

BCIT STUDENT ASSOCIATION

Financial Statements
May 31, 2012

| <u>Index</u> | <u>Page</u> |
|--|--------------------|
| Independent Auditors' Report to the Members | 1 |
| Financial Statements | |
| Statement of Financial Position | 2 – 3 |
| Statement of Operations | 4 – 5 |
| Statement of Changes in Fund Balances | 6 |
| Statement of Cash Flows | 7 |
| Notes to Financial Statements | 8 – 15 |

TO THE MEMBERS OF BCIT STUDENT ASSOCIATION

Report on the Financial Statements

We have audited the accompanying financial statements of BCIT Student Association, which comprise the statement of financial position as at May 31, 2012, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BCIT Student Association as at May 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The financial statements of BCIT Student Association for the year ended May 31, 2011 were audited by another auditor who expressed an unmodified opinion on those statements on November 4, 2011.

Report on Other Legal and Regulatory Requirements

As required by the *Society Act* (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



Chartered Accountants

Vancouver, British Columbia
November 19, 2012

BCIT STUDENT ASSOCIATION
Statement of Financial Position
May 31

| | Capital Asset Fund | Capital Levy Fund | Medical Insurance Fund (note 11) | Operating Fund | Total | |
|---------------------------------------|--------------------------|-------------------------|---|-------------------|--------------|---------------------------------|
| | | | | | 2012 | 2011 (restated) (note 18) |
| Assets | | | | | | |
| Current | | | | | | |
| Cash and cash equivalents (note 3) | \$ 0 | \$ 0 | \$ 753,237 | \$ 529,249 | \$ 1,282,486 | \$ 1,659,082 |
| Short-term investments | 0 | 0 | 0 | 370,903 | 370,903 | 429,522 |
| Accounts receivable | 0 | 7,278 | 20,234 | 53,817 | 81,329 | 240,474 |
| Government agencies receivable | 0 | 1,131 | 0 | 26,458 | 27,589 | 0 |
| Inventory | 0 | 0 | 0 | 183,066 | 183,066 | 190,024 |
| Prepaid expenses | 0 | 0 | 0 | 56,704 | 56,704 | 41,193 |
| | 0 | 8,409 | 773,471 | 1,220,197 | 2,002,077 | 2,560,295 |
| Capital Assets (note 7) | 614,770 | 0 | 0 | 0 | 614,770 | 713,299 |
| Other | | | | | | |
| Investments (note 6) | 0 | 0 | 0 | 490,955 | 490,955 | 476,014 |
| Deposit (note 5) | 0 | 1,122,275 | 0 | 0 | 1,122,275 | 0 |
| Deferred charges (note 8) | 0 | 0 | 0 | 174,633 | 174,633 | 189,508 |
| | \$ 614,770 | \$ 1,130,684 | \$ 773,471 | \$ 1,885,785 | \$ 4,404,710 | \$ 3,939,116 |

BCIT STUDENT ASSOCIATION
Statement of Financial Position
May 31

| | Capital Asset Fund | Capital Levy Fund | Medical Insurance Fund (note 11) | Operating Fund | Total | |
|--|--------------------------|-------------------------|---|-------------------|--------------|---------------------------------|
| | | | | | 2012 | 2011 (restated) (note 18) |
| Liabilities | | | | | | |
| Current | | | | | | |
| Accounts payable and accruals | \$ 0 | \$ 0 | \$ 0 | \$ 383,590 | \$ 383,590 | \$ 196,708 |
| Wages payable | 0 | 0 | 3,734 | 261,137 | 264,871 | 247,650 |
| Government agencies payable | 0 | 0 | 0 | 0 | 0 | 28,522 |
| Student one-card deposits | 0 | 0 | 0 | 19,260 | 19,260 | 10,887 |
| Deferred revenue (note 10) | 0 | 0 | 348,356 | 142,898 | 491,254 | 325,291 |
| Interfund loans | 0 | 792,947 | 837 | (793,784) | 0 | 0 |
| | 0 | 792,947 | 352,927 | 13,101 | 1,158,975 | 809,058 |
| Net Assets | | | | | | |
| Invested in capital assets (note 7) | 614,770 | 0 | 0 | 0 | 614,770 | 713,299 |
| Other restricted net assets | 0 | 337,737 | 420,544 | 0 | 758,281 | 725,404 |
| Unrestricted (restated - note 18) | 0 | 0 | 0 | 1,872,684 | 1,872,684 | 1,691,355 |
| | 614,770 | 337,737 | 420,544 | 1,872,684 | 3,245,735 | 3,130,058 |
| | \$ 614,770 | \$ 1,130,684 | \$ 773,471 | \$ 1,885,785 | \$ 4,404,710 | \$ 3,939,116 |

