

BCIT STUDENT ASSOCIATION

**Financial Statements
May 31, 2021**

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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, 2021;
- 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, 2021, 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:

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- ♦ 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 29, 2021

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BCIT STUDENT ASSOCIATION
Statement of Financial Position
May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2021	2020
Assets (notes 13 and 15)					
Current					
Cash and cash equivalents (note 4)	\$ 83,266	\$ 1,576,691	\$ 1,205,450	\$ 2,865,407	\$ 1,856,300
Amounts receivable	71,538	22,752	520,931	615,221	698,003
Amount due from Joint Venture (notes 6 and 7)	-	-	256,826	256,826	222,163
GST receivable	1,635	370	6,273	8,278	7,388
Inventory	-	-	158,589	158,589	227,766
Prepaid expenses	-	-	50,583	50,583	57,311
Current portion of loan due from Joint Venture (note 11)	-	-	85,216	85,216	81,798
Current portion of deferred costs (note 9)	-	-	13,376	13,376	13,376
Current portion of prepaid rent (note 10)	-	-	202,904	202,904	202,904
Interfund loans receivable (payable) (note 25)	49,301	(133,382)	84,081	-	-
	205,740	1,466,431	2,584,229	4,256,400	3,367,009
Investments (note 5)	5,094,270	-	-	5,094,270	2,940,145
Loan due from Joint Venture (note 11)	-	-	1,355,730	1,355,730	1,440,994
Capital Assets (note 8)	-	4,101	3,763,299	3,767,400	4,470,181
Deferred Costs (note 9)	-	-	40,871	40,871	54,247
Prepaid Rent (note 10)	-	-	710,163	710,163	913,067
	5,094,270	4,101	5,870,063	10,968,434	9,818,634
	\$ 5,300,010	\$ 1,470,532	\$ 8,454,292	\$ 15,224,834	\$ 13,185,643

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Financial Position - Continued
May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2021	2020
Liabilities					
Current					
Accounts payable and accruals (note 12)	\$ -	\$ -	\$ 173,857	\$ 173,857	\$ 520,921
Wages payable	892	8,255	554,748	563,895	547,431
Lines of credit (note 13)	-	-	-	-	226,610
Deferred revenue (note 14)	-	441,727	392,520	834,247	834,526
Current portion of long-term debt (note 15)	-	-	2,575,633	2,575,633	317,015
	892	449,982	3,696,758	4,147,632	2,446,503
Long-Term Debt (note 15)	-	-	2,660,401	2,660,401	5,236,130
	892	449,982	6,357,159	6,808,033	7,682,633
Net Assets					
Internally Restricted	5,299,118	1,020,550	-	6,319,668	4,156,875
Unrestricted	-	-	2,097,133	2,097,133	1,346,135
	5,299,118	1,020,550	2,097,133	8,416,801	5,503,010
	\$ 5,300,010	\$ 1,470,532	\$ 8,454,292	\$ 15,224,834	\$ 13,185,643

Commitment (note 21)

Approved by the Directors:

 Director

 Director

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Operations
Year Ended May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2021	2020
Retail Revenues					
Campus print and copy	\$ -	\$ -	\$ 366	\$ 366	\$ 106,934
Pub	-	-	17	17	644,813
Retail stores	-	-	128,900	128,900	1,219,571
	-	-	129,283	129,283	1,971,318
Cost of Sales					
Campus print and copy	-	-	1,112	1,112	29,421
Pub	-	-	4,972	4,972	229,341
Retail stores	-	-	75,332	75,332	747,356
	-	-	81,416	81,416	1,006,118
Gross Profit					
Campus print and copy	-	-	(746)	(746)	77,513
Pub	-	-	(4,955)	(4,955)	415,472
Retail stores	-	-	53,568	53,568	472,215
	-	-	47,867	47,867	965,200
Other Revenue					
Activities - student clubs (note 16)	-	-	87,199	87,199	293,279
Canada Emergency Rent Subsidy Grant (note 24)	-	-	66,150	66,150	-
Canada Emergency Wage Subsidy Grant (note 24)	4,082	65,259	1,575,638	1,644,979	393,094
Capital levy fees - student spaces	134,166	-	-	134,166	134,527
Capital levy fees - student centre building	1,491,201	-	-	1,491,201	1,245,836
Catering revenue, net (note 17)	-	-	-	-	32,229
Childcare (note 18)	-	-	962,669	962,669	823,207
Coca-Cola/Pepsi and other sponsorship	-	-	5,000	5,000	210,718
Grants	-	-	20,776	20,776	73,225
Interest and dividends	90,748	5,382	4,563	100,693	98,341
Miscellaneous (note 19)	840	-	5,314	6,154	69,124
Publications (note 20)	-	-	6,815	6,815	48,399
Room and equipment rental	-	-	17,220	17,220	44,810
SE2 expansion	-	-	295,165	295,165	295,960
Student fees	-	-	3,588,402	3,588,402	3,508,036
Student medical fees	-	2,070,421	-	2,070,421	2,039,899
Vending	-	-	58,350	58,350	97,924
	1,721,037	2,141,062	6,693,261	10,555,360	9,408,608
Net Revenues	\$ 1,721,037	\$ 2,141,062	\$ 6,741,128	\$ 10,603,227	\$ 10,373,808

See notes to financial statements.

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

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2021	2020
	(note 27)	(note 27)	(note 27)		
Expenses					
Advertising and promotion	\$ -	\$ -	\$ 13,964	\$ 13,964	\$ 52,666
Amortization of capital assets	-	1,416	817,970	819,386	857,592
Amortization of deferred costs	-	-	13,376	13,376	13,376
Amortization of prepaid rent	-	-	202,904	202,904	202,904
Bank charges and interest	5,491	25	40,299	45,815	137,890
Bursaries	130,000	-	8,388	138,388	63,270
Equipment rental	147	350	104,764	105,261	109,223
Honoraria (note 22)	-	-	88,748	88,748	89,791
Insurance	-	-	67,840	67,840	82,438
Interest on long-term debt	-	-	158,740	158,740	167,175
Janitorial	-	77	14,815	14,892	52,442
Medical insurance premiums	-	1,682,498	-	1,682,498	1,642,943
Office and miscellaneous	2,364	1,148	32,770	36,282	78,799
Printing - external and internal	-	-	7,271	7,271	45,296
Professional development	7	408	11,311	11,726	36,113
Professional fees	23,825	2,568	273,026	299,419	274,081
Provisions and supplies	-	-	14,923	14,923	72,117
Rent	-	-	179,467	179,467	175,870
Repairs and maintenance	-	-	3,102	3,102	34,240
Societies and student services	23,877	48,613	95,487	167,977	439,826
Telephone and utilities	-	760	17,592	18,352	21,553
Wages and benefits	24,914	163,137	3,643,598	3,831,649	4,908,962
	210,625	1,901,000	5,810,355	7,921,980	9,558,567
Excess of Revenues Over Expenses Before					
Other Items	1,510,412	240,062	930,773	2,681,247	815,241
Other Items					
Change in fair value of investment and foreign exchange	412,319	-	-	412,319	28,924
Share in deficiency of revenues over expenditures of Joint Venture (note 6)	-	-	(179,775)	(179,775)	(147,728)
Write-off and loss from disposal of capital assets (note 8)	-	-	-	-	(16,363)
Excess of Revenues Over Expenses	\$ 1,922,731	\$ 240,062	\$ 750,998	\$ 2,913,791	\$ 680,074

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	2021	2020
Balance, Beginning of Year	\$ 3,376,387	\$ 780,488	\$ 1,346,135	\$ 5,503,010	\$ 4,822,936
Excess of Revenues over Expenses	1,922,731	240,062	750,998	2,913,791	680,074
Balance, End of Year	\$ 5,299,118	\$ 1,020,550	\$ 2,097,133	\$ 8,416,801	\$ 5,503,010

