



Consolidated Financial Statements

British Columbia Institute of Technology

March 31, 2019

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BRITISH COLUMBIA
INSTITUTE OF TECHNOLOGY

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Management's Report

Management's responsibility for the consolidated financial statements

The consolidated financial statements have been prepared by management of British Columbia Institute of Technology (the "Institute") in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The Board of Governors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercise this responsibility through the Audit and Finance Committee of the Board.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Institute and meet when required. The accompanying Independent auditor's report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of the Institute:

Ms. Kathy Kinloch
President

Mr. Lorcan O'Melinn
Vice President, Administration and CFO

Independent Auditor's Report

To the Board of Governors of
British Columbia Institute of Technology
To the Minister of Advanced Education of
the Province of British Columbia

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Opinion

We have audited the accompanying consolidated financial statements of British Columbia Institute of Technology (the "Institute"), which comprise the consolidated statement of financial position as at March 31, 2019 and the consolidated statements of operations and accumulated surplus, remeasurement gains, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Institute for the year ended March 31, 2019 are prepared, in all material respects, in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

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 *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Institute in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 Institute'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 Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Institute and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



Vancouver, Canada
May 28, 2019

Chartered Professional Accountants

British Columbia Institute of Technology

Consolidated Statement of Financial Position

(in thousands of dollars)

March 31

2019

2018

Financial assets

Cash and cash equivalents	\$	93,070	\$	75,621
Accounts receivable (Note 3)		5,822		6,744
Inventories for resale		1,425		1,581
Due from government and other government organizations (Note 4)		14,177		8,250
Portfolio investments (Note 5)		9,120		8,813
Debt sinking funds (Note 6)		6,130		5,111
Investments in government business enterprises and partnerships (Note 7)		12,957		9,413
		142,701		115,533

Liabilities

Accounts payable and accrued liabilities (Note 8)		30,169		23,431
Due to government and other government organizations (Note 4)		5,385		5,217
Employee future benefits (Note 9)		26,916		25,819
Deferred tuition fees		38,909		30,447
Deferred revenue - other		6,516		6,376
Deferred contributions (Note 10)		29,646		26,988
Deferred capital contributions (Note 11)		251,428		226,510
Asset retirement obligation (Note 12)		18,778		17,309
Debt (Note 13)		56,570		56,822
Obligations under capital lease (Note 14)		21,087		19,687
		485,404		438,606
Net debt		(342,703)		(323,073)

Non-financial assets

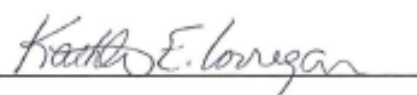

Tangible capital assets (Note 15)		445,096		418,050
Endowment investments (Note 5 and 16)		27,378		24,668
Inventories held for use		309		242
Prepaid expenses		746		839
		473,529		443,799

Accumulated surplus

	\$	130,826	\$	120,726
Accumulated surplus is comprised of:				
Accumulated operating surplus	\$	129,205	\$	118,681
Accumulated remeasurement gains		1,621		2,045
	\$	130,826	\$	120,726

Contingencies (Note 17)

On behalf of the Board

 Governor  Governor

See accompanying notes to the consolidated financial statements.

British Columbia Institute of Technology

Consolidated Statement of Operations and Accumulated Surplus

(in thousands of dollars)