Commitments (note 19)
Subsequent event (note 21)

Approved by the Directors:

..... Director

..... Director

BCIT STUDENT ASSOCIATION
Statement of Operations
Year Ended May 31

| | Capital Asset Fund | Capital Levy Fund | Medical Insurance Fund (note 11) | Operating Fund | Total | |
|---|--------------------------|-------------------------|---|-------------------|------------|---------------------------------|
| | | | | | 2012 | 2011 (restated) (note 18) |
| Revenues | | | | | | |
| Activities – student clubs (note 16) | \$ 0 | \$ 0 | \$ 0 | \$ 131,303 | \$ 131,303 | \$ 101,163 |
| ATM commissions | 0 | 0 | 0 | 17,417 | 17,417 | 20,254 |
| Capital levy fees – student spaces | 0 | 92,471 | 0 | 0 | 92,471 | 84,697 |
| Grants | 0 | 8,000 | 0 | 27,131 | 35,131 | 26,893 |
| Image centre, net (note 15) | 0 | 0 | 0 | 61,150 | 61,150 | 51,539 |
| Interest and dividends | 0 | 0 | 7,249 | 51,600 | 58,849 | 58,744 |
| Miscellaneous (note 14) | 0 | 0 | 0 | 62,339 | 62,339 | 39,818 |
| Pepsi and other sponsorship | 0 | 0 | 0 | 192,730 | 192,730 | 180,300 |
| Publications (note 17) | 0 | 0 | 0 | 35,890 | 35,890 | 37,930 |
| Pub, net (note 12) | 0 | 0 | 0 | 546,752 | 546,752 | 569,114 |
| Retail store, net (note 13) | 0 | 0 | 0 | 750,059 | 750,059 | 758,242 |
| SE 2 expansion | 0 | 203,435 | 0 | 0 | 203,435 | 0 |
| Student fees | 0 | 0 | 0 | 1,249,695 | 1,249,695 | 1,196,131 |
| Student medical fees | 0 | 0 | 1,411,022 | 0 | 1,411,022 | 1,311,779 |
| Vending | 0 | 0 | 0 | 23,695 | 23,695 | 14,390 |
| | 0 | 303,906 | 1,418,271 | 3,149,761 | 4,871,938 | 4,450,994 |
| Expenses | | | | | | |
| Advertising and promotion | 0 | 0 | 1,092 | 38,979 | 40,071 | 31,698 |
| Amortization of deferred charges | 0 | 0 | 0 | 13,376 | 13,376 | 13,376 |
| Bank charges and interest | 0 | 0 | 7 | 58,608 | 58,615 | 44,005 |
| Bursaries | 0 | 0 | 0 | 31,549 | 31,549 | 27,751 |
| Depreciation | 139,140 | 0 | 0 | 0 | 139,140 | 144,520 |
| Equipment rental | 0 | 0 | 0 | 28,303 | 28,303 | 28,019 |
| Carried forward | \$ 139,140 | \$ 0 | \$ 1,099 | \$ 170,815 | \$ 311,054 | \$ 289,369 |

