

BCIT STUDENT ASSOCIATION

**Financial Statements
May 31, 2015**

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INDEPENDENT AUDITORS' REPORT

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, 2015, 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 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.

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, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the *Society 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 16, 2015

BCIT STUDENT ASSOCIATION
Statement of Financial Position
May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2015	2014
Assets (note 9)					
Current					
Cash and cash equivalents (note 3)	\$ 0	\$ 919,637	\$ 614,482	\$ 1,534,119	\$ 1,407,908
Accounts receivable	6,258	18,521	186,200	210,979	99,437
GST receivable	89	186	15,611	15,886	9,102
Inventory	0	0	161,670	161,670	149,202
Prepaid expenses	5,280	0	66,424	71,704	62,697
Current portion of deferred charges (note 7)	0	0	13,376	13,376	13,376
Current portion of prepaid rent (note 8)	0	0	202,904	202,904	202,904
Interfund loans	166,989	(4,155)	(162,834)	0	0
	178,616	934,189	1,097,833	2,210,638	1,944,626
Capital Assets (note 6)	0	1,990	1,666,827	1,668,817	1,845,717
Assets Under Construction	0	0	417,337	417,337	39,730
Deferred Charges (note 7)	0	0	121,128	121,128	134,504
Prepaid Rent (note 8)	0	0	1,927,586	1,927,586	2,130,490
	0	1,990	4,132,878	4,134,868	4,150,441
	\$ 178,616	\$ 936,179	\$ 5,230,711	\$ 6,345,506	\$ 6,095,067

BCIT STUDENT ASSOCIATION
Statement of Financial Position
May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2015	2014
Liabilities					
Current					
Accounts payable and accruals (note 5)	\$ 0	\$ 0	\$ 400,737	\$ 400,737	\$ 252,460
Wages payable	0	3,570	285,843	289,413	260,773
Student one-card deposits	0	0	20,012	20,012	26,660
Deferred revenue (note 11)	0	332,940	136,386	469,326	469,150
Current portion of long-term debt (note 10)	0	0	105,587	105,587	100,448
	0	336,510	948,565	1,285,075	1,109,491
Long-Term Debt (note 10)	0	0	1,625,726	1,625,726	1,731,329
	0	336,510	2,574,291	2,910,801	2,840,820
Net Assets					
Internally Restricted	178,616	599,669	0	778,285	708,347
Unrestricted Net Assets	0	0	2,656,420	2,656,420	2,545,900
	178,616	599,669	2,656,420	3,434,705	3,254,247
	\$ 178,616	\$ 936,179	\$ 5,230,711	\$ 6,345,506	\$ 6,095,067

Commitments (note 16)

Approved by the Directors:

_____ Director

_____ Director

BCIT STUDENT ASSOCIATION
Statement of Operations
Year Ended May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2015	2014
Retail Revenues					
Campus print and copy	\$ 0	\$ 0	\$ 75,120	\$ 75,120	\$ 76,224
Pub	0	0	846,117	846,117	852,933
Retail stores	0	0	1,997,105	1,997,105	1,876,194
	0	0	2,918,342	2,918,342	2,805,351
Cost of Sales					
Campus print and copy	0	0	11,650	11,650	14,150
Pub	0	0	320,077	320,077	315,376
Retail stores	0	0	1,117,469	1,117,469	1,047,610
	0	0	1,449,196	1,449,196	1,377,136
Gross Profit					
Campus print and copy	0	0	63,470	63,470	62,074
Pub	0	0	526,040	526,040	537,557
Retail stores	0	0	879,636	879,636	828,584
	0	0	1,469,146	1,469,146	1,428,215
Other Revenue					
Activities - student clubs (note 14)	0	0	149,623	149,623	142,051
Capital levy fees - student spaces	131,150	0	0	131,150	100,201
Childcare (note 12)	0	0	278,283	278,283	237,652
Grants	0	0	21,869	21,869	33,314
Interest and dividends	0	9,015	10,259	19,274	20,568
Miscellaneous (note 13)	0	672	73,340	74,012	76,729
Pepsi and other sponsorship	0	0	198,214	198,214	190,397
Publications (note 15)	0	0	23,962	23,962	30,440
Room and equipment rental	0	0	29,615	29,615	30,745
SE2 expansion	0	0	288,530	288,530	220,442
Student fees	0	0	2,170,553	2,170,553	1,341,277
Student medical fees	0	1,549,709	0	1,549,709	1,565,828
Vending	0	0	34,767	34,767	31,870
	131,150	1,559,396	3,279,015	4,969,561	4,021,514
Net Revenues	\$ 131,150	\$ 1,559,396	\$ 4,748,161	\$ 6,438,707	\$ 5,449,729