Year ended March 31	Budget	2019	2018
Revenue			
Province of British Columbia grants	\$ 138,481	\$ 139,740	\$ 135,853
Government of Canada grants	-	155	177
Tuition fees	117,334	131,463	122,249
Sales and ancillary revenue	12,378	12,762	13,000
Industry services	10,687	11,842	10,018
Facilities rental, cost recoveries and other income	7,272	6,953	6,064
Investment income	2,050	4,291	3,425
Gifts and donations	1,317	2,060	2,215
Income from government business enterprises and partnerships (Note 7)	-	3,576	3,893
Amortization of deferred contributions (Note 10)	13,625	15,562	14,788
Amortization of deferred capital contributions (Note 11)	12,209	12,713	13,080
	<u>315,353</u>	<u>341,117</u>	<u>324,762</u>
Expenses (Note 20)			
Academic and student support	46,216	47,343	45,337
Administrative support	55,129	57,726	56,108
Ancillary	9,683	12,145	12,123
Instruction	195,778	202,967	189,746
Externally funded and related entities	8,547	12,968	14,570
	<u>315,353</u>	<u>333,149</u>	<u>317,884</u>
Operating surplus before endowment contributions	-	7,968	6,878
Endowment contributions	-	2,710	743
Operating surplus	<u>\$ -</u>	<u>10,678</u>	<u>7,621</u>
Accumulated operating surplus, beginning of year		118,681	111,060
Transitional adjustment to IFRS 9 (Note 7)		<u>(154)</u>	<u>-</u>
Accumulated operating surplus, end of year		<u>\$ 129,205</u>	<u>\$ 118,681</u>

British Columbia Institute of Technology

Consolidated Statement of Remeasurement Gains

(in thousands of dollars)

Year ended March 31	2019	2018
Government business enterprises and partnerships		
Transitional adjustment to IFRS 9 (Note 7)	\$ 154	\$ -
Other comprehensive income for the year	-	31
Unrealized losses	(161)	(451)
Realized losses on investment, reclassified to statement of operations	(417)	(231)
Net remeasurement losses	(424)	(651)
Accumulated remeasurement gains, beginning of year	2,045	2,696
Accumulated remeasurement gains, end of year	\$ 1,621	\$ 2,045

British Columbia Institute of Technology

Consolidated Statement of Changes in Net Debt

(in thousands of dollars)

Year ended March 31

	Budget	2019	2018
Operating surplus	\$ -	\$ 10,678	\$ 7,621
Additions of tangible capital assets	(53,000)	(55,336)	(45,149)
Amortization of tangible capital assets	27,180	27,224	26,036
Loss on disposition of tangible capital assets	-	1,066	253
	(25,820)	(27,046)	(18,860)
Additions of endowment investments	-	(2,710)	(743)
Change in inventories held for use	-	(67)	(72)
Change in prepaid expenses	-	93	(310)
	-	(2,684)	(1,125)
Net remeasurement losses	-	(578)	(651)
Increase in net debt	\$ (25,820)	(19,630)	(13,015)
Net debt, beginning of year		(323,073)	(310,058)
Net debt, end of year		\$ (342,703)	\$ (323,073)

British Columbia Institute of Technology

Consolidated Statement of Cash Flows

(in thousands of dollars)

Year ended March 31

2019

2018

Cash provided by (used in):

Operating

Operating surplus	\$	10,678	\$	7,621
Items not involving cash				
Income from government business enterprises and partnerships		(3,576)		(3,893)
Amortization of tangible capital assets		27,224		26,036
Employee future benefits		1,097		1,614
Asset retirement obligation accretion expense		520		521
Loss on disposition of tangible capital assets		1,066		253
Amortization of deferred contributions				
Capital		(12,713)		(13,080)
Other externally restricted funds		(15,562)		(14,788)

8,734 4,284

Change in non-cash working capital items (Note 18) 10,685 4,662

19,419 8,946

Capital

Purchases of tangible capital assets		(49,294)		(41,287)
Asset retirement obligation liabilities settled		(273)		(480)
		(49,567)		(41,767)

Investing

Changes in investments, net		(3,595)		(1,742)
Contribution from government business enterprises and partnerships		32		14,124
		(3,563)		12,382

Financing

Capital contributions received		37,631		26,267
Other contributions received		18,220		18,278
Debt sinking funds		(1,019)		(315)
Capital lease payments		(3,420)		(4,082)
Debt repayments		(252)		(246)
		51,160		39,902

Net increase in cash and cash equivalents 17,449 19,463

Cash and cash equivalents, beginning of year 75,621 56,158

Cash and cash equivalents, end of year \$ 93,070 \$ 75,621

Supplemental cash flow information (Note 18)

British Columbia Institute of Technology

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2019

1. General

British Columbia Institute of Technology (the "Institute") is an agent of the Crown and operates under the College and Institute Act, R.S.B.C. 1996. The Act is administered by the Minister of Advanced Education. As an agent of the government, the Institute is not liable for taxation except to the extent the government is liable.