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Cash Flows
Year Ended May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2021	2020
Operating Activities					
Excess of revenues over expenses	\$ 1,922,731	\$ 240,062	\$ 750,998	\$ 2,913,791	\$ 680,074
Items not involving cash					
Amortization of capital assets	-	1,416	817,970	819,386	857,592
Amortization of deferred charges	-	-	13,376	13,376	13,376
Amortization of prepaid rent	-	-	202,904	202,904	202,904
Foreign exchange loss (gain) on investments	87,478	-	-	87,478	(17,555)
Loss from sale of capital asset	-	-	-	-	8,410
Share in deficiency of revenues over expenses from Joint Venture	-	-	179,775	179,775	147,728
Change in fair value of investments	(499,797)	-	-	(499,797)	(11,369)
Write-off of capital assets	-	-	-	-	7,953
	1,510,412	241,478	1,965,023	3,716,913	1,889,113
Net changes in working capital accounts					
Accounts receivable	3,671	115,442	(36,331)	82,782	(252,522)
GST receivable	(716)	3	(177)	(890)	(16,421)
Inventory	-	-	69,177	69,177	(9,097)
Prepaid expenses	-	-	6,728	6,728	26,184
Interfund loans receivable (payable)	43,044	140,080	(183,124)	-	-
Accounts payable and accruals	(470)	(299,268)	(47,326)	(347,064)	(162,072)
Due from Joint Venture	-	-	47,183	47,183	(191,303)
Wages payable	(3,869)	1,823	18,510	16,464	(88,925)
Deferred revenue	-	41,993	(42,272)	(279)	1,403
	41,660	73	(167,632)	(125,899)	(692,753)
Cash Provided by Operating Activities	1,552,072	241,551	1,797,391	3,591,014	1,196,360
Investing Activities					
Capital assets acquired	-	-	(116,605)	(116,605)	(122,831)
Investment purchases	(1,741,806)	-	-	(1,741,806)	(1,524,180)
Investment in Joint Venture	-	-	(179,775)	(179,775)	(41,316)
Proceeds from sale of capital asset	-	-	-	-	1,125
Cash Used in Investing Activities	(1,741,806)	-	(296,380)	(2,038,186)	(1,687,202)
Total Cash Provided by (Used in) Operating and Investing Activities	\$ (189,734)	\$ 241,551	\$ 1,501,011	\$ 1,552,828	\$ (490,842)

See notes to financial statements.

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

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2021	2020
Total Cash Provided by (Used in) Operating and Investing Activities – carry forward	\$ (189,734)	\$ 241,551	\$ 1,501,011	\$ 1,552,828	\$ (490,842)
Financing Activities					
Proceeds from (repayment of) line of credit	-	-	(226,610)	(226,610)	226,610
Repayment of long-term debt	-	-	(317,111)	(317,111)	(361,375)
Cash Used in Financing Activities	-	-	(543,721)	(543,721)	(134,765)
Increase (Decrease) in Cash and Cash Equivalents	(189,734)	241,551	957,290	1,009,107	(625,607)
Cash and Cash Equivalents, Beginning of Year	273,000	1,335,140	248,160	1,856,300	2,481,907
Cash and Cash Equivalents, End of Year	\$ 83,266	\$ 1,576,691	\$ 1,205,450	\$ 2,865,407	\$ 1,856,300

See notes to financial statements.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2021

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, and subsequently transitioned to the new *Societies Act* (British Columbia). As such, the Association is exempt from taxes under section 149(1)(f) 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, SE2 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, 2021

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, 2021

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, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Government assistance

Government assistance for wages, salary and rent received as a result of the Government of Canada COVID-19 response programs are 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, 2021

4. CASH AND CASH EQUIVALENTS

	2021	2020
Internally restricted cash	\$ 1,659,957	\$ 1,608,140
Cash and cash equivalents	1,205,450	248,160
	<u>\$ 2,865,407</u>	<u>\$ 1,856,300</u>

Included in cash and cash equivalents is a guaranteed investment certificate in the amount of \$57,500 (2020 - \$57,500) held with a major Canadian financial institution. The investment bears interest at prime minus 0.25% (2020 – prime minus 0.19%) and matures April 5, 2022 (2020 - April 7, 2021).

