

BCIT STUDENT ASSOCIATION

Financial Statements
May 31, 2023

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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, 2023;
- ♦ 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, 2023, 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.

Chartered Professional Accountants

Vancouver, British Columbia
November 27, 2023

BCIT STUDENT ASSOCIATION
Statement of Financial Position
May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2023	2022
Assets (notes 13 and 15)					
Current					
Cash and cash equivalents (note 4)	\$ 307,714	\$ 1,728,770	\$ 1,238,026	\$ 3,274,510	\$ 3,102,585
Amounts receivable	65,611	38,088	147,407	251,106	407,388
Amount due from Joint Venture (notes 6 and 7)	-	-	149,542	149,542	215,584
GST receivable	4,516	198	-	4,714	3,862
Inventory	-	-	273,416	273,416	194,893
Prepaid expenses	18,838	-	79,108	97,946	70,646
Short-term investments (note 5)	49,410	-	-	49,410	200,922
Current portion of loan due from Joint Venture (note 11)	-	-	1,266,892	1,266,892	88,840
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)	190,663	272,148	(462,811)	-	-
	636,752	2,039,204	2,907,860	5,583,816	4,501,000
Investments (note 5)	8,060,162	-	-	8,060,162	6,171,742
Loan Due from Joint Venture (note 11)	-	-	-	-	1,266,892
Capital Assets (note 8)	-	2,102	2,392,250	2,394,352	3,120,649
Deferred Costs (note 9)	-	-	14,119	14,119	27,495
Prepaid Rent (note 10)	-	-	304,355	304,355	507,259
	8,060,162	2,102	2,710,724	10,772,988	11,094,037
	\$ 8,696,914	\$ 2,041,306	\$ 5,618,584	\$ 16,356,804	\$ 15,595,037

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Financial Position - Continued
May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2023	2022
Liabilities					
Current					
Accounts payable and accruals (note 12)	\$ 2,308	\$ 1,354	\$ 385,991	\$ 389,653	\$ 247,125
Wages payable	-	5,132	655,078	660,210	716,869
GST Payable	-	-	937	937	-
Deferred revenue (note 14)	-	537,975	276,298	814,273	771,828
Current portion of long-term debt (note 15)	-	-	1,679,012	1,679,012	480,874
	2,308	544,461	2,997,316	3,544,085	2,216,696
Long-Term Debt (note 15)	-	-	2,615,738	2,615,738	4,301,389
	2,308	544,461	5,613,054	6,159,823	6,518,085
Net Assets					
Internally Restricted	8,694,606	1,496,845	-	10,191,451	7,876,197
Unrestricted	-	-	5,530	5,530	1,200,755
	8,694,606	1,496,845	5,530	10,196,981	9,076,952
	\$ 8,696,914	\$ 2,041,306	\$ 5,618,584	\$ 16,356,804	\$ 15,595,037

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	2023	2022
Retail Revenues					
Campus print and copy	\$ -	\$ -	\$ 63,616	\$ 63,616	\$ 41,522
Pub	-	-	478,869	478,869	418,074
Retail stores	-	-	1,117,655	1,117,655	902,882
	-	-	1,660,140	1,660,140	1,362,478
Cost of Sales					
Campus print and copy			14,118	14,118	2,916
Pub	-	-	156,208	156,208	134,607
Retail stores	-	44	598,608	598,652	499,741
	-	44	768,934	768,978	637,264
Gross Profit (Loss)					
Campus print and copy	-	-	49,498	49,498	38,606
Pub	-	-	322,661	322,661	283,467
Retail stores	-	(44)	519,047	519,003	403,141
	-	(44)	891,206	891,162	725,214
Other Revenues					
Activities - student clubs (note 16)	-	-	252,923	252,923	160,888
Canada Emergency Rent Subsidy Grant (note 23)	-	-	-	-	18,693
Canada Emergency Wage Subsidy Grant and Canada Recovery Hiring Program (note 23)	-	-	-	-	576,684
Capital levy fees - student spaces	116,085	-	-	116,085	117,428
Capital levy fees - student centre building	1,673,135	-	-	1,673,135	1,507,137
Childcare (note 17)	-	-	1,121,556	1,121,556	1,118,396
Coca-Cola and other sponsorship	-	-	112,000	112,000	109,500
Grants	-	41,541	83,283	124,824	34,082
Interest and dividends	144,408	59,992	58,259	262,659	133,676
Miscellaneous (note 18)	2,500	713	42,731	45,944	28,022
Publications (note 19)	-	-	8,586	8,586	16,637
Room and equipment rental	-	-	42,185	42,185	37,530
SE2 expansion	-	-	255,387	255,387	258,342
Student fees	-	-	3,337,603	3,337,603	3,242,523
Student medical fees	-	2,346,078	-	2,346,078	2,125,680
Vending	-	-	84,300	84,300	53,552
	1,936,128	2,448,324	5,398,813	9,783,265	9,538,770
Net Revenues	\$ 1,936,128	\$ 2,448,280	\$ 6,290,019	\$ 10,674,427	\$ 10,263,984

