

BCIT STUDENT ASSOCIATION

**Financial Statements
May 31, 2022**

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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, 2022;
- 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, 2022, 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 28, 2022

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BCIT STUDENT ASSOCIATION
Statement of Financial Position
May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2022	2021
Assets (notes 13 and 15)					
Current					
Cash and cash equivalents (note 4)	\$ 71,333	\$ 1,647,777	\$ 1,383,475	\$ 3,102,585	\$ 2,865,407
Amounts receivable	62,366	29,788	315,234	407,388	615,221
Amount due from Joint Venture (notes 6 and 7)	-	-	215,584	215,584	256,826
GST receivable	2,054	13	1,795	3,862	8,278
Inventory	-	-	194,893	194,893	158,589
Prepaid expenses	-	-	70,646	70,646	50,583
Short-term investments (note 5)	200,922	-	-	200,922	-
Current portion of loan due from Joint Venture (note 11)	-	-	88,840	88,840	85,216
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 24)	133,397	(2,161)	(131,236)	-	-
	470,072	1,675,417	2,355,511	4,501,000	4,256,400
Investments (note 5)	6,171,742	-	-	6,171,742	5,094,270
Loan Due from Joint Venture (note 11)	-	-	1,266,892	1,266,892	1,355,730
Capital Assets (note 8)	-	3,653	3,116,996	3,120,649	3,767,400
Deferred Costs (note 9)	-	-	27,495	27,495	40,871
Prepaid Rent (note 10)	-	-	507,259	507,259	710,163
	6,171,742	3,653	4,918,642	11,094,037	10,968,434
	\$ 6,641,814	\$ 1,679,070	\$ 7,274,153	\$ 15,595,037	\$ 15,224,834

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Financial Position - Continued
May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2022	2021
Liabilities					
Current					
Accounts payable and accruals (note 12)	\$ -	\$ -	\$ 247,125	\$ 247,125	\$ 173,857
Wages payable	892	12,855	703,122	716,869	563,895
Deferred revenue (note 14)	-	430,940	340,888	771,828	834,247
Current portion of long-term debt (note 15)	-	-	480,874	480,874	2,575,633
	892	443,795	1,772,009	2,216,696	4,147,632
Long-Term Debt (note 15)	-	-	4,301,389	4,301,389	2,660,401
	892	443,795	6,073,398	6,518,085	6,808,033
Net Assets					
Internally Restricted	6,640,922	1,235,275	-	7,876,197	6,319,668
Unrestricted	-	-	1,200,755	1,200,755	2,097,133
	6,640,922	1,235,275	1,200,755	9,076,952	8,416,801
	\$ 6,641,814	\$ 1,679,070	\$ 7,274,153	\$ 15,595,037	\$ 15,224,834

Commitments (note 20)

Approved on behalf of the Board:

 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	2022	2021
Retail Revenues					
Campus print and copy	\$ -	\$ -	\$ 41,522	\$ 41,522	\$ 366
Pub	-	-	418,074	418,074	17
Retail stores	-	-	902,882	902,882	128,900
	-	-	1,362,478	1,362,478	129,283
Cost of Sales					
Campus print and copy	-	-	2,916	2,916	1,112
Pub	-	-	134,607	134,607	4,972
Retail stores	-	-	499,741	499,741	75,332
	-	-	637,264	637,264	81,416
Gross Profit (Loss)					
Campus print and copy	-	-	38,606	38,606	(746)
Pub	-	-	283,467	283,467	(4,955)
Retail stores	-	-	403,141	403,141	53,568
	-	-	725,214	725,214	47,867
Other Revenues					
Activities - student clubs (note 16)	-	-	160,888	160,888	87,199
Canada Emergency Rent Subsidy Grant (note 23)	-	-	18,693	18,693	66,150
Canada Emergency Wage Subsidy Grant and Canada Recovery Hiring Program (note 23)	-	4,424	572,260	576,684	1,644,979
Capital levy fees - student spaces	117,428	-	-	117,428	134,166
Capital levy fees - student centre building	1,507,137	-	-	1,507,137	1,491,201
Childcare (note 17)	-	-	1,118,396	1,118,396	962,669
Coca-Cola and other sponsorship	-	-	109,500	109,500	5,000
Grants	-	-	34,082	34,082	20,776
Interest and dividends	116,484	8,412	8,780	133,676	100,693
Miscellaneous (note 18)	2,000	-	26,022	28,022	6,154
Publications (note 19)	-	-	16,637	16,637	6,815
Room and equipment rental	-	-	37,530	37,530	17,220
SE2 expansion	-	-	258,342	258,342	295,165
Student fees	-	-	3,242,523	3,242,523	3,588,402
Student medical fees	-	2,125,680	-	2,125,680	2,070,421
Vending	-	-	53,552	53,552	58,350
	1,743,049	2,138,516	5,657,205	9,538,770	10,555,360
Net Revenues	\$ 1,743,049	\$ 2,138,516	\$ 6,382,419	\$ 10,263,984	\$ 10,603,227