BCIT STUDENT ASSOCIATION
Statement of Operations
Year Ended May 31

| | Capital Asset Fund | Capital Levy Fund | Medical Insurance Fund (note 11) | Operating Fund | Total | |
|---|--------------------------|-------------------------|---|-------------------|------------|---------------------------------|
| | | | | | 2012 | 2011 (restated) (note 18) |
| Expenses (continued) | | | | | | |
| Brought forward | \$ 139,140 | \$ 0 | \$ 1,099 | \$ 170,815 | \$ 311,054 | \$ 289,369 |
| Handbook | 0 | 0 | 0 | 28,818 | 28,818 | 32,375 |
| Honoraria | 0 | 0 | 0 | 64,969 | 64,969 | 58,366 |
| Insurance | 0 | 0 | 0 | 43,727 | 43,727 | 43,841 |
| Janitorial | 0 | 0 | 0 | 40,325 | 40,325 | 38,581 |
| Medical insurance premiums | 0 | 0 | 1,420,524 | 0 | 1,420,524 | 1,227,038 |
| Office and miscellaneous | 0 | 0 | 824 | 60,387 | 61,211 | 57,237 |
| Professional development | 0 | 0 | 1,098 | 25,196 | 26,294 | 31,936 |
| Professional fees | 0 | 0 | 1,200 | 145,633 | 146,833 | 209,012 |
| Rent | 0 | 0 | 901 | 165,245 | 166,146 | 163,714 |
| Repairs and maintenance | 0 | 0 | 0 | 27,743 | 27,743 | 30,552 |
| Societies and student services | 0 | 189,219 | 7,050 | 210,371 | 406,640 | 183,287 |
| Sub-contract printing | 0 | 0 | 0 | 28,699 | 28,699 | 32,307 |
| Telephone and utilities | 0 | 0 | 671 | 22,496 | 23,167 | 24,208 |
| Wages and benefits (note 20) | 0 | 0 | 49,646 | 1,864,590 | 1,914,236 | 1,772,535 |
| | 139,140 | 189,219 | 1,483,013 | 2,899,014 | 4,710,386 | 4,194,358 |
| Excess (Deficiency) of Revenues over Expenses Before Other Items | (139,140) | 114,687 | (64,742) | 250,747 | 161,552 | 256,636 |
| Other Items | | | | | | |
| Realized gain (loss) on sale of investments | 0 | 0 | 0 | 6,508 | 6,508 | (89) |
| Unrealized gain (loss) on sale of investments | 0 | 0 | 0 | (48,999) | (48,999) | 80,846 |
| Write-off of capital assets | (3,384) | 0 | 0 | 0 | (3,384) | (4,099) |
| | (3,384) | 0 | 0 | (42,491) | (45,875) | 76,658 |
| Excess (Deficiency) of Revenues over Expenses | \$(142,524) | \$ 114,687 | \$ (64,742) | \$ 208,256 | \$ 115,677 | \$ 333,294 |

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

| | Capital Asset Fund | Capital Levy Fund | Medical Insurance Fund (note 11) | Operating Fund | Total | |
|---|--------------------------|-------------------------|---|-------------------|--------------|---------------------------------|
| | | | | | 2012 | 2011 (restated) (note 18) |
| Balance, Beginning of Year | \$ 713,299 | \$ 84,697 | \$ 640,707 | \$ 1,691,355 | \$ 3,130,058 | \$ 2,796,764 |
| Excess (Deficiency) of Revenues over Expenses | (142,524) | 114,687 | (64,742) | 208,256 | 115,677 | 333,294 |
| Capital Assets Acquired | 43,995 | 0 | 0 | (43,995) | 0 | 0 |
| Interfund Transfers | 0 | 138,353 | (155,421) | 17,068 | 0 | 0 |
| Balance, End of Year | \$ 614,770 | \$ 337,737 | \$ 420,544 | \$ 1,872,684 | \$ 3,245,735 | \$ 3,130,058 |