See notes to financial statements.

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

	Medical Insurance				
	Capital Levy Fund	Fund	Operating Fund	2023	2022
	(note 25)	(note 25)	(note 25)		
Expenses					
Advertising and promotion	\$ -	\$ 1,843	\$ 33,435	\$ 35,278	\$ 20,170
Amortization of capital assets	-	1,165	836,268	837,433	790,821
Amortization of deferred costs	-	-	13,376	13,376	13,376
Amortization of prepaid rent	-	-	202,904	202,904	202,904
Bank charges and interest	10,051	223	63,215	73,489	64,358
Bursaries	-	-	77,183	77,183	57,700
Equipment rental	198	620	185,071	185,889	120,899
Honoraria (note 21)	-	-	89,818	89,818	85,689
Insurance	-	-	75,613	75,613	72,497
Interest on long-term debt	-	-	136,818	136,818	143,880
Janitorial	-	70	65,291	65,361	58,555
Medical insurance premiums	-	1,967,596	-	1,967,596	1,748,646
Office and miscellaneous	2,223	1,808	60,399	64,430	65,118
Printing - external and internal	-	-	3,234	3,234	14,926
Professional development	-	190	9,443	9,633	35,654
Professional fees	36,475	3,852	247,276	287,603	300,075
Provisions and supplies	2,198	2,577	64,665	69,440	37,114
Rent	-	-	187,856	187,856	181,504
Repairs and maintenance	475	298	45,519	46,292	45,151
Societies and student services	38,077	81,435	318,203	437,715	196,854
Telephone and utilities	-	-	26,984	26,984	21,274
Wages and benefits (note 22)	-	124,647	4,690,745	4,815,392	4,915,087
	89,697	2,186,324	7,433,316	9,709,337	9,192,252
Excess (Deficiency) of Revenues Over Expenses Before Other Items	1,846,431	261,956	(1,143,297)	965,090	1,071,732
Other Items					
Change in fair value of investments	138,979	-	-	138,979	(356,901)
Foreign exchange gain on investments	68,274	-	-	68,274	35,207
Share in deficiency of revenues over expenses of Joint Venture (note 6)	-	-	(49,858)	(49,858)	(80,336)
Write-off of capital assets (note 8)	-	(386)	(2,070)	(2,456)	(9,551)
Excess (Deficiency) of Revenues Over Expenses	\$ 2,053,684	\$ 261,570	\$ (1,195,225)	\$ 1,120,029	\$ 660,151

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	2023	2022
Balance, Beginning of Year	\$ 6,640,922	\$ 1,235,275	\$ 1,200,755	\$ 9,076,952	\$ 8,416,801
Excess (Deficiency) of Revenues over Expenses	2,053,684	261,570	(1,195,225)	1,120,029	660,151
Balance, End of Year	\$ 8,694,606	\$ 1,496,845	\$ 5,530	\$ 10,196,981	\$ 9,076,952