See notes to financial statements.

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

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2022	2021
	(note 26)	(note 26)	(note 26)		
Expenses					
Advertising and promotion	\$ -	\$ 776	\$ 19,394	\$ 20,170	\$ 13,964
Amortization of capital assets	-	944	789,877	790,821	819,386
Amortization of deferred costs	-	-	13,376	13,376	13,376
Amortization of prepaid rent	-	-	202,904	202,904	202,904
Bank charges and interest	8,338	-	56,020	64,358	45,815
Bursaries	15,000	-	42,700	57,700	138,388
Equipment rental	165	613	120,121	120,899	105,261
Honoraria (note 21)	-	-	85,689	85,689	88,748
Insurance	-	-	72,497	72,497	67,840
Interest on long-term debt	-	-	143,880	143,880	158,740
Janitorial	-	-	58,555	58,555	14,892
Medical insurance premiums	-	1,748,646	-	1,748,646	1,682,498
Office and miscellaneous	3,375	3,318	58,425	65,118	36,282
Printing - external and internal	-	87	14,839	14,926	7,271
Professional development	-	829	34,825	35,654	11,726
Professional fees	52,673	2,568	244,834	300,075	299,419
Provisions and supplies	-	108	37,006	37,114	14,923
Rent	-	-	181,504	181,504	179,467
Repairs and maintenance	-	91	45,060	45,151	3,102
Societies and student services	-	44,668	152,186	196,854	167,977
Telephone and utilities	-	-	21,274	21,274	18,352
Wages and benefits	-	120,418	4,794,669	4,915,087	3,831,649
	79,551	1,923,066	7,189,635	9,192,252	7,921,980
Excess (Deficiency) of Revenues Over Expenses Before Other Items	1,663,498	215,450	(807,216)	1,071,732	2,681,247
Other Items					
Change in fair value of investment and foreign exchange	(321,694)	-	-	(321,694)	412,319
Share in deficiency of revenues over expenses of Joint Venture (note 6)	-	-	(80,336)	(80,336)	(179,775)
Write-off of capital assets (note 8)	-	(725)	(8,826)	(9,551)	-
Excess (Deficiency) of Revenues Over Expenses	\$ 1,341,804	\$ 214,725	\$ (896,378)	\$ 660,151	\$ 2,913,791

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	2022	2021
Balance, Beginning of Year	\$ 5,299,118	\$ 1,020,550	\$ 2,097,133	\$ 8,416,801	\$ 5,503,010
Excess (Deficiency) of Revenues over Expenses	1,341,804	214,725	(896,378)	660,151	2,913,791
Balance, End of Year	\$ 6,640,922	\$ 1,235,275	\$ 1,200,755	\$ 9,076,952	\$ 8,416,801