BCIT STUDENT ASSOCIATION
Statement of Cash Flows
Year Ended May 31

| | Capital Asset Fund | Capital Levy Fund | Medical Insurance Fund (note 11) | Operating Fund | Total | |
|---|--------------------------|-------------------------|---|-------------------|--------------|---------------------------------|
| | | | | | 2012 | 2011 (restated) (note 18) |
| Operating Activities | | | | | | |
| Excess (deficiency) of revenues over expenses | \$ (142,524) | \$ 114,687 | \$ (64,742) | \$ 208,256 | \$ 115,677 | \$ 333,294 |
| Non-cash items | | | | | | |
| Depreciation | 139,140 | 0 | 0 | 0 | 139,140 | 144,520 |
| Amortization of deferred charges | 0 | 0 | 0 | 13,376 | 13,376 | 13,376 |
| Bad debts | 0 | 0 | 0 | 355 | 355 | 0 |
| Unrealized loss (gain) on disposal of temporary investments | 0 | 0 | 0 | 48,999 | 48,999 | (80,846) |
| Accrued interest | 0 | 0 | | (14,941) | (14,941) | (33,957) |
| Write-off of capital assets | 3,384 | 0 | 0 | 0 | 3,384 | 4,099 |
| | 0 | 114,687 | (64,742) | 256,045 | 305,990 | 380,486 |
| Net changes in working capital accounts | | | | | | |
| Short-term investments | 0 | 0 | 0 | 9,620 | 9,620 | 89 |
| Accounts receivable | 0 | (7,278) | 5,446 | 160,977 | 159,145 | (78,606) |
| Inventory | 0 | 0 | 0 | 6,603 | 6,603 | (16,756) |
| Prepaid expenses | 0 | 0 | 0 | (15,511) | (15,511) | 13,893 |
| Accounts payable and accruals | 0 | 0 | 0 | 186,881 | 186,881 | (100,866) |
| Wages payable | 0 | 0 | 2,094 | 15,127 | 17,221 | 44,012 |
| Government agencies payable | 0 | (1,131) | 0 | (54,980) | (56,111) | 10,193 |
| Student one-card deposits | 0 | 0 | 0 | 8,373 | 8,373 | 4,129 |
| Deferred revenue | 0 | 0 | 348,356 | (180,893) | 167,463 | (55,877) |
| Deposit | 0 | (1,122,275) | 0 | 0 | (1,122,275) | 0 |
| Interfund transfers | 0 | 138,353 | (155,421) | 17,068 | 0 | 0 |
| Interfund loans | 0 | 877,644 | (77,550) | (800,094) | 0 | 0 |
| | 0 | 0 | 58,183 | (390,784) | (332,601) | 200,697 |
| Investing Activities | | | | | | |
| Decrease in investments | 0 | 0 | 0 | 0 | 0 | 438,318 |
| Capital assets acquired | 0 | 0 | 0 | (43,995) | (43,995) | (161,746) |
| Proceeds on disposition of capital assets | 0 | 0 | 0 | 0 | 0 | 801 |
| | 0 | 0 | 0 | (43,995) | (43,995) | 277,373 |
| Increase (Decrease) in Cash and Cash Equivalents | 0 | 0 | 58,183 | (434,779) | (376,596) | 478,070 |
| Cash and Cash Equivalents, Beginning of Year | 0 | 0 | 695,054 | 964,028 | 1,659,082 | 1,181,012 |
| Cash and Cash Equivalents, End of Year | \$ 0 | \$ 0 | \$ 753,237 | \$ 529,249 | \$ 1,282,486 | \$ 1,659,082 |

BCIT STUDENT ASSOCIATION
Notes to Financial Statements
Year Ended May 31, 2012

1. NATURE OF ORGANIZATION

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. The Association's mission is to be an advocate for students and provide services that are student-centered, responsive and pro-active in supporting and enhancing the quality of student life.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Association were prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and include the following significant accounting policies:

(a) Fund accounting

The Association follows the deferral method of accounting for contributions.