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:

	2021	2020
Equities (cost: 2021 - \$2,346,465; 2020 - \$1,311,140)	\$ 2,821,834	\$ 1,490,728
Fixed income (cost: 2021 - \$2,266,988; 2020 - \$1,408,053)	2,272,436	1,449,417
	<u>\$ 5,094,270</u>	<u>\$ 2,940,145</u>

Fixed income investments represent corporate and government-backed securities bearing fixed interest yields ranging from 1.95% to 3.75% (2020 – 1.25% to 2.90%) and have maturity dates between March 2022 to June 2027 (2020 – 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 are as follows:

	2021	2020
Opening balance	\$ -	\$ 106,412
Additional investment during the year (note 7)	179,775	41,316
Share in the deficiency over expenses of the Joint Venture for the year	(179,775)	(147,728)
Ending balance	<u>\$ -</u>	<u>\$ -</u>

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2021

6. INVESTMENT IN JOINT VENTURE (Continued)

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

	2021		2020	
Assets	\$	680,701	\$	782,918
Liabilities	\$	1,076,645	\$	999,087
Net Deficiency	\$	(179,775)	\$	(147,728)
Cash flows from operating activities	\$	81,843	\$	83,741
Cash flows from investing activities	\$	-	\$	(86,453)
Cash flows from financing activities	\$	(81,843)	\$	2,712

7. AMOUNT DUE 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, 2021, the Association's share in the deficiency of the Joint Venture exceeded the investment balance by \$179,775. This amount has been treated as an additional contribution to the Joint Venture.

8. CAPITAL ASSETS

	2021			2020	
	Cost	Accumulated Amortization	Net	Net	
Computer hardware and software	\$ 407,466	\$ 216,146	\$ 191,320	\$ 116,893	
Furniture and equipment	1,991,832	1,485,863	505,969	631,362	
Leasehold improvements	6,712,874	3,660,987	3,051,887	3,695,891	
Vehicle	62,445	44,221	18,224	26,035	
	\$ 9,174,617	\$ 5,407,217	\$ 3,767,400	\$ 4,470,181	

During the year ended May 31, 2021, the Association wrote-off capital assets with a net book value of \$nil (2020 - \$7,953 with cost of \$49,248, net of accumulated amortization of \$41,295).

During the year ended May 31, 2021, the Association disposed of an asset with a net book value of \$nil (2020 - \$9,535 for total proceeds of \$1,125 resulting in a loss on disposal of \$8,410).

Included in computer hardware and software are assets under development of \$94,014 (2020 - \$nil).

BCIT STUDENT ASSOCIATION**Notes to Financial Statements**

Year Ended May 31, 2021

9. DEFERRED COSTS

	2021	2020
Capital contribution	\$ 289,500	\$ 289,500
Professional fees	111,787	111,787
	401,287	401,287
Accumulated amortization	(347,040)	(333,664)
	54,247	67,623
Current portion	(13,376)	(13,376)
	\$ 40,871	\$ 54,247

10. PREPAID RENT

	2021	2020
Cost	\$ 2,637,750	\$ 2,637,750
Accumulated amortization	(1,724,683)	(1,521,779)
	913,067	1,115,971
Current portion	(202,904)	(202,904)
	\$ 710,163	\$ 913,067

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 month, which matches the bank loan as stated in note 15.

12. GOVERNMENT REMITTANCES

Included in accounts payable are government remittances payable of \$43,554 (2020 - \$33,225).

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2021

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 (2020 - \$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 \$nil (2020 - \$226,610).
- (b) Electronic funds transfer credit facility ("EFT") to a maximum of \$150,000 (2020 - \$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 (2020 - \$nil).