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Cash Flows
Year Ended May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2022	2021
Operating Activities					
Excess (deficiency) of revenues over expenses	\$ 1,341,804	\$ 214,725	\$ (896,378)	\$ 660,151	\$ 2,913,791
Items not involving cash					
Amortization of capital assets	-	944	789,877	790,821	819,386
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	(35,207)	-	-	(35,207)	87,478
Share in deficiency of revenues over expenses of Joint Venture	-	-	80,336	80,336	179,775
Change in fair value of investments	356,901	-	-	356,901	(499,797)
Write-off of capital assets	-	725	8,826	9,551	-
	1,663,498	216,394	198,941	2,078,833	3,716,913
Net changes in working capital accounts					
Accounts receivable	9,172	(7,036)	205,697	207,833	82,782
GST receivable	(419)	357	4,478	4,416	(890)
Inventory	-	-	(36,304)	(36,304)	69,177
Prepaid expenses	-	-	(20,063)	(20,063)	6,728
Interfund loans receivable (payable)	(84,096)	(131,221)	215,317	-	-
Accounts payable and accruals	-	-	73,268	73,268	(347,064)
Due from Joint Venture	-	-	126,456	126,456	47,183
Wages payable	-	4,600	148,374	152,974	16,464
Deferred revenue	-	(10,787)	(51,632)	(62,419)	(279)
	(75,343)	(144,087)	665,591	446,161	(125,899)
Cash Provided by Operating Activities	1,588,155	72,307	864,532	2,524,994	3,591,014
Investing Activities					
Capital assets acquired	-	(1,221)	(152,400)	(153,621)	(116,605)
Investment purchases	(1,600,088)	-	-	(1,600,088)	(1,741,806)
Investment in Joint Venture	-	-	(80,336)	(80,336)	(179,775)
Cash Used in Investing Activities	(1,600,088)	(1,221)	(232,736)	(1,834,045)	(2,038,186)
Total Cash Provided by (Used in) Operating and Investing Activities	\$ (11,933)	\$ 71,086	\$ 631,796	\$ 690,949	\$ 1,552,828

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	2022	2021
Total Cash Provided by (Used in) Operating and Investing Activities – carry forward	\$ (11,933)	\$ 71,086	\$ 631,796	\$ 690,949	\$ 1,552,828
Financing Activities					
Proceeds from (repayment of) line of credit	-	-	-	-	(226,610)
Repayment of long-term debt	-	-	(453,771)	(453,771)	(317,111)
Cash Used in Financing Activities	-	-	(453,771)	(453,771)	(543,721)
Increase (Decrease) in Cash and Cash Equivalents	(11,933)	71,086	178,025	237,178	1,009,107
Cash and Cash Equivalents, Beginning of Year	83,266	1,576,691	1,205,450	2,865,407	1,856,300
Cash and Cash Equivalents, End of Year	\$ 71,333	\$ 1,647,777	\$ 1,383,475	\$ 3,102,585	\$ 2,865,407

See notes to financial statements.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2022

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 contributions relating to the Child Care Centre facility operations, 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.

Student medical fees are recognized as revenue within the Medical Insurance Fund in the year in which the related medical premiums are incurred.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Revenue recognition (Continued)

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

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

Investment income is recognized as revenue in the period it was earned.

Coca-Cola sponsorship revenue is recognized annually in accordance to the terms of the contract, when received or receivable. Other sponsorship revenues are recognized when received or receivable if the amount receivable can be reasonably estimated and collection is reasonably assured.

All other revenues are recognized when services have been rendered, the amounts to be received or receivable can be reasonably estimated, and collection is reasonably assured.

(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
Computer software	- 100%	declining-balance
Leasehold improvements	- 10%	straight-line

Assets under development are not amortized until such time that they are available for use.

(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.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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. Estimates include collectability of amounts receivable and loan from Joint Venture, 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 highly liquid investments with initial terms to maturity of 90 days or less.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, amounts receivable, and loan from Joint Venture. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. Financial assets measured at fair value include investments.

(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.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2022

3. FINANCIAL INSTRUMENTS (Continued)

(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, or factors affecting all similar financial instruments traded in the market. The Association is exposed to other price risk through its investments.

4. CASH AND CASH EQUIVALENTS

	2022	2021
Internally restricted cash	\$ 1,719,110	\$ 1,659,957
Cash and cash equivalents	1,383,475	1,205,450
	\$ 3,102,585	\$ 2,865,407

Included in cash and cash equivalents is a guaranteed investment certificate in the amount of \$57,500 (2021 - \$57,500) held with a major Canadian financial institution. The investment bears interest at prime minus 1.50% (2021 - prime minus 0.25%) and matures April 11, 2023 (2021 - April 5, 2022).