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Operations
Year Ended May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2015	2014
Expenses					
Advertising and promotion	\$ 0	\$ 546	\$ 39,741	\$ 40,287	\$ 40,146
Amortization of deferred charges	0	0	13,376	13,376	13,376
Amortization of prepaid rent	0	0	202,904	202,904	202,904
Bank charges and interest	0	660	80,343	81,003	77,242
Bursaries	0	0	27,599	27,599	48,233
Depreciation	0	631	293,302	293,933	243,081
Equipment rental	0	0	42,317	42,317	29,281
Handbook	0	0	24,850	24,850	27,455
Honoraria	0	0	79,076	79,076	78,310
Insurance	0	0	77,286	77,286	88,429
Interest on long-term debt	0	0	89,352	89,352	102,179
Janitorial	0	0	46,413	46,413	43,928
Medical insurance premiums	0	1,385,185	0	1,385,185	1,384,001
Office and miscellaneous	144	1,217	66,567	67,928	70,661
Professional development	0	4,365	30,653	35,018	31,779
Professional fees	0	3,881	228,478	232,359	170,083
Rent	0	0	172,709	172,709	171,984
Repairs and maintenance	1,282	0	51,891	53,173	37,490
Societies and student services	61,295	43,233	217,525	322,053	295,037
Sub-contracted printing	0	0	50,534	50,534	35,654
Telephone and utilities	0	1,833	22,372	24,205	22,022
Wages and benefits (note 17)	0	116,214	2,765,019	2,881,233	2,271,878
	62,721	1,557,765	4,622,307	6,242,793	5,485,153
Excess (Deficiency) of Revenues Over Expenses Before Other Items					
	68,429	1,631	125,854	195,914	(35,424)
Other Items					
Gain on sale of vehicle	0	0	1,200	1,200	0
Write-off of capital assets	0	(122)	(16,534)	(16,656)	(6,781)
	0	(122)	(15,334)	(15,456)	(6,781)
Excess (Deficiency) of Revenues Over Expenses					
	\$ 68,429	\$ 1,509	\$ 110,520	\$ 180,458	\$ (42,205)

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

	Medical Insurance				
	Capital Levy Fund	Fund	Operating Fund	2015	2014
Balance, Beginning of Year	\$ 110,187	\$ 598,160	\$ 2,545,900	\$ 3,254,247	\$ 3,296,452
Excess (Deficiency) of Revenues over Expenses	68,429	1,509	110,520	180,458	(42,205)
Balance, End of Year	\$ 178,616	\$ 599,669	\$ 2,656,420	\$ 3,434,705	\$ 3,254,247