The purpose of the Institute is to provide courses of instruction in advanced technological and vocational fields.

The Institute receives a significant portion of its revenue and capital funding from the Province of British Columbia (the "Province").

The Institute is a registered charity under the Income Tax Act.

2. Summary of significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia which requires accounting policies which are consistent with Canadian public sector accounting standards except in regard to the accounting for restricted capital contributions.

Under Section 23.1 of the Budget Transparency and Accountability Act and its related regulations, the Institute is required to recognize restricted capital contributions as a liability and recognize them into revenue on the same basis as the related amortization expense.

Under Canadian public sector accounting standards, those transfers with stipulations that have been met or that do not contain stipulations that create a liability, are fully recognized into revenue.

The impact of this difference on the financial statements of the Institute would be a decrease in deferred capital contributions, an increase in accumulated surplus, and a change in revenues and annual surplus for each year.

Basis of consolidation

Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of organizations which are controlled by the Institute. Controlled organizations are consolidated except for government business enterprises and partnerships which are accounted for by the modified equity method. All balances and transactions between the Institute and the consolidated entities have been eliminated on consolidation.

British Columbia Institute of Technology

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2019

2. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Consolidated entities (continued)

The following organization is controlled by the Institute and fully consolidated in these financial statements:

- BCIT Foundation, which is a controlled not-for-profit organization, is incorporated under the Societies Act (British Columbia). The purpose of BCIT Foundation is to raise funds in order to further the goals, objectives and strategic interests of the Institute; to stimulate and provide financial support for the development and expansion of educational programs, services, capital projects and other initiatives as recommended by the Institute; and to provide financial support to enable students to participate in learning at the Institute.

Investment in government business enterprises and partnerships

Government business enterprises and partnerships are accounted for by the modified equity method. Under this method, the Institute's investment in the business enterprise and its net income and other changes in equity are recorded. No adjustment is made to conform the accounting policies of the government business enterprise / partnership to those of the Institute. Inter-organizational transactions and balances have not been eliminated, except for any profit or loss on transactions between entities on assets that remain within the entities controlled by the Institute.

The following organizations are controlled government business enterprises and partnerships and are accounted for by the modified equity method:

- Great Northern Way Campus Trust (the "Trust") – the Trust is an equal share joint venture between the Institute, Simon Fraser University, University of British Columbia, and Emily Carr University of Art + Design. The purpose of the Trust is to develop an integrated, learning-centred campus with a high-technology focus, supported by new media and telecommunication technologies. The Trust's activities currently comprise two distinct business activities: property management and site development activities, and educational activities.
- TTA Technology Training Associates Ltd. ("TTA") – TTA is a wholly-owned corporation which was incorporated July 12, 1999 under the Business Corporations Act (British Columbia). The purpose of TTA is to provide international delivery and/or management of technical training and educational programs to public and private organizations, business development and marketing for the Institute in overseas markets.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid securities.

Inventories for resale and held for use

Inventories of merchandise held for resale are recorded at the lower of cost and net realizable value. Inventories held for use are recorded at the lower of cost and replacement cost. Cost is determined using the first-in, first-out method for all inventories.

British Columbia Institute of Technology

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2019

2. Summary of significant accounting policies (continued)

Tangible capital assets

Tangible capital asset acquisitions are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Donated assets are recorded at fair market value at the date of acquisition.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Leasehold improvements	30 years
Capital projects/renovations	10 to 25 years
Computer hardware	4 years
Computer software	5 years
Furniture and equipment	10 years
Library holdings	10 years

Computers and equipment under capital lease are amortized on a straight-line basis over the lesser of their estimated useful lives and the term of the lease.