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

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2022

5. INVESTMENTS

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

	2022	2021
Short-term investments		
Fixed income (cost: 2022 - \$201,095; 2021 - \$nil)	\$ 200,922	\$ -
Long-term investments		
Equities (cost: 2022 - \$3,182,483; 2021 - \$2,346,465)	3,548,787	2,821,834
Fixed income (cost: 2022 - \$2,844,243; 2021 - \$2,266,988)	2,622,955	2,272,436
	6,171,742	5,094,270
	\$ 6,372,664	\$ 5,094,270

Fixed income investments represent corporate and government-backed securities bearing fixed interest yields ranging from 1.95% to 3.75% (2021 - 1.95% to 3.75%) and have maturity dates between August 2022 to June 2027 (2021 - March 2022 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%
	100%

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

	2022	2021
Opening balance	\$ -	\$ -
Additional investment during the year (note 7)	80,336	179,775
Share in the deficiency of revenue over expenses of the Joint Venture for the year	(80,336)	(179,775)
Ending balance	\$ -	\$ -

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

	2022	2021
Assets	\$ 582,686	\$ 680,701
Liabilities	\$ 1,058,967	\$ 1,076,645
Net Deficiency	\$ (80,336)	\$ (179,775)
Cash flows from operating activities	\$ 101,094	\$ 81,843
Cash flows from investing activities	\$ (15,676)	\$ -
Cash flows from financing activities	\$ (85,218)	\$ (81,843)

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2022

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. There are no specified repayment terms.

During the year ended May 31, 2022, the Association's share in the deficiency of the Joint Venture exceeded the investment balance by \$80,336. This amount has been treated as an additional contribution to the Joint Venture.

8. CAPITAL ASSETS

	2022		2021	
	Cost	Accumulated Amortization	Net	Net
Computer hardware and software	\$ 388,052	\$ 187,567	\$ 200,485	\$ 191,320
Furniture and equipment	2,094,057	1,597,279	496,778	505,969
Leasehold improvements	6,412,572	4,001,943	2,410,629	3,051,887
Vehicle	62,445	49,688	12,757	18,224
	\$ 8,957,126	\$ 5,836,477	\$ 3,120,649	\$ 3,767,400

During the year ended May 31, 2022, the Association wrote-off capital assets with a net book value of \$9,551 (2021 - \$nil).

Included in computer hardware and software are assets under development of \$110,113 (2021 - \$94,014).

9. DEFERRED COSTS

	2022	2021
Capital contribution	\$ 289,500	\$ 289,500
Professional fees	111,787	111,787
	401,287	401,287
Accumulated amortization	(360,416)	(347,040)
	40,871	54,247
Current portion	(13,376)	(13,376)
	\$ 27,495	\$ 40,871

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2022

10. PREPAID RENT

	2022	2021
Cost	\$ 2,637,750	\$ 2,637,750
Accumulated amortization	(1,927,587)	(1,724,683)
	710,163	913,067
Current portion	(202,904)	(202,904)
	\$ 507,259	\$ 710,163

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 with Vancouver City Savings Credit Union. These funds were 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, repayable in monthly blended instalments of \$11,975 with a maturity date of May 2024, which matches the bank loan (note 15).

12. GOVERNMENT REMITTANCES

Included in accounts payable are government remittances payable of \$32,292 (2021 - \$43,554).

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 (2021 - \$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 (2021 - \$nil).
- (b) Electronic funds transfer credit facility ("EFT") to a maximum of \$220,000 (2021 - \$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 (2021 - \$nil).

BCIT STUDENT ASSOCIATION**Notes to Financial Statements****Year Ended May 31, 2022****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.