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Cash Flows
Year Ended May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2023	2022
Operating Activities					
Excess (deficiency) of revenues over expenses	\$ 2,053,684	\$ 261,570	\$ (1,195,225)	\$ 1,120,029	\$ 660,151
Items not involving cash					
Amortization of capital assets	-	1,165	836,268	837,433	790,821
Amortization of deferred costs	-	-	13,376	13,376	13,376
Amortization of prepaid rent	-	-	202,904	202,904	202,904
Foreign exchange gain (loss) on investments	(68,274)	-	-	(68,274)	(35,207)
Change in fair value of investments	(138,979)	-	-	(138,979)	356,901
Share in deficiency of revenues over expenses of Joint Venture	-	-	49,858	49,858	80,336
Write-off of capital assets	-	386	2,070	2,456	9,551
	1,846,431	263,121	(90,749)	2,018,803	2,078,833
Net changes in working capital accounts					
Amounts receivable	(3,245)	(8,300)	167,827	156,282	207,833
GST receivable / payable	(2,462)	(185)	2,732	85	4,416
Inventory	-	-	(78,523)	(78,523)	(36,304)
Prepaid expenses	(18,838)	-	(8,462)	(27,300)	(20,063)
Interfund loans receivable (payable)	(57,266)	(274,309)	331,575	-	-
Accounts payable and accruals	2,308	1,354	138,866	142,528	73,268
Due from Joint Venture	-	-	154,882	154,882	126,456
Wages payable	(892)	(7,723)	(48,044)	(56,659)	152,974
Deferred revenue	-	107,035	(64,590)	42,445	(62,419)
	(80,395)	(182,128)	596,263	333,740	446,161
Cash Provided by Operating Activities	2,180,542	80,993	505,514	2,767,049	2,524,994
Investing Activities					
Capital assets acquired	-	-	(113,592)	(113,592)	(153,621)
Investment purchases, net	(1,529,655)	-	-	(1,529,655)	(1,600,088)
Investment in Joint Venture	-	-	(49,858)	(49,858)	(80,336)
Cash Used in Investing Activities	(1,529,655)	-	(163,450)	(1,693,105)	(1,834,045)
Total Cash Provided by Operating and Investing Activities	\$ 236,381	\$ 80,993	\$ 342,064	\$ 659,438	\$ 690,949

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	2023	2022
Total Cash Provided by Operating and Investing Activities – carry forward	\$ 236,381	\$ 80,993	\$ 342,064	\$ 659,438	\$ 690,949
Financing Activity					
Repayment of long-term debt	-	-	(487,513)	(487,513)	(453,771)
Increase (Decrease) in Cash and Cash Equivalents	236,381	80,993	(145,449)	171,925	237,178
Cash and Cash Equivalents, Beginning of Year	71,333	1,647,777	1,383,475	3,102,585	2,865,407
Cash and Cash Equivalents, End of Year	\$ 307,714	\$ 1,728,770	\$ 1,238,026	\$ 3,274,510	\$ 3,102,585

See notes to financial statements.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2023

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. The Food Service Collaboration Agreement expired during the year ended May 31, 2023. The Joint Venture has continued operating under the terms of the expired agreement.

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 is an internally restricted fund that reports the assets, liabilities, revenues and expenses related to capital levy amounts for student spaces charged to the members.

(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, contributions and grants relating to the Child Care Centre facility operations, are recognized as revenue in the appropriate fund when received. 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, club fee revenue and grants, 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, 2023

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:

Computer hardware	- 30%	declining-balance
Computer software	- 100%	declining-balance
Furniture and equipment	- 20%	declining-balance
Vehicle	- 30%	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, 2023

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, completeness of accrued liabilities and fair market value of investments. 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, 2023

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, amount due from Joint Venture, and loan due from Joint Venture. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, wages payable, and long-term debt. 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 is included as other revenue in the corresponding period.

(n) Foreign currency transactions

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- i) Monetary assets and liabilities, at the rate of exchange in effect at the statement of financial position date;
- ii) Non-monetary assets and liabilities, at the rate of exchange prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- iii) Revenues and expenses, at the rate of exchange prevailing at the time of the transaction.

Gains and losses arising from the translation of foreign currency are recognized in operations.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Pension plan

The Association and its employees participate in a defined contribution pension plan. Under the terms of the plan, employees with more than 12 months of permanent employment may participate. Employee contributions are based on a percentage of employees' wages, and the Association contributes a matching contribution to the plan. The Association does not record an asset or liability associated with its participation in the pension plan. All contributions to the pension plan are expensed when due.

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. 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.

Interest rate risk consists of two components:

- i. To the extent that payments made or received on the Association's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Association is exposed to interest rate cash flow risk.
- ii. To the extent that the market rates differ from the interest rates on the Association's monetary assets and liabilities, the Association is exposed to interest rate price risk.

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.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2023

3. FINANCIAL INSTRUMENTS (Continued)

(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. The risk in regards to investments has been mitigated through close monitoring by professional investment advisors.