14. 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 2021	Received during the year	Recognized during the year	Balance, end of year 2021	Balance, end of year 2020
Deferred grant and sponsorship revenue	\$ 434,792	\$ 76,030	\$ 118,302	\$ 392,520	\$ 434,792
Deferred medical insurance premiums	399,734	441,727	399,734	441,727	399,734
	\$ 834,526	\$ 517,757	\$ 518,036	\$ 834,247	\$ 834,526

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2021

15. LONG-TERM DEBT

	2021	2020
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 3.90% per annum, repayable in monthly blended instalments of \$20,530, with a maturity date of May 2022 ¹	\$ 2,286,340	\$ 2,390,011
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 4.17% per annum, repayable in monthly blended instalments of \$15,815, with a maturity date of November 2022 ¹	1,044,595	1,140,765
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	464,150	499,577
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	1,440,949	1,522,792
	5,236,034	5,553,145
Less: Current portion	2,575,633	317,015
	\$ 2,660,401	\$ 5,236,130

¹During the year ended May 31, 2021 and 2020, 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 three fiscal years are as follows:

2022	\$ 2,575,633
2023	1,393,509
2024	1,266,892
	\$ 5,236,034

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, 2021, the Association was in compliance with its debt service ratio and total debt to tangible net worth covenants. Its working capital ratio as at May 31, 2021 was 1.03:1, and therefore, the Association was not in compliance with its minimum working capital ratio covenant.

BCIT STUDENT ASSOCIATION**Notes to Financial Statements**

Year Ended May 31, 2021

16. ACTIVITIES – STUDENT CLUBS

	2021	2020
Cost recovery	\$ -	\$ 484
Fundraising and donation	93	14,716
Grants	3,875	8,500
Interest	64	140
Miscellaneous	1,152	21,091
Sponsorships	76,269	179,928
Student membership club fees	5,006	45,122
Ticket sales	740	23,298
	\$ 87,199	\$ 293,279

17. CATERING REVENUE, NET

	2021	2020
Revenue	\$ -	\$ 99,143
Cost of Goods Sold	-	(66,914)
	\$ -	\$ 32,229

18. CHILDCARE REVENUE

	2021	2020
Childcare fees	\$ 465,029	\$ 522,581
Childcare grant	467,628	299,412
Fundraising and gifts	30,012	1,214
	\$ 962,669	\$ 823,207

19. MISCELLANEOUS REVENUE

	2021	2020
Advertising and media	\$ 1,200	\$ 28,601
Cost recovery	714	3,658
Other - Operating fund	4,240	33,204
Ticket sales	-	3,661
	\$ 6,154	\$ 69,124

20. PUBLICATIONS

	2021	2020
Advertising and media	\$ -	\$ 7,773
Grants	-	9,000
Handbook and newspaper advertising, net of broker commissions	6,815	31,626
	\$ 6,815	\$ 48,399

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2021

21. COMMITMENT

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.

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

2022	\$	183,114
2023		184,959
2024		186,822
2025		220,471
2026 and thereafter		1,017,601
	\$	1,792,967

22. REMUNERATION OF DIRECTORS, EMPLOYEES AND CONTRACTORS

During the year, the Association paid seven employees in excess of \$75,000 for total remuneration of \$785,848 (2020 - eight employees totaling \$866,069) and there were no contractors paid more than \$75,000 each. The Association remunerated its Board of Directors a total of \$88,748 (2020 - \$89,791).

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 \$125,852 (2020 - \$120,546). This amount is included in wages and benefits on the statement of operations.

24. GOVERNMENT ASSISTANCE

The Association was eligible for the Canada Emergency Rent Subsidy ("CERS") under the federal government's COVID-19 relief program. The amount of \$66,150 (2020 - \$nil) was included as other revenue in the statement of operations, of which \$6,962 (2020 - \$nil) was included in accounts receivable.

The Association was eligible for the Canada Emergency Wage Subsidy ("CEWS") under the federal government's COVID-19 relief program. The amount of \$1,644,979 (2020 - \$393,094) was included as other revenue in the statement of operations, of which \$127,239 (2020 - \$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.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2021

26. GUARANTEE

The Association has a letter of credit to a maximum of \$10,000 (2020 - \$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

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Association's environment and in the global markets due to the possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines, and social distancing) could have a material impact on the Association's operations.

The Association has adapted its operations to mitigate the financial impact of COVID-19; however, the impact of the pandemic on the Association's future operations cannot be reliably estimated at this time.