BCIT STUDENT ASSOCIATION
Statement of Cash Flows
Year Ended May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2015	2014
Operating Activities					
Excess (deficiency) of revenues over expenses	\$ 68,429	\$ 1,509	\$ 110,520	\$ 180,458	\$ (42,205)
Items not involving cash					
Depreciation	0	631	293,302	293,933	243,081
Amortization of deferred charges	0	0	13,376	13,376	13,376
Accrued interest	0	0	0	0	311
Write-off of capital assets	0	122	16,534	16,656	6,781
Amortization of prepaid rent	0	0	202,904	202,904	202,904
	68,429	2,262	636,636	707,327	424,248
Net changes in working capital accounts					
Accounts receivable	(2,821)	(1,259)	(107,462)	(111,542)	7,216
Inventory	0	0	(12,468)	(12,468)	20,915
Prepaid expenses	(5,280)	0	(3,727)	(9,007)	(3,563)
Accounts payable and accruals	0	0	148,277	148,277	(44,066)
Wages payable	0	(2,459)	31,099	28,640	20,097
GST receivable/payable	1,197	457	(8,438)	(6,784)	(9,842)
Student one-card deposits	0	0	(6,648)	(6,648)	(300)
Deferred revenue	0	4,240	(4,064)	176	(10,417)
Interfund loans	(61,525)	537	60,988	0	0
	(68,429)	1,516	97,557	30,644	(19,960)
Cash Provided by Operating Activities	0	3,778	734,193	737,971	404,288
Investing Activities					
Capital assets acquired	0	0	(133,689)	(133,689)	(575,866)
Assets under construction	0	0	(377,607)	(377,607)	39,730
Cash Used in Investing Activities	0	0	(511,296)	(511,296)	(536,136)
Financing Activity					
Repayment of long-term debt	0	0	(100,464)	(100,464)	(103,417)
Increase (Decrease) in Cash and Cash Equivalents	0	3,778	122,433	126,211	(235,265)
Cash and Cash Equivalents, Beginning of Year	0	915,859	492,049	1,407,908	1,643,173
Cash and Cash Equivalents, End of Year	\$ 0	\$ 919,637	\$ 614,482	\$ 1,534,119	\$ 1,407,908

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2015

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 exempt from taxes under section 149(1)(l) of the *Income Tax Act* (Canada). The Association's mission is to be an advocate for students and provide services that are student-centred, responsive and proactive in supporting and enhancing the quality of student life.

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 and administrative 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) Inventory

Inventory that is held at the Association's 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.

(c) Capital assets and depreciation

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. Depreciation is provided using the following annual rates and methods:

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

Additions during the year are depreciated at one-half the annual rates.

(d) Assets under construction

Assets under construction are recorded at cost. Depreciation is not taken on assets under construction until the asset is in use.

BCIT STUDENT ASSOCIATION
Notes to Financial Statements
Year Ended May 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Prepaid rent

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

(f) Deferred charges

Deferred charges represent professional fees paid in relation to the lease agreement for the Campus Centre lease with British Columbia Institute of Technology ("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.

(g) Revenue recognition

The Association follows the deferral method of accounting for contributions.

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 the related expenditures are incurred.

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.

Revenue is recognized when services have been provided or a sale of product has been completed and collection is reasonably assured. Revenues collected on the sale of the one-card are deferred until the student purchases goods or services using the card.

(h) 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.

BCIT STUDENT ASSOCIATION
Notes to Financial Statements
Year Ended May 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments

The Association initially measures its financial assets and liabilities at fair value. The Association subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess (deficiency) of revenues over expenses. In the event a previously recognized impairment loss should be reversed, the amount of the reversal is recognized in excess (deficiency) of revenues over expenses 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 excess (deficiency) of revenues over expenses on a straight-line basis over the term of the instrument. All other transaction costs are recognized in excess (deficiency) of revenues over expenses in the period incurred.

(j) Use of estimates

The preparation of these financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include rates of depreciation and amortization 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.

3. CASH AND CASH EQUIVALENTS

	2015	2014
Restricted cash	\$ 919,637	\$ 915,859
Unrestricted cash	614,482	492,049
	\$ 1,534,119	\$ 1,407,908

4. 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 are primarily due from various BCIT departments and are expected to be collected in full. Cash and cash equivalents are held with a major Canadian credit union.

BCIT STUDENT ASSOCIATION
Notes to Financial Statements
Year Ended May 31, 2015

4. FINANCIAL INSTRUMENTS (Continued)

(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 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 and 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 line of credit. The available line of credit provides flexibility in the short term to meet operational needs and bridge long-term financing.

5. GOVERNMENT REMITTANCES

Included in accounts payable are government remittances payable of \$29,706 (2014 - \$28,883).

