

BCIT STUDENT ASSOCIATION

**Financial Statements
May 31, 2019**

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BCIT STUDENT ASSOCIATION

Opinion

We have audited the financial statements of BCIT Student Association (the "Association"), which comprise the statements of financial position as at May 31, 2019, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at May 31, 2019, 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:

INDEPENDENT AUDITORS' REPORT - CONTINUED

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the *Societies Act* (British Columbia), we report that, in our opinion, the principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
November 18, 2019

BCIT STUDENT ASSOCIATION
Statement of Financial Position
May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2019	2018
Assets (notes 12 and 13)					
Current					
Cash and cash equivalents (note 4)	\$ 530,245	\$ 931,595	\$ 1,020,067	\$ 2,481,907	\$ 3,059,099
Accounts receivable	87,294	25,506	332,681	445,481	292,332
GST receivable	370	413	0	783	904
Inventory	0	0	218,669	218,669	258,473
Prepaid expenses	0	1,081	82,414	83,495	65,372
Current portion of loan due from Joint Venture (note 10)	0	0	77,183	77,183	0
Current portion of deferred costs (note 8)	0	0	13,376	13,376	13,376
Current portion of prepaid rent (note 9)	0	0	202,904	202,904	202,904
Interfund loans receivable (payable) (note 24)	(41,336)	(5,474)	46,810	0	0
	576,573	953,121	1,994,104	3,523,798	3,892,460
Investments (note 5)	1,387,041	0	0	1,387,041	0
Investment in Joint Venture (note 6)	0	0	106,412	106,412	0
Loan due from Joint Venture (note 10)	0	0	1,522,817	1,522,817	0
Capital Assets (note 7)	0	7,455	5,214,975	5,222,430	5,836,281
Assets Under Construction	0	0	0	0	253,203
Deferred Costs (note 8)	0	0	67,623	67,623	80,999
Prepaid Rent (note 9)	0	0	1,115,970	1,115,970	1,318,874
	1,387,041	7,455	8,027,797	9,422,293	7,489,357
	\$ 1,963,614	\$ 960,576	\$ 10,021,901	\$ 12,946,091	\$ 11,381,817

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Financial Position - Continued
May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2019	2018
Liabilities					
Current					
Accounts payable and accruals (note 11)	\$ 0	\$ 0	\$ 682,992	\$ 682,992	\$ 507,600
Amount due to Joint Venture (note 12)	0	0	46,348	46,348	0
Wages payable	0	4,213	632,143	636,356	577,391
GST payable	0	0	9,816	9,816	4,622
Deferred revenue (note 15)	0	396,522	436,601	833,123	1,125,369
Current portion of long-term debt (note 14)	0	0	412,311	412,311	321,275
	0	400,735	2,220,211	2,620,946	2,536,257
Long-Term Debt (note 14)	0	0	5,502,209	5,502,209	4,322,282
	0	400,735	7,722,420	8,123,155	6,858,539
Net Assets					
Internally Restricted	1,963,614	559,841	0	2,523,455	1,554,258
Unrestricted	0	0	2,299,481	2,299,481	2,969,020
	1,963,614	559,841	2,299,481	4,822,936	4,523,278
	\$ 1,963,614	\$ 960,576	\$ 10,021,901	\$ 12,946,091	\$ 11,381,817

Commitments (note 21)

Approved by the Directors:

 Director

 Director

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Operations
Year Ended May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2019	2018
Retail Revenues					
Campus print and copy	\$ 0	\$ 0	\$ 154,954	\$ 154,954	\$ 126,088
Pub	0	0	909,473	909,473	964,999
Retail stores	0	0	1,749,573	1,749,573	2,467,065
	0	0	2,814,000	2,814,000	3,558,152
Cost of Sales					
Campus print and copy	0	0	26,849	26,849	16,156
Pub	0	0	340,380	340,380	328,956
Retail stores	0	0	1,028,905	1,028,905	1,393,229
	0	0	1,396,134	1,396,134	1,738,341
Gross Profit					
Campus print and copy	0	0	128,105	128,105	109,932
Pub	0	0	569,093	569,093	636,043
Retail stores	0	0	720,668	720,668	1,073,836
	0	0	1,417,866	1,417,866	1,819,811
Other Revenue					
Activities - student clubs (note 18)	0	0	344,309	344,309	264,477
Capital levy fees - student spaces	142,329	0	0	142,329	136,725
Capital levy fees - student centre building	1,114,079	0	0	1,114,079	816,672
Catering revenue, net (note 20)	0	0	4,332	4,332	0
Childcare (note 16)	0	0	905,666	905,666	644,024
Grants	200,000	0	23,131	223,131	33,424
Interest and dividends	66,851	16,401	20,861	104,113	33,781
Miscellaneous (note 17)	0	0	67,774	67,774	90,164
Pepsi and other sponsorship	0	0	132,049	132,049	171,020
Publications (note 19)	0	0	44,979	44,979	33,723
Room and equipment rental	0	0	60,690	60,690	49,688
SE2 expansion	0	0	313,124	313,124	300,795
Student fees	0	0	3,583,767	3,583,767	3,363,285
Student medical fees	0	1,919,567	0	1,919,567	1,753,849
Vending	0	0	141,465	141,465	132,710
	1,523,259	1,935,968	5,642,147	9,101,374	7,824,337
Net Revenues	\$ 1,523,259	\$ 1,935,968	\$ 7,060,013	\$ 10,519,240	\$ 9,644,148

See notes to financial statements.

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

	Capital Levy Fund (note 26)	Medical Insurance Fund (note 26)	Operating Fund (note 26)	2019	2018
Expenses					
Advertising and promotion	\$ 0	\$ 706	\$ 83,038	\$ 83,744	\$ 62,372
Amortization of capital assets	0	2,136	873,795	875,931	842,740
Amortization of deferred costs	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	250	171,279	171,529	136,639
Bursaries	0	0	65,364	65,364	47,829
Equipment rental	0	0	81,829	81,829	69,932
Honoraria	0	0	81,711	81,711	81,899
Insurance	0	0	81,329	81,329	77,254
Interest on long-term debt	0	0	180,902	180,902	174,672
Janitorial	0	0	59,020	59,020	55,566
Medical insurance premiums	0	1,666,252	0	1,666,252	1,586,627
Office and miscellaneous	291	1,993	80,459	82,743	71,828
Printing - external and internal	0	1,885	50,385	52,270	54,248
Professional development	0	2,176	52,584	54,760	38,823
Professional fees	4,057	1,798	214,661	220,516	264,128
Provisions and supplies	0	3,152	116,341	119,493	108,375
Rent	0	0	171,360	171,360	176,587
Repairs and maintenance	0	0	83,859	83,859	57,054
Societies and student services	616,882	48,517	360,018	1,025,417	425,873
Telephone and utilities	0	748	20,649	21,397	21,196
Wages and benefits (note 22)	0	140,640	4,619,567	4,760,207	4,340,631
	621,230	1,870,253	7,664,430	10,155,913	8,910,553
Excess (Deficiency) of Revenues Over Expenses Before Other Items	902,029	65,715	(604,417)	363,327	733,595
Other Items					
Foreign exchange gain	1,453	0	0	1,453	0
Share in deficiency of revenues over expenditures of Joint Venture (note 6)	0	0	(58,640)	(58,640)	0
Write-off of capital assets (note 7)	0	0	(6,482)	(6,482)	(3,598)
Excess (Deficiency) of Revenues Over Expenses	\$ 903,482	\$ 65,715	\$ (669,539)	\$ 299,658	\$ 729,997

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	2019	2018
Balance, Beginning of Year	\$ 1,060,132	\$ 494,126	\$ 2,969,020	\$ 4,523,278	\$ 3,793,281
Excess (Deficiency) of Revenues over Expenses	903,482	65,715	(669,539)	299,658	729,997
Balance, End of Year	\$ 1,963,614	\$ 559,841	\$ 2,299,481	\$ 4,822,936	\$ 4,523,278

See notes to financial statements.

BCIT STUDENT ASSOCIATION
Statement of Cash Flows
Year Ended May 31

	Capital Levy Fund	Medical Insurance Fund	Operating Fund	2019	2018
Operating Activities					
Excess (deficiency) of revenues over expenses	\$ 903,482	\$ 65,715	\$ (669,539)	\$ 299,658	\$ 729,997
Items not involving cash					
Amortization of capital assets	0	2,136	873,795	875,931	842,740
Amortization of deferred charges	0	0	13,376	13,376	13,376
Amortization of prepaid rent	0	0	202,904	202,904	202,904
Foreign exchange gain on investments	(1,453)	0	0	(1,453)	0
Write-off of capital assets	0	0	6,482	6,482	3,598
Contribution of capital assets – Entrepreneurship Centre	0	0	163,169	163,169	0
Unrealized gain on investments	(42,543)	0	0	(42,543)	0
Share in deficiency of revenues over expenses from Joint Venture	0	0	58,640	58,640	0
	859,486	67,851	648,827	1,576,164	1,792,615
Net changes in working capital accounts					
Accounts receivable	(42,356)	(9,280)	(101,513)	(153,149)	(81,401)
GST receivable (payable)	(350)	471	5,194	5,315	(11,025)
Inventory	0	0	5,834	5,834	16,108
Prepaid expenses	0	(1,081)	(17,042)	(18,123)	(4,095)
Interfund loans receivable (payable)	277,680	(8,019)	(269,661)	0	0
Accounts payable and accruals	0	0	197,912	197,912	144,514
Due to Joint Venture	0	0	46,348	46,348	0
Wages payable	0	338	58,627	58,965	96,609
Deferred revenue	0	21,373	(313,619)	(292,246)	363,363
	234,974	3,802	(387,920)	(149,144)	524,073
Cash Provided by Operating Activities	1,094,460	71,653	260,907	1,427,020	2,316,688
Investing Activities					
Capital assets acquired	0	(3,575)	(190,248)	(193,823)	(1,147,659)
Investment purchases	(1,343,045)	0	0	(1,343,045)	(224,925)
Investment in Joint Venture	0	0	(138,307)	(138,307)	0
Cash Used in Investing Activities	(1,343,045)	(3,575)	(328,555)	(1,675,175)	(1,372,584)
Total Cash Provided by (Used in) Operating and Investing Activities	\$ (248,585)	\$ 68,078	\$ (67,648)	\$ (248,155)	\$ 944,104

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	2019	2018
Total Cash Provided by (Used in) Operating and Investing Activities	\$ (248,585)	\$ 68,078	\$ (67,648)	\$ (248,155)	\$ 944,104
Financing Activities					
Proceeds from long-term debt	0	0	1,600,000	1,600,000	596,600
Loan to Joint Venture	0	0	(1,600,000)	(1,600,000)	(267,555)
Repayment of long-term debt	0	0	(329,037)	(329,037)	0
Cash Provided by (Used in) Financing Activities	0	0	(329,037)	(329,037)	329,045
Increase (Decrease) in Cash and Cash Equivalents	(248,585)	68,078	(396,685)	(577,192)	1,273,149
Cash and Cash Equivalents, Beginning of Year	778,830	863,517	1,416,752	3,059,099	1,785,950
Cash and Cash Equivalents, End of Year	\$ 530,245	\$ 931,595	\$ 1,020,067	\$ 2,481,907	\$ 3,059,099

See notes to financial statements.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2019

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. As such, the Association 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.

On January 1, 2018, the Association entered into a Food Service Collaboration Agreement (the "Joint Venture") with British Columbia Institute of Technology ("BCIT") to establish the Pavilion, a cafeteria, and combine the Stand North retail store with the purpose to better coordinate and serve the growing demand for food services on campus. Operations of the joint venture commenced during the 2019 year-end and net profits (losses) are shared on a 50% basis between the Association and BCIT.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Association were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies.

(a) Fund accounting

The Operating Fund accounts for the Association's program delivery, administrative activities and share in the Joint Venture's activities. This fund is unrestricted.

The Medical Insurance Fund reports the assets, liabilities, revenues and expenses related to the students' medical insurance program. The Association collects premiums from students each year. Any premiums not required to be paid out for insurance coverage are maintained by the Association to cover future rate increases. Expenditures from this internally restricted fund must relate to the delivery of the Student Health Plan.

The Capital Levy Fund reports revenues and expenses related to specific capital levy amounts charged to the members. Expenditures from this internally restricted fund must relate to student spaces.

(b) Revenue recognition

The Association follows the restricted fund method of accounting for contributions.

Restricted contributions, including capital levy student spaces fees, capital levy student centre building fees and student medical fees revenue, are recognized as revenue in the appropriate fund. When a restricted contribution is received for which there is not a separate fund established, the contribution is deferred in the Operating Fund and recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions, including student fees, SE 2 expansion fees and club fee revenue, are recognized as revenue in the year received or receivable if the amount receivable can be reasonably estimated and collection is reasonably assured.

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

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

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Revenue recognition (Continued)

Capital contributions relating to the Child Care Centre facility are deferred and recognized as revenue on the same basis as the related amortization expense.

(c) Inventory

Inventory that is held at the Association's copy centre, pub and retail stores consists primarily of goods held for resale, and is valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of operations, less any applicable selling costs.

(d) Capital assets and amortization

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if the amount is readily determinable. Amortization is provided using the following annual rates and methods:

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

(e) Impairment of long-lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(f) Assets under construction

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

(g) 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.

(h) Prepaid rent

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

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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.

(j) 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.

(k) Use of estimates

The preparation of these financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include useful lives of capital assets, net realizable value of inventories and accrued liabilities. While management believes these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(l) Cash and cash equivalents

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

(m) Financial instruments

The Association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments and fixed income investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. In the event a previously recognized impairment loss should be reversed, the amount of the reversal is recognized in operations provided it is not greater than the original amount prior to write-down.

For any financial instrument that is measured at amortized cost, the instrument's cost is adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption. These transaction costs are amortized into operations on a straight-line basis over the term of the instrument. All other transaction costs are recognized in operations in the period incurred.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. Financial assets measured at fair value are investments.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2019

3. FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Association is not exposed to significant credit risk, as accounts receivable and loan receivable are primarily due from various BCIT departments and the Joint Venture and are expected to be collected in full. Cash and cash equivalents are held with a major Canadian credit union.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Association may be exposed to interest rate cash flow risk on its line of credit bearing a variable interest rate, when the line of credit is used. The Association is exposed to interest rate price risk in respect of its long-term debt and cash equivalents with a fixed interest rate.

(c) Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities.

The Association is exposed to this risk mainly in respect of its accounts payable, wages payable and long-term debt. Cash flow from operations provides a substantial portion of the Association's cash requirements. Additional cash requirements are met with the use of the available lines of credit. The available lines of credit provide flexibility in the short term to meet operational needs.

(d) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, of factors affecting all similar financial instruments traded in the market. The Association is exposed to other price risk through its investments.

4. CASH AND CASH EQUIVALENTS

	2019	2018
Internally restricted cash	\$ 1,461,840	\$ 1,642,347
Cash and cash equivalents	1,020,067	1,416,752
	<u>\$ 2,481,907</u>	<u>\$ 3,059,099</u>

Included in cash and cash equivalents is a guaranteed investment certificate in the amount of \$57,500 (2018 - \$57,500) held with a major Canadian financial institution. The investment bears interest at prime minus 2.70% (2018 - 2.60%) and matures April 6, 2020 (2018 - April 2, 2019).

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

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2019

5. INVESTMENTS

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

	2019	2018
Equities (cost: 2019 - \$703,857; 2018 - \$nil)	\$ 737,922	\$ 0
Fixed income (cost: 2019 - \$640,621; 2018 - \$nil)	649,119	0
	\$ 1,387,041	\$ 0

Fixed income investments represent corporate and government-backed securities bearing fixed interest yields ranging from 1.25% to 3.75% and have maturity dates between December 2020 to June 2027.

6. INVESTMENT IN JOINT VENTURE

The excess (deficiency) of revenues over expenses of the Joint Venture is allocated to the joint venturers on the following basis:

BCIT Student Association	50%
British Columbia Institute of Technology	50%
	100%

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

	2019
Opening cost	\$ 0
Opening contribution	26,745
Additional investment during the year	138,307
Share in the deficiency over expenses of the Joint Venture	(58,640)
	\$ 106,412

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

	2019
Assets	\$ 797,867
Liabilities	\$ 856,507
Net Deficiency	\$ (58,640)
Cash flows from operating activities	\$ 8,323
Cash flows from investing activities	\$ (808,323)
Cash flows from financing activities	\$ (800,000)

BCIT STUDENT ASSOCIATION**Notes to Financial Statements**

Year Ended May 31, 2019

7. CAPITAL ASSETS

	2019		2018	
	Cost	Accumulated Amortization	Net	Net
Computer hardware	\$ 286,104	\$ 167,023	\$ 119,081	\$ 142,486
Furniture and equipment	1,948,998	1,218,147	730,851	771,554
Leasehold improvements	6,705,533	2,361,791	4,343,742	4,913,101
Vehicle	60,348	31,592	28,756	9,140
	\$ 9,000,983	\$ 3,778,553	\$ 5,222,430	\$ 5,836,281

During the year ended May 31, 2019, the Association wrote-off capital assets with a net book value of \$6,842 (cost of \$154,617, net of accumulated amortization of \$148,135) (2018 - \$3,598 with cost of \$36,911, net of accumulated amortization of \$33,313).

8. DEFERRED COSTS

	2019	2018
Capital funding contribution	\$ 289,500	\$ 289,500
Professional fees	111,787	111,787
	401,287	401,287
Accumulated amortization	(320,288)	(306,912)
	80,999	94,375
Current portion	(13,376)	(13,376)
	\$ 67,623	\$ 80,999

9. PREPAID RENT

	2019	2018
Cost	\$ 2,637,750	\$ 2,637,750
Accumulated amortization	(1,318,876)	(1,115,972)
	1,318,874	1,521,778
Current portion	(202,904)	(202,904)
	\$ 1,115,970	\$ 1,318,874

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.

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2019

10. LOAN DUE FROM JOINT VENTURE

During the year, the Association entered into a fixed term loan of \$1,600,000. This was subsequently disbursed as a loan to the Joint Venture for the building construction and improvements of the Pavilion and purchase of furniture and equipment.

The loan due from Joint Venture bears interest at 4.17% per annum and has set repayment terms of \$11,975 per annum which matches the bank loan as stated in note 14.

11. GOVERNMENT REMITTANCES

Included in accounts payable are government remittances payable of \$54,256 (2018 - \$41,669).

12. AMOUNT DUE TO JOINT VENTURE

The amount due to Joint Venture refers to cash held by the Association on behalf of the Joint Venture.

13. LINES OF CREDIT

The Association has available the following lines of credit:

- (a) An operating line of credit to a maximum of \$330,000 (2018 - \$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 (2018 - \$nil).
- (b) Electronic funds transfer credit facility ("EFT") to a maximum of \$150,000 (2018 - \$150,000). The EFT credit facility does not bear any terms of interest. As of year-end, the balance of the EFT credit facility was \$nil (2018 - \$nil).

14. LONG-TERM DEBT

	2019	2018
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 3.9% per annum, repayable in monthly blended instalments of \$20,530, maturing May 2022	\$ 2,515,217	\$ 2,660,380
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 4.17% (2017 - 5%) per annum, repayable in monthly blended instalments of \$15,815, with a revised maturity date of November 2022	1,256,948	1,391,245
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 4.17% per annum, repayable in monthly blended instalments of \$6,100, with a maturity date of May 2023	542,355	591,932
Vancouver City Savings Credit Union fixed rate term loan bearing interest at 4.17% per annum, repayable in monthly blended instalments of \$11,975, with a maturity date of May 2024	1,600,000	0
	5,914,520	4,643,557
Less: Current portion	412,311	321,275
	\$ 5,502,209	\$ 4,322,282

BCIT STUDENT ASSOCIATION**Notes to Financial Statements****Year Ended May 31, 2019****14. 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:

2020	\$	412,311
2021		430,117
2022		462,735
2023		1,177,976
2024 and thereafter		3,431,380
	\$	5,914,519

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, 2019, the Association was in compliance with its covenants.

15. DEFERRED REVENUE

Deferred revenue represents sponsorships, grant revenue and medical insurance premiums received in the prior and current years for use in subsequent years. During the year ended May 31, 2019, the Association received \$469,749 (2018 - \$967,699) and recognized \$761,993 (2018 - \$604,336) in the statement of operations.

16. CHILDCARE REVENUE

	2019	2018
Childcare fees	\$ 592,877	\$ 496,410
Childcare grant	305,054	147,614
Cost recovery	6,806	0
Fundraising and gifts	929	0
	\$ 905,666	\$ 644,024

17. MISCELLANEOUS REVENUE

	2019	2018
Advertising and media	\$ 28,227	\$ 23,895
ATM commissions	0	2,321
Cost recovery	12,841	8,546
Other - Operating fund	22,255	45,077
Ticket sales	4,451	10,325
	\$ 67,774	\$ 90,164

BCIT STUDENT ASSOCIATION**Notes to Financial Statements**

Year Ended May 31, 2019

18. ACTIVITIES – STUDENT CLUBS

	2019	2018
Cost recovery	\$ 957	\$ 1,834
Fundraising and donation	26,471	22,609
Grants	35,554	5,600
Interest	113	231
Miscellaneous	1,490	6,914
Sponsorships	188,882	137,199
Student membership club fees	69,098	54,649
Ticket sales	21,744	35,441
	\$ 344,309	\$ 264,477

19. PUBLICATIONS

	2019	2018
Advertising and media	\$ 5,400	\$ 5,100
Grants	4,500	0
Handbook and newspaper advertising, net of broker commissions	34,858	28,023
Miscellaneous	221	600
	\$ 44,979	\$ 33,723

20. CATERING REVENUE, NET

	2019	2018
Revenue	\$ 26,315	\$ 0
Cost of Goods Sold	(21,983)	0
	\$ 4,332	\$ 0

21. 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, 2020 and May 31, 2021.

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

	Premises	Equipment	Total
2020	\$ 181,288	\$ 22,418	\$ 203,706
2021	183,138	22,418	205,556
2022	185,006	0	185,006
2023	186,893	0	186,893
2024 and thereafter	1,406,557	0	1,406,557
	\$ 2,142,882	\$ 44,836	\$ 2,187,718

BCIT STUDENT ASSOCIATION

Notes to Financial Statements

Year Ended May 31, 2019

22. REMUNERATION OF DIRECTORS, EMPLOYEES AND CONTRACTORS

During the year, the Association paid seven employees in excess of \$75,000 for total remuneration of \$704,774 (2018 - seven employees totaling \$689,023) and there were no contractors paid more than \$75,000 each. The Association remunerated its Board of Directors a total of \$81,711 (2018 - \$81,899).

23. PENSION PLAN

Employees at the Association can choose to be members of the defined contribution pension plan. Employees who participate in the pension plan must contribute 6% of their earnings. The Association must match the contribution of 6% of contributory earnings to this plan. The contribution made by the Association vest immediately to the employees.

During the year, the Association's pension expense was \$105,670 (2018 - \$117,637). This amount is included in wages and benefits on the statement of operations.

24. INTERFUND LOANS

Interfund loans are temporary transfers from internally restricted funds to the unrestricted fund. These are non-interest-bearing with no terms of repayment.

25. GUARANTEE

The Association has a letter of credit to a maximum of \$10,000 (2018 - \$10,000). The letter of credit does not bear any terms of interest. A letter of credit of \$10,000 has been issued to the Association's liquor supplier.

26. ALLOCATION OF EXPENDITURES

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