The Operating Fund accounts for the Association's program delivery and administrative activities and is unrestricted.

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

The Medical Insurance Fund reports the assets, liabilities, revenues and expenses related to the students' medical insurance program. This fund is internally restricted.

The Capital Levy Fund reports revenues and expenses related to specific Capital Levy amounts charged to the members. This fund is internally restricted.

(b) Revenue recognition

Revenue is recognized when services have been provided or a sale of product has been completed and collection is reasonably assured.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Amounts relating to a subsequent period are deferred until earned.

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

(c) Cash and cash equivalents

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

(d) Short-term investments

Short-term investments are comprised of highly liquid equity investments held in publically traded companies.

BCIT STUDENT ASSOCIATION
Notes to Financial Statements
Year Ended May 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis.

(f) Investments

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

(g) Capital assets and depreciation

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Depreciation 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 |
| Leasehold improvements | - | 10% straight-line |
| Office equipment | - | 20% declining-balance |
| Vehicle | - | 30% declining-balance |

In the year of acquisition, depreciation is recorded at one-half the annual rate.

(h) Deferred charges

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

(i) Contributed services

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

(j) Income taxes

Income taxes are not reflected in these financial statements as the Association is a not-for-profit organization and is a registered charity. It is exempt from income taxes under section 149(1)(l) of the *Income Tax Act* (Canada).

BCIT STUDENT ASSOCIATION
Notes to Financial Statements
Year Ended May 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments

All financial instruments are classified as one of the following: held-for-trading, held-to-maturity, loans and receivables, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in operations. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in changes in net assets until the investment is no longer recognized or impaired, at which time the amounts would be recorded in operations. Any financial instruments may be designated as held-for-trading upon initial recognition.

The Association has designated its cash and cash equivalents, and investments as held-for-trading; accounts receivable, as loans and receivables; and accounts payable and accruals, as other financial liabilities.

The Association continues to follow the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3861 *Financial Instruments – Disclosure and Presentation*, as permitted for not-for-profit organizations.

(l) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include rates of depreciation, accrued liabilities and the collectability of accounts receivable. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known. While management believes these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(m) Future accounting change

The CICA issued new accounting standards for not-for-profit entities. For fiscal years beginning on or after January 1, 2012, not-for-profit entities will be required to report under these new standards. This will affect the Association's annual financial statements for the May 31, 2013 fiscal year, and may require the restatement of the Association's May 31, 2012 figures for comparative purposes. The Association is assessing the impact of these standards on its financial statements.

3. CASH AND CASH EQUIVALENTS

| | 2012 | 2011 |
|-------------------|--------------|--------------|
| Unrestricted cash | \$ 518,733 | \$ 318,779 |
| Restricted cash | 753,237 | 695,054 |
| Bonds | 0 | 510,216 |
| Money market fund | 10,516 | 135,033 |
| | \$ 1,282,486 | \$ 1,659,082 |

BCIT STUDENT ASSOCIATION
Notes to Financial Statements
Year Ended May 31, 2012

4. FINANCIAL INSTRUMENTS

(a) Fair value

The carrying values of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities and wages payable approximate their fair values due to the short term to maturity of these financial instruments. The carrying value of long-term investments approximates its fair value since the amounts held earn interest at market rates.

(b) Credit risk

The Association is not exposed to significant credit risk as accounts receivables are not concentrated, and its cash, short-term investments and investments are held with major Canadian financial institutions.

(c) Interest rate risk

The Association is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

5. DEPOSIT

During the year, the Association amended an existing lease to expand office space located on the BCIT campus. As the Association had not taken possession of the space as of year-end, the payments made during the year towards this commitment have been treated as a deposit within the Capital Levy Fund. Total consideration to satisfy the terms of the amended lease is \$2,500,000. The remaining balance was paid subsequent to year-end (note 21).