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	2015	2014
Furniture and equipment	\$ 1,730,821	\$ 1,379,044	\$ 351,777	\$ 389,083
Computer hardware	138,159	72,670	65,489	74,792
Vehicle	34,044	7,398	26,646	3,145
Office equipment	397,576	390,427	7,149	8,936
Computer software	7,132	7,132	0	1,395
Leasehold improvements	1,828,971	611,215	1,217,756	1,368,366
	\$ 4,136,703	\$ 2,467,886	\$ 1,668,817	\$ 1,845,717

7. DEFERRED CHARGES

	2015	2014
Capital funding contribution	\$ 289,500	\$ 289,500
Professional fees	111,787	111,787
	401,287	401,287
Accumulated amortization	(266,783)	(253,407)
	134,504	147,880
Current portion	(13,376)	(13,376)
	\$ 121,128	\$ 134,504

BCIT STUDENT ASSOCIATION
Notes to Financial Statements
Year Ended May 31, 2015

8. PREPAID RENT

	2015	2014
Cost	\$ 2,637,750	\$ 2,637,750
Accumulated amortization	(507,260)	(304,356)
	2,130,490	2,333,394
Current portion	(202,904)	(202,904)
	\$ 1,927,586	\$ 2,130,490

The Association entered into a Lease Amending Agreement dated March 15, 2012 with BCIT relating to 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 during 2012 as a prepayment of rent. 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.

9. LINE OF CREDIT

The Association has an available line of credit to a maximum of \$330,000 (2014 - \$330,000) of which \$5,000 (2014 - \$5,000) is reserved for a letter of guarantee. 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 (2014 - \$nil).

10. LONG-TERM DEBT

	2015	2014
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 5% per annum, repayable in monthly installments of \$15,815 plus interest, maturing October 2019. The loan is secured by a \$2,000,000 promissory note	\$ 1,731,313	\$ 1,831,777
Less: Current portion	105,587	100,448
	\$ 1,625,726	\$ 1,731,329

Long-term debt principal repayments to be made during the next five years and thereafter are as follows:

2016	\$ 105,587
2017	110,989
2018	116,667
2019	122,636
2020	1,275,434
	\$ 1,731,313

BCIT STUDENT ASSOCIATION
Notes to Financial Statements
Year Ended May 31, 2015

10. LONG-TERM DEBT (Continued)

The loan is subject to the following debt covenant provisions:

- (a) debt service ratio cannot be less than 1.10 to 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, 2015, the Association was in compliance with its covenants.

11. DEFERRED REVENUE

Deferred revenue represents sponsorships, grant revenue and medical insurance premiums received in the current year for use in subsequent years. During the year ended May 31, 2015, the Association received \$477,744 (2014 - \$491,355) in deferred revenue and recognized \$477,568 (2014 - \$501,772) in the statement of operations.

12. CHILDCARE REVENUE

	2015		2014
Childcare fees	\$ 243,065	\$	206,605
Childcare grant	35,218		31,047
	\$ 278,283	\$	237,652

13. MISCELLANEOUS REVENUE

	2015		2014
Advertising and media	\$ 8,490	\$	15,279
ATM commissions	10,322		12,931
Cost recovery	6,136		209
Fundraising	2,000		2,110
Other	33,537		28,831
Ticket sales	13,527		17,369
	\$ 74,012	\$	76,729

14. ACTIVITIES - STUDENT CLUBS

	2015		2014
Cost recovery	\$ 879	\$	7,376
Fundraising	11,539		14,058
Grants	18,875		26,652
Miscellaneous	8,808		846
Sponsorships	67,451		49,258
Student membership club fees	29,687		26,721
Ticket sales	12,384		17,140
	\$ 149,623	\$	142,051

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2015

15. PUBLICATIONS

	2015	2014
Advertising and media	\$ 6,027	\$ 6,553
Handbook and newspaper advertising	16,173	23,339
Miscellaneous	1,762	548
	<u>\$ 23,962</u>	<u>\$ 30,440</u>

16. 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 for photocopier equipment expiring May 31, 2019.

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

	Premises	Equipment	Total
2016	\$ 172,709	\$ 25,026	\$ 197,735
2017	172,709	7,531	180,240
2018	172,709	7,531	180,240
2019	172,709	7,531	180,240
2020	172,709	0	172,709
Thereafter	863,545	0	863,545
	<u>\$ 1,727,090</u>	<u>\$ 47,619</u>	<u>\$ 1,774,709</u>

17. 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. 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 \$73,628 (2014 - \$62,218). This amount is included in wages and benefits on the statement of operations.

18. ALLOCATION OF EXPENDITURES

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