT

	2020	2019
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 3.9% per annum, repayable in monthly blended instalments of \$20,530, maturing May 2022 ¹	\$ 2,390,011	\$ 2,515,217
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 4.17% (2017 - 5%) per annum, repayable in monthly blended instalments of \$15,815, with a revised maturity date of November 2022 ¹	1,140,765	1,256,948
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 4.17% per annum, repayable in monthly blended instalments of \$6,100, with a maturity date of May 2023 ¹	499,577	542,355
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 4.17% per annum, repayable in monthly blended instalments of \$11,975, with a maturity date of May 2024	1,522,792	1,600,000
	5,553,145	5,914,520
Less: Current portion	317,015	412,311
	\$ 5,236,130	\$ 5,502,209

¹During the year, the Association was granted deferral of principal payments for the period from April 2020 to September 2020.

The loans are secured by a general security agreement. Principal repayments to be made during the next four fiscal years are as follows:

2021	\$ 317,015
2022	2,575,632
2023	1,393,558
2024	1,266,940
	\$ 5,553,145

BCIT STUDENT ASSOCIATION**Notes to Financial Statements****Year Ended May 31, 2020****14. LONG-TERM DEBT (Continued)**

The loans are subject to the following debt covenant provisions:

- (a) debt service ratio cannot be less than 1.10:1;
- (b) total debt to tangible net worth cannot exceed 3:1; and
- (c) minimum working capital ratio of 1.10:1.

As at May 31, 2020, the Association was in compliance with its covenants.

15. DEFERRED REVENUE

Deferred revenue represents sponsorships, grant revenue and medical insurance premiums received in the prior and current years for use in subsequent years.

	Balance, beginning of year 2020	Received during the year	Recognized during the year	Balance, end of year 2020	Balance, end of year 2019
Deferred grant and sponsorship revenue	\$ 436,601	\$ 64,554	\$ 66,363	\$ 434,792	\$ 436,601
Deferred medical insurance premiums	396,522	399,734	396,522	399,734	396,522
	\$ 833,123	\$ 464,288	\$ 462,885	\$ 834,526	\$ 833,123

16. CHILDCARE REVENUE

	2020	2019
Childcare fees	\$ 522,581	\$ 592,877
Childcare grant	299,412	305,054
Cost recovery	0	6,806
Fundraising and gifts	1,214	929
	\$ 823,207	\$ 905,666

17. MISCELLANEOUS REVENUE

	2020	2019
Advertising and media	\$ 28,601	\$ 28,227
Cost recovery	3,658	12,841
Other - Operating fund	33,204	22,255
Ticket sales	3,661	4,451
	\$ 69,124	\$ 67,774

BCIT STUDENT ASSOCIATION**Notes to Financial Statements**

Year Ended May 31, 2020

18. ACTIVITIES – STUDENT CLUBS

	2020	2019
Cost recovery	\$ 484	\$ 957
Fundraising and donation	14,716	26,471
Grants	8,500	35,554
Interest	140	113
Miscellaneous	21,091	1,490
Sponsorships	179,928	188,882
Student membership club fees	45,122	69,098
Ticket sales	23,298	21,744
	\$ 293,279	\$ 344,309

19. PUBLICATIONS

	2020	2019
Advertising and media	\$ 7,773	\$ 5,400
Grants	9,000	4,500
Handbook and newspaper advertising, net of broker commissions	31,626	34,858
Miscellaneous	0	221
	\$ 48,399	\$ 44,979

20. CATERING REVENUE, NET

	2020	2019
Revenue	\$ 99,143	\$ 26,315
Cost of Goods Sold	(66,914)	(21,983)
	\$ 32,229	\$ 4,332

21. COMMITMENTS

The Association's premises are leased under an agreement with BCIT for office and retail space in the Campus Centre. Upon expiration of the lease agreement on July 26, 2025, the lease will automatically renew for an additional five-year period. The prepaid rent related to the third floor of the SE2 building is not included in the commitments below.

The Association has entered into a lease agreement for photocopier equipment expiring May 31, 2021.

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

	Premises	Equipment	Total
2021	\$ 183,138	\$ 22,418	\$ 205,556
2022	185,006	0	185,006
2023	186,893	0	186,893
2024	188,798	0	188,798
2025 and thereafter	1,217,755	0	1,217,755
	\$ 1,961,590	\$ 22,418	\$ 1,984,008

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2020

22. REMUNERATION OF DIRECTORS, EMPLOYEES AND CONTRACTORS

During the year, the Association paid eight employees in excess of \$75,000 for total remuneration of \$866,069 (2019 - seven employees totaling \$704,774) and there were no contractors paid more than \$75,000 each. The Association remunerated its Board of Directors a total of \$89,791 (2019 - \$81,711).

23. PENSION PLAN

Employees at the Association can choose to be members of the defined contribution pension plan. Employees who participate in the pension plan must contribute 6% of their earnings. The Association must match the contribution of 6% of contributory earnings to this plan. The contribution made by the Association vest immediately to the employees.

During the year, the Association's pension expense was \$120,546 (2019 - \$105,670). This amount is included in wages and benefits on the statement of operations.

24. GOVERNMENT ASSISTANCE

The Association was eligible for the Canada Emergency Wage Subsidy ("CEWS") under the federal government's COVID-19 relief program. The amount of \$393,094 was included as other revenue in the statement of operations, of which \$90,277 was included in accounts receivable.

25. INTERFUND LOANS

Interfund loans are temporary transfers from unrestricted funds to the internally restricted funds. These are non-interest-bearing with no terms of repayment.

26. GUARANTEE

The Association has a letter of credit to a maximum of \$10,000 (2019 - \$10,000). The letter of credit does not bear any terms of interest. A letter of credit of \$10,000 has been issued to the Association's liquor supplier.

27. ALLOCATION OF EXPENDITURES

The Association incurs a number of expenses that are allocated to the Capital Levy, Medical Insurance and Operating funds. The allocation of expenses is based on management's estimates of the time, effort and resources required to support these activities.

28. IMPACT OF COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial result and condition of the Association in future periods.