Additionally, \$67,175 was paid towards the establishment of a child care facility. The facility will begin operations during the 2013 year-end.

6. INVESTMENTS

| | 2012 | 2011 |
|-------|------------|------------|
| Bonds | \$ 490,955 | \$ 476,014 |

7. CAPITAL ASSETS

| | 2012 | | | 2011 | |
|------------------------|--------------|--------------------------|------------|------------|--|
| | Cost | Accumulated Depreciation | Net | Net | |
| Computer hardware | \$ 187,434 | \$ 122,948 | \$ 64,486 | \$ 68,486 | |
| Computer software | 12,008 | 11,126 | 882 | 5,122 | |
| Furniture and fixtures | 1,412,313 | 1,180,253 | 232,060 | 267,599 | |
| Leasehold improvements | 512,585 | 209,204 | 303,381 | 354,639 | |
| Office equipment | 397,576 | 383,615 | 13,961 | 17,453 | |
| Vehicle | 20,708 | 20,708 | 0 | 0 | |
| | \$ 2,542,624 | \$ 1,927,854 | \$ 614,770 | \$ 713,299 | |

BCIT STUDENT ASSOCIATION
Notes to Financial Statements
Year Ended May 31, 2012

8. DEFERRED CHARGES

| | 2012 | | | 2011 |
|------------------------------|-------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net | Net |
| Capital funding contribution | \$ 289,500 | \$ 163,576 | \$ 125,924 | \$ 135,574 |
| Professional fees | 111,787 | 63,078 | 48,709 | 53,934 |
| | \$ 401,287 | \$ 226,654 | \$ 174,633 | \$ 189,508 |

9. BANK INDEBTEDNESS

The Association has available a line of credit to a maximum of \$330,000 (2011 - \$330,000) of which \$30,000 (2011 - \$30,000) is reserved for letters of guarantee. The letters of guarantee are contingent liabilities in the amounts of \$20,000 (2011 - \$20,000) and \$10,000 (2011 - \$10,000) issued by Vancouver City Savings Credit Union in favour of Brewers Distributors Ltd. and the BC Liquor Distribution Branch, respectively. The facilities are 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 facility was \$nil (2011 - \$nil)

10. DEFERRED REVENUE

The deferred revenue represents deferred sponsorship, grant revenue and medical insurance premiums received in the current year for use in subsequent years.

11. MEDICAL INSURANCE FUND

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. The Association reflected the Student Medical Insurance Fund as a liability in prior years. During the year ended May 31, 2011, the Association changed its policy to reflect this as a separate fund, reflecting excess (deficiency) of revenues over expenses.

12. PUB REVENUE

| | 2012 | 2011 |
|---------------|-------------------|-------------------|
| Pub sales | \$ 860,034 | \$ 877,426 |
| Cost of sales | (313,282) | (308,312) |
| | \$ 546,752 | \$ 569,114 |

13. RETAIL STORE REVENUE

| | 2012 | 2011 |
|--------------------|-------------------|-------------------|
| Retail store sales | \$ 1,851,563 | \$ 1,800,678 |
| Cost of sales | (1,101,504) | (1,042,436) |
| | \$ 750,059 | \$ 758,242 |

BCIT STUDENT ASSOCIATION
Notes to Financial Statements
Year Ended May 31, 2012

14. MISCELLANEOUS

| | 2012 | 2011 |
|---------------------------|------------------|------------------|
| Advertising and media | \$ 13,426 | \$ 6,715 |
| Cost recovery | 3,068 | 922 |
| Fundraising | 2,362 | 3,044 |
| Miscellaneous | 19,670 | 28,113 |
| Room and equipment rental | 22,580 | 0 |
| Ticket sales | 1,233 | 1,024 |
| | \$ 62,339 | \$ 39,818 |

15. IMAGE CENTRE REVENUE

| | 2012 | 2011 |
|--------------------|------------------|------------------|
| Image centre sales | \$ 75,046 | \$ 67,253 |
| Cost of sales | (13,896) | (15,714) |
| | \$ 61,150 | \$ 51,539 |

16. ACTIVITIES – STUDENT CLUBS

| | 2012 | 2011 |
|------------------------------|-------------------|-------------------|
| Cost recovery | \$ 7,268 | \$ 14,560 |
| Fundraising | 16,275 | 8,887 |
| Grants | 23,816 | 0 |
| Miscellaneous | 1,227 | 79 |
| Sponsorship | 51,222 | 45,854 |
| Student membership club fees | 22,689 | 21,426 |
| Ticket sales | 8,806 | 10,357 |
| | \$ 131,303 | \$ 101,163 |

17. PUBLICATIONS

| | 2012 | 2011 |
|------------------------------------|------------------|------------------|
| Advertising and media | \$ 11,113 | \$ 9,020 |
| Handbook and newspaper advertising | 24,777 | 28,641 |
| Miscellaneous | 0 | 269 |
| | \$ 35,890 | \$ 37,930 |

BCIT STUDENT ASSOCIATION
Notes to Financial Statements
Year Ended May 31, 2012

18. PRIOR PERIOD ADJUSTMENT

During the year, it came to the attention of the Association that certain investments disclosed as cash and cash equivalents in the prior year should have been disclosed as short-term investments as these investments were comprised of equity instruments excluded from the definition of a cash equivalent under Section 1540 of the CICA Handbook. Furthermore, these short-term investments were disclosed at their cost amount rather than their fair market value as required by Section 3855 of the CICA Handbook.

The correction of the error resulted in a decrease in cash and cash equivalents of \$271,212, an increase in short-term investments of \$348,765 and an increase in unrestricted net assets of \$77,553 in 2010 and a decrease in cash and cash equivalents of \$271,123, an increase in short-term investments of \$429,522, an increase in unrealized gain on investments of \$80,945 and an increase in unrestricted net assets of \$158,399 in 2011.

The effects on net assets are as follows:

| | | May 31, 2011 | | June 1, 2010 |
|---|----|-------------------------|----|-------------------------|
| Unrestricted net assets, as previously stated | \$ | 1,532,956 | \$ | 1,418,718 |
| Increase to short-term investments, as outlined above | | 158,399 | | 77,553 |
| Unrestricted net assets, as restated | \$ | 1,691,355 | \$ | 1,496,271 |

19. 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 Association has entered into lease agreements with Nexcap Finance Corporation for equipment.

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

| | Premises | Equipment | Total |
|------------|-----------------|------------------|--------------|
| 2013 | \$ 163,360 | \$ 22,065 | \$ 185,425 |
| 2014 | 163,360 | 22,065 | 185,425 |
| 2015 | 163,360 | 17,495 | 180,855 |
| 2016 | 163,360 | 0 | 163,360 |
| 2017 | 163,360 | 0 | 163,360 |
| Thereafter | 1,347,720 | 0 | 1,347,720 |
| | \$ 2,164,520 | \$ 61,625 | \$ 2,226,145 |

BCIT STUDENT ASSOCIATION
Notes to Financial Statements
Year Ended May 31, 2012

20. PENSION PLAN

Employees of 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. Subject to the employee not completing two years of employment, the amount paid to date by the Association for that employee is refunded to the Association.

During the year, the Association's pension expense was \$53,091 (2011 - \$48,194).

21. SUBSEQUENT EVENT

During the year ending May 31, 2012, the Association amended a lease agreement previously dated May 31, 2007 with BCIT to include the third floor of the SE2 building. Subsequent to year-end a total of \$1,500,000 has been paid to BCIT in accordance with the terms of the amended lease and the Association has occupied the additional leased space.

22. COMPARATIVE FIGURES

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

The comparative figures were reported on by another firm of auditors.