(e) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As at May 31, 2023, the Association has the following US dollar amounts recorded at their Canadian dollar equivalents:

	2023	2022
Cash	\$ 1,843	\$ 37,416
Investments	1,764,117	1,026,298

4. CASH AND CASH EQUIVALENTS

	2023	2022
Internally restricted cash	\$ 2,036,484	\$ 1,719,110
Cash and cash equivalents	1,238,026	1,383,475
	\$ 3,274,510	\$ 3,102,585

Included in prior year cash and cash equivalents is a guaranteed investment certificate in the amount of \$57,500 held with a major Canadian financial institution. The investment bears interest at prime minus 1.5% and matured on April 11, 2023.

This investment was pledged as security for any advances to the Association from its Canadian financial institution.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2023

5. INVESTMENTS

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

	2023	2022
Short-term investments		
Fixed income (cost: 2023 - \$51,890; 2022 - \$201,095)	\$ 49,410	\$ 200,922
Long-term investments		
Equities (cost: 2023 - \$4,036,673; 2022 - \$3,182,483)	4,575,186	3,548,787
Fixed income (cost: 2023 - \$3,735,243; 2022 - \$2,844,243)	3,484,976	2,622,955
	8,060,162	6,171,742
	\$ 8,109,572	\$ 6,372,664

Fixed income investments represent corporate and government-backed securities bearing fixed interest yields ranging from 2.30% to 3.75% (2022 - 1.95% to 3.75%) and have maturity dates between January 2024 to June 2027 (2022 - August 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:

	2023	2022
Opening balance	\$ -	\$ -
Additional investment during the year (note 7)	49,858	80,336
Share in the deficiency of revenue over expenses of the Joint Venture for the year	(49,858)	(80,336)
Ending balance	\$ -	\$ -

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

	2023	2022
Assets	\$ 493,200	\$ 582,686
Liabilities	\$ 1,019,338	\$ 1,058,967
Deficiency	\$ (526,138)	\$ (476,281)
Cash flows from operating activities	\$ 88,839	\$ 101,094
Cash flows from investing activities	\$ -	\$ (15,676)
Cash flows from financing activities	\$ (88,839)	\$ (85,218)

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2023

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. The amount is non-interest-bearing with no specified terms of repayment.

During the year ended May 31, 2023, the Association's share in the deficiency of the Joint Venture exceeded the investment balance by \$49,858 (2022 – \$80,336). This amount has been treated as an additional contribution to the Joint Venture.

8. CAPITAL ASSETS

		2023		2022	
	Cost	Accumulated Amortization	Net		Net
Computer hardware and software	\$ 395,950	\$ (259,975)	\$ 135,975	\$ 200,485	
Furniture and equipment	2,122,559	(1,699,485)	423,074	496,778	
Vehicle	62,445	(53,515)	8,930	12,757	
Leasehold improvements	6,472,573	(4,646,200)	1,826,373	2,410,629	
	\$ 9,053,527	\$ (6,659,175)	\$ 2,394,352	\$ 3,120,649	

During the year ended May 31, 2023, the Association wrote-off capital assets with a net book value of \$2,456 (2022 - \$9,551).

Included in computer hardware and software are assets under development of \$nil (2022 - \$110,113).

9. DEFERRED COSTS

	2023	2022
Capital contribution	\$ 289,500	\$ 289,500
Professional fees	111,787	111,787
	401,287	401,287
Accumulated amortization	(373,792)	(360,416)
	27,495	40,871
Current portion	(13,376)	(13,376)
	\$ 14,119	\$ 27,495

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2023

10. PREPAID RENT

	2023	2022
Cost	\$ 2,637,750	\$ 2,637,750
Accumulated amortization	(2,130,491)	(1,927,587)
	507,259	710,163
Current portion	(202,904)	(202,904)
	\$ 304,355	\$ 507,259

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 \$36,566 (2022 - \$32,292).

13. BANK FACILITIES

The Association has an operating line of credit to a maximum of \$330,000 (2022 - \$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 (2022 - \$nil).

The Association has a letter of credit to a maximum of \$5,000 (2022 - \$5,000). The letter of credit does not bear interest. A letter of credit of \$5,000 has been issued to the Association's liquor supplier.

The Association also has an electronic funds transfer limit to a maximum of \$220,000 (2022 - \$220,000).