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written-down when conditions indicate that they no longer contribute to the Institute's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

Employee future benefits

The Institute and its employees make contributions to the College Pension Plan and the Municipal Pension Plan which are multi-employer joint trustees plans. These plans are defined benefit plans, providing pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as defined contribution plans and any Institute contributions to the plans are expensed as incurred.

The Institute also provides certain benefits, including accumulated sick and vacation pay, retirement allowance, group benefits, and life insurance, for certain employees pursuant to certain contracts and union agreements. The costs of these benefits are actuarially determined based on service and management's best estimate of salary escalation, retirement ages of employees, and expected plan benefits costs. The obligation under these benefit plans is accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service life of the employees.

British Columbia Institute of Technology

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2019

2. Summary of significant accounting policies (continued)

Asset retirement obligation

The Institute recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a statutory, contractual, or legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The Institute concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the useful life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation or the discount rate. Changes in the obligation due to the passage of time are recognized in the statement of operations as accretion expense. Changes in the obligation due to changes in estimated cash flows or discount rates are recognized as an adjustment of the carrying amount of the related long-lived asset that is depreciated over the remaining life of the asset.

Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Institute:
 - is directly responsible; or
 - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

Revenue recognition

Tuition fees and receipts from sales of services and products are recognized as revenue at the time the products are delivered or the services are substantially provided.

Rental revenue is recognized over the period earned.

Revenue related to fees or services received in advance of the fee being earned or the service performed is deferred and recognized when the fee is earned or service performed.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary.

British Columbia Institute of Technology

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2019

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received by the Institute or the transfer of property is completed.

Restricted donations and grants are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.
- (iii) Contributions to be retained in perpetuity are reported as revenue when received. Investment income earned on endowment principal is recorded as deferred revenue if it meets the definition of a liability and is recognized as revenue in the year related expenses are incurred. If the investment income earned does not meet the definition of a liability, it is recognized as revenue in the year it is earned.

Financial instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, portfolio investments, debt sinking funds, accounts payable and accrued liabilities, debt, and endowment investments.

Investments are measured at fair value. All other financial instruments are measured at cost or amortized cost.

Transaction costs are expensed for financial instruments measured at fair value. Transaction costs are added to the cost of the financial instruments for financial instruments measured at cost or amortized cost.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses until such time that the financial instrument is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the statement of operations and accumulated surplus and related balances reversed from the statement of remeasurement gains and losses.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

British Columbia Institute of Technology

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2019

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Functional classification of expenses

The Institute has identified the following segments and associated groups of activities based upon the functional areas of service as provided by various departments within the Institute:

Academic and student support

Academic and student support includes expenses related to the direct support of academic functions, as well as centralized functions that support students and groups of students. This would include Foundation & Alumni, VP ERI, Student Services, Research & Planning, International Education, Learner Services, Learning & Teaching Centre, Library, Marketing & Communication, Print Services, Registrar's Office, and Technology Centre administration. Costs associated with this function would include VP's, management, administration, support staff and related support costs.

Administrative support

Administrative support includes expenses related to activities that support the institution as a whole. This would include Financial Services, Human Resources, Internal Auditing, President's Office, Board of Governors, Purchasing & Supply Management, Safety and Security, Facilities, Amortization, and IT & Communications. Costs associated with the function would include VP's, management, administration, support staff and related support costs.

Ancillary

Ancillary includes expenses related to business activities outside of instruction and research that provide goods and services to students, staff and others external to the organization. This would include Bookstore, Room Rentals, Leases, Food Services, Parking and Residences. Costs associated with this function would include management, administration, support staff and related support costs.

Instruction

Instruction includes expenses related to the direct business of delivering education. This would include full time studies, part time studies, and training supported by industry services. Costs associated with this function would include instructors, contract expenses, deans, instructional administration, support staff, and related support costs.

Externally funded and related entities

Externally funded and related entities includes expenses related to research and non-research activities funded by external contracts and/or grants, trust activities, and subsidiaries. This would include Restricted Funds, Applied Research Grants, Student Awards, and BCIT Foundation. Costs associated with this function would include deans, management, administration, support staff and related support costs.