	2022			2021	
	Balance, beginning of year	Received during the year	Recognized during the year	Balance, end of year	Balance, end of year
Deferred grant and sponsorship revenue	\$ 392,520	\$ 11,898	\$ 63,530	\$ 340,888	\$ 392,520
Deferred medical insurance premiums	441,727	430,940	411,727	430,940	411,727
	\$ 834,247	\$ 442,838	\$ 505,257	\$ 771,828	\$ 834,247

15. LONG-TERM DEBT

	2022	2021
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 3.70% (2021 - 3.90%) per annum, repayable in monthly blended instalments of \$21,603 (2021 - \$20,530), with a maturity date of March 2027 (2021 - May 2022)	\$ 2,121,698	\$ 2,286,340
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	895,563	1,044,595
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 ²	409,271	464,150
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	1,355,731	1,440,949
	4,782,263	5,236,034
Less: Current portion	480,874	2,575,633
	\$ 4,301,389	\$ 2,660,401

¹Subsequent to year-end, in October 2022, the loan was renewed for an additional 60 months, extending the maturity date to October 2027. The renewed loan bears interest at a fixed rate of 5.81% per annum, repayable in blended monthly instalments of \$16,254 on account of principal and interest.

²Subsequent to year-end, in October 2022, the loan was renewed for an additional 60 months, extending the maturity date to October 2027. The renewed loan bears interest at a fixed rate of 5.63% per annum, repayable in blended monthly instalments of \$7,471 on account of principal and interest.

BCIT STUDENT ASSOCIATION**Notes to Financial Statements****Year Ended May 31, 2022****15. LONG-TERM DEBT (Continued)**

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

2023	\$	480,874
2024		2,554,047
2025		197,899
2026		205,347
2027 and thereafter		1,344,096
	\$	4,782,263

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, 2022, the Association was in compliance with its covenants.

16. ACTIVITIES – STUDENT CLUBS

	2022	2021
Cost recovery	\$ 5,295	\$ -
Fundraising and donation	2,811	93
Grants	4,238	3,875
Interest	898	64
Miscellaneous	18,930	1,152
Sponsorships	109,050	76,269
Student membership club fees	16,615	5,006
Ticket sales	3,051	740
	\$ 160,888	\$ 87,199

17. CHILDCARE REVENUES

	2022	2021
Childcare fees	\$ 656,426	\$ 465,029
Childcare grant	410,983	467,628
Cost recovery	50,987	-
Fundraising and gifts	-	30,012
	\$ 1,118,396	\$ 962,669

18. MISCELLANEOUS REVENUES

	2022	2021
Advertising and media	\$ 14,411	\$ 1,200
Cost recovery	6,487	714
Other	7,124	4,240
	\$ 28,022	\$ 6,154

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2022

19. PUBLICATIONS REVENUES

	2022	2021
Advertising and media	\$ 1,381	\$ -
Grants	15,256	-
Handbook and newspaper advertising, net of broker commissions	-	6,815
	\$ 16,637	\$ 6,815

20. 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 two lease agreements for equipment expiring December 20, 2023 and July 29, 2026.

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

2023	\$ 208,572
2024	205,888
2025	201,392
2026	203,326
2027 and thereafter	844,989
	\$ 1,664,167

21. REMUNERATION OF DIRECTORS, EMPLOYEES AND CONTRACTORS

During the year, the Association paid seven employees in excess of \$75,000 for total remuneration of \$672,260 (2021 - seven employees totaling \$785,848). There were no contractors paid more than \$75,000 each. The Association remunerated its Board of Directors a total of \$85,689 (2021 - \$88,748).

22. 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 vests immediately to the employees.

During the year, the Association's pension expense was \$139,780 (2021 - \$125,852). This amount is included in wages and benefits on the statement of operations.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2022

23. 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 \$18,693 (2021 - \$66,150) was included as other revenue in the statement of operations, of which \$nil (2021 - \$6,962) was included in accounts receivable.

The Association was eligible for the Canada Emergency Wage Subsidy ("CEWS") up to October 23, 2021, and the Canada Recovery Hiring Program ("CRHP") thereafter under the government's COVID-19 relief program. The amount of \$576,684 (2021 - \$1,644,979) was included as other revenue in the statement of operations, of which \$31,652 (2021 - \$127,239) was included in accounts receivable.

24. 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.

25. GUARANTEE

The Association has a letter of credit to a maximum of \$5,000 (2021 - \$10,000). The letter of credit does not bear interest. A letter of credit of \$5,000 has been issued to the Association's liquor supplier.

26. 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.

27. 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.