BCIT STUDENT ASSOCIATION**Notes to Financial Statements****Year Ended May 31, 2023****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.

	2023			2022	
	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	\$ 340,888	\$ 27,500	\$ 92,090	\$ 276,298	\$ 340,888
Deferred grant for medical insurance fund	-	33,129	-	33,129	-
Deferred medical insurance premiums	430,940	2,399,695	2,325,789	504,846	430,940
	\$ 771,828	\$ 2,460,324	\$ 2,417,879	\$ 814,273	\$ 771,828

15. LONG-TERM DEBT

	2023	2022
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 3.70% (2022 – 3.70%) per annum, repayable in monthly blended instalments of \$21,603 (2022 – \$21,603), with a maturity date of March 2027 (2022 – March 2027)	\$ 1,937,890	\$ 2,121,698
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 5.81% (2022 – 4.17%) per annum, repayable in monthly blended instalments of \$16,254 (2022 – \$15,815), with a maturity date of October 2027 (2022 – November 2022)	744,491	895,563
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 5.63% (2022 – 4.17%) per annum, repayable in monthly blended instalments of \$7,471 (2022 – \$6,100), with a maturity date of October 2027 (2022 – May 2023)	345,477	409,271
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 4.17% (2022 – 4.17%) per annum, repayable in monthly blended instalments of \$11,975 (2022 – \$11,975), with a maturity date of May 2024 (2022 – May 2024)	1,266,892	1,355,731
	4,294,750	4,782,263
Less: Current portion	1,679,012	480,874
	\$ 2,615,738	\$ 4,301,389

BCIT STUDENT ASSOCIATION**Notes to Financial Statements****Year Ended May 31, 2023****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 are as follows:

2024	\$	1,679,012
2025		438,895
2026		460,580
2027		1,614,429
2028		101,834
	\$	4,294,750

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, 2023, the Association was in compliance with its debt covenants.

16. ACTIVITIES – STUDENT CLUBS

	2023	2022
Cost recovery	\$ -	\$ 5,295
Fundraising and donation	2,332	2,811
Grants	24,060	4,238
Interest	9,494	898
Miscellaneous	25,438	18,930
Sponsorships	172,849	109,050
Student membership club fees	10,429	16,615
Ticket sales	8,321	3,051
	\$ 252,923	\$ 160,888

17. CHILDCARE

	2023	2022
Childcare fees	\$ 505,222	\$ 656,426
Childcare grant	604,325	410,983
Cost recovery	12,009	50,987
	\$ 1,121,556	\$ 1,118,396

BCIT STUDENT ASSOCIATION**Notes to Financial Statements****Year Ended May 31, 2023****18. MISCELLANEOUS**

	2023	2022
Advertising and media	\$ 19,758	\$ 14,411
Cost recovery	3,527	6,487
Other	21,659	7,124
Ticket Sales	1,000	-
	\$ 45,944	\$ 28,022

19. PUBLICATIONS

	2023	2022
Advertising and media	\$ 1,700	\$ 1,381
Grants	6,886	15,256
	\$ 8,586	\$ 16,637

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, unless the Association gives notice to terminate the lease. The potential renewal period and the prepaid rent related to the third floor of the SE2 building are 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 four fiscal years are as follows:

2024	\$ 238,638
2025	253,157
2026	276,097
2027	316,962
	\$ 1,084,854

21. REMUNERATION OF DIRECTORS, EMPLOYEES AND CONTRACTORS

During the year, the Association paid eight employees in excess of \$75,000 for total remuneration of \$772,205 (2022 - seven employees totaling \$672,260). There were no contractors paid more than \$75,000 each. The Association remunerated its Board of Directors a total of \$89,818 (2022 - \$85,689).

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2023

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 \$133,870 (2022 - \$139,780). This amount is included in wages and benefits on the statement of operations.

23. GOVERNMENT ASSISTANCE

In the prior year, the Association was eligible for the Canada Emergency Rent Subsidy ("CERS") under the federal government's COVID-19 relief program. The amount of \$nil (2022 - \$18,693) was included as other revenue in the statement of operations.

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 \$nil (2022 - \$576,684) was included as other revenue in the statement of operations, of which \$nil (2022 - \$31,652) was included in accounts receivable.

24. INTERFUND LOANS

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

25. 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.