British Columbia Institute of Technology

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2019

2. Summary of significant accounting policies (continued)

Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2018/2019 Fiscal Plan approved by the Board of Governors of the Institute on March 20, 2018.

Use of estimates

The preparation of financial statements 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 revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the useful lives for amortization of tangible capital assets and deferred capital contributions, the valuation of employee future benefit obligations, future cash flows associated with asset retirement obligations, the provision for uncollectible accounts, and the provision for contingencies. Actual amounts may ultimately differ from these estimates.

3. Accounts receivable	2019	2018
Student	\$ 3,099	\$ 3,982
Trade and other	3,098	3,137
Allowance for doubtful accounts	(375)	(375)
	<u>\$ 5,822</u>	<u>\$ 6,744</u>

4. Balances with government and other government organizations

Due from government and other government organizations

	2019	2018
Federal government	\$ 766	\$ 920
Provincial government	12,332	768
Other government organizations	1,079	162
Great Northern Way Campus Trust - promissory note	-	6,400
	<u>\$ 14,177</u>	<u>\$ 8,250</u>

British Columbia Institute of Technology

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2019

4. Balances with government and other government organizations (continued)

Due to government and other government organizations

	<u>2019</u>	<u>2018</u>
Federal government	\$ 1,111	\$ 1,033
Provincial government	3,291	3,151
Other government organizations	<u>983</u>	<u>1,033</u>
	<u>\$ 5,385</u>	<u>\$ 5,217</u>

5. Investments

Investments consist of:

	<u>2019</u>	<u>2018</u>
Portfolio investments	\$ 9,120	\$ 8,813
Endowment investments	<u>27,378</u>	<u>24,668</u>
	<u>\$ 36,498</u>	<u>\$ 33,481</u>

The underlying investments consist of:

		<u>2019</u>	<u>2018</u>
	<u>Fair value hierarchy level</u>		
Equities	Level 1	\$ 15,882	\$ 16,461
Cash and cash equivalents	Level 1	2,917	1,503
Fixed income	Level 2	<u>17,699</u>	<u>15,517</u>
		<u>\$ 36,498</u>	<u>\$ 33,481</u>
Historical cost		<u>\$ 35,082</u>	<u>\$ 31,511</u>

British Columbia Institute of Technology

Notes to the Consolidated Financial Statements

(in thousands of dollars)

March 31, 2019

6. Debt sinking funds

Contributions to the sinking funds are made for certain long-term debt obligations with the Province. Investments held in the sinking funds, including interest earned, are used to repay the related debt at maturity. The Institute makes annual principal and interest payments towards the sinking funds to the Province using revenue proceeds from the Downtown training centre. The sinking funds are held and invested by the Province to provide for the retirement of the debt.

Aggregate payments for the next five fiscal years and thereafter to meet sinking fund instalments on externally restricted sinking funds and retirement provisions on notes, bonds and debentures are:

2020	\$	788
2021		788
2022		788
2023		788
2024		788
Thereafter		<u>12,816</u>
	\$	<u>16,756</u>

7. Investments in government business enterprises and partnerships

	Balance, beginning of year	Net contributions	Net earnings	Balance, end of year
Investment in Trust	\$ 9,065	\$ (32)	\$ 3,574	\$ 12,607
Investment in TTA	<u>348</u>	<u>-</u>	<u>2</u>	<u>350</u>
	<u>\$ 9,413</u>	<u>\$ (32)</u>	<u>\$ 3,576</u>	<u>\$ 12,957</u>

British Columbia Institute of Technology

Notes to the Consolidated Financial Statements

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7. Investments in government business enterprises and partnerships (continued)

Condensed financial information of government business enterprises and partnerships that are part of the Institute's reporting entity are as follows:

Great Northern Way Campus Trust

	25% share 2019	25% share 2018
Statement of financial position		
Total assets	\$ 15,452	\$ 16,980
Total liabilities	2,845	7,915
Equity	\$ 12,607	\$ 9,065
Statement of operations	2019	2018
Revenue	\$ 6,504	\$ 9,785
Expenses	(2,910)	(5,897)
Unrealized loss on investment	(20)	-
Net earnings	3,574	3,888
Other comprehensive income	-	31
Net earnings and comprehensive income	\$ 3,574	\$ 3,919

Total liabilities include \$195 (2018 - \$162) payable to the Institute.

During the year, the Trust adopted IFRS 9, Financial Instruments. The impact of the changes resulting from this standard is that gains and losses from investments are presented in net earnings of the Trust as opposed to other comprehensive income. The impact of these changes has been reflected in the statement of remeasurement gains and opening accumulated operating surplus.

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7. Investments in government business enterprises and partnerships (continued)

TTA Technology Training Associates Ltd.

	2019	2018
Statement of financial position		
Total assets	\$ 472	\$ 502
Total liabilities	122	154
Equity	\$ 350	\$ 348
Statement of operations		
Revenue	\$ 785	\$ 948
Expenses	(782)	(942)
Earnings before income taxes	3	6
Income taxes	1	1
Net earnings	\$ 2	\$ 5

Revenue includes \$139 (2018 - \$186) of project fees and project expense recoveries from the Institute.

8. Accounts payable and accrued liabilities	2019	2018
Trade payables	\$ 8,688	\$ 6,367
Salaries and benefits payable	10,413	9,168
Held for external agencies	6,363	3,699
Other	4,705	4,197
	\$ 30,169	\$ 23,431

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9. Pension plans and employee future benefits

Pension plans

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2018, the College Pension Plan has about 14,000 active members, and approximately 8,000 retired members. As at December 31, 2017, the Municipal Pension Plan has about 197,000 active members, including approximately 6,000 from colleges.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2015, indicated a \$67 million surplus for basic pension benefits. The next valuation for the College Pension Plan will be as at August 31, 2018, with results available in 2019. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. The next valuation for the Municipal Pension Plan will be as at December 31, 2018, with results available in 2019.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for the plans in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

The Institute paid \$16,253 for employer contributions to the plan in fiscal 2019 (2018 - \$15,929).

Employee future benefits

The Institute also provides certain benefits, including accumulated sick and vacation pay, retirement allowance, group benefits, and life insurance, for certain employees pursuant to certain contracts and union agreements. The most recent actuarial valuation was completed as at March 31, 2019.

Information about these employee future benefits is as follows:

	<u>2019</u>	<u>2018</u>
Accrued benefit obligation	\$ 21,821	\$ 23,722
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status	(21,821)	(23,722)
Balance of unamortized amounts	<u>(3,361)</u>	<u>(203)</u>
Accrued benefit liability	(25,182)	(23,925)
Employer's share of benefits (EI, CPP, pension)	<u>(1,734)</u>	<u>(1,894)</u>
Total liability	<u>\$ (26,916)</u>	<u>\$ (25,819)</u>

British Columbia Institute of Technology

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March 31, 2019

9. Pension plans and employee future benefits (continued)

Components of net benefit expense	2019	2018
Service cost	\$ 1,346	\$ 1,360
Interest cost	637	530
Long-term disability experience	(1)	72
Amortization of net actuarial (gain) loss	(41)	2
Net benefit expense	\$ 1,941	\$ 1,964

The significant assumptions used are as follows:

	2019	2018
Accrued benefit obligations as of March 31		
Discount rate	2.4%	2.8%
Benefit cost for year ended March 31		
Discount rate	2.5%	2.2%
Assumed health care cost trend rates at March 31	4.0% - 6.2%	4.5% - 6.3%

10. Deferred contributions

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations. Deferred contributions are primarily restricted for research purposes.

	2019	2018
Balance, beginning of year	\$ 26,988	\$ 23,498
Add contributions received during the year relating to future periods	18,220	18,278
Less amounts recognized as revenue	(15,562)	(14,788)
Balance, end of year	\$ 29,646	\$ 26,988

British Columbia Institute of Technology

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March 31, 2019

11. Deferred capital contributions

Capital contributions for the purpose of acquiring or developing a depreciable tangible capital asset are referred to as deferred capital contributions. Amounts are recognized into revenue at the same rate that amortization of the tangible capital asset is recorded. Treasury Board provided direction on accounting treatment as disclosed in Note 2.

Changes in the deferred capital contributions balance are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 226,510	\$ 213,323
Add contributions received during the year	37,631	26,267
Less amounts amortized to revenue	<u>(12,713)</u>	<u>(13,080)</u>
Balance, end of year	<u>\$ 251,428</u>	<u>\$ 226,510</u>

The balance of unamortized capital contributions related to capital assets consists of the following:

	<u>2019</u>	<u>2018</u>
Unamortized capital contributions used to purchase assets	\$ 250,512	\$ 226,772
Unspent (overspent) capital funding	<u>916</u>	<u>(262)</u>
	<u>\$ 251,428</u>	<u>\$ 226,510</u>

12. Asset retirement obligation

The Institute has recorded an asset retirement obligation for the estimated costs of asbestos removal from certain facilities. The following is a reconciliation of the changes in the asset retirement obligation during the year:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 17,309	\$ 16,392
Add accretion expense	520	521
Add adjustment for change in discount rate	1,222	876
Less liabilities settled	<u>(273)</u>	<u>(480)</u>
Balance, end of year	<u>\$ 18,778</u>	<u>\$ 17,309</u>

The accretion expense is included in interest expense. The undiscounted estimated cash flows required to settle the obligation are approximately \$20,597 to be paid during the fiscal years 2020 to 2070. The estimated cash flows were discounted using the credit-adjusted risk-free rates of 2.70% (2018 - 3.00%).

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13. Debt	2019	2018
Province of British Columbia, 8% bond, due September 2023 (i)	\$ 12,888	\$ 12,888
Province of British Columbia, 4.3% bond, due June 2042 (i)	32,189	32,189
Province of British Columbia, 1.95% promissory note, due August 2019 (ii)	5,055	5,054
	50,132	50,131
Province of British Columbia, 4.3% bond, premium payable (iii)	6,438	6,691
	\$ 56,570	\$ 56,822

(i) Interest payments are made to the Province of British Columbia semi-annually. The Institute makes contributions to the sinking fund each year to repay the bonds at maturity (Note 6). The bonds are unsecured.

(ii) Principal and interest payments are due on maturity in August 2019.

(iii) The bond premium is being amortized based upon the effective interest method.

Principal payments for the next five years and thereafter are as follows:

	Province of British Columbia 1.95% promissory note	Province of British Columbia 4.3% bond	Province of British Columbia 8% bond	Total
2020	\$ 5,055	\$ -	\$ -	\$ 5,055
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	12,888	12,888
Thereafter	-	32,189	-	32,189
	\$ 5,055	\$ 32,189	\$ 12,888	\$ 50,132

Interest expense on debt is \$2,793 (2018 - \$2,912).

British Columbia Institute of Technology

Notes to the Consolidated Financial Statements

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March 31, 2019

14. Obligations under leases

Capital leases

Capital lease payments, including principal and interest, are as follows:

2020	\$	3,775
2021		2,685
2022		2,178
2023		1,063
2024		812
Thereafter		<u>21,003</u>
		31,516
Less interest at rates from 2.0% to 5.5%		<u>10,429</u>
Present value of minimum lease payments	\$	<u>21,087</u>

Interest expense on capital leases is \$933 (2018 - \$1,125).

Operating leases

The Institute has entered into operating leases for land.

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

2020	\$	247
2021		255
2022		255
2023		255
2024		255
Thereafter		<u>6,590</u>
	\$	<u>7,857</u>

British Columbia Institute of Technology

Notes to the Consolidated Financial Statements

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15. Tangible capital assets

Cost	2018	Additions	Disposals	2019
Land	\$ 44,808	\$ -	\$ -	\$ 44,808
Buildings, leasehold improvements and capital projects / renovations	488,113	13,433	-	501,546
Buildings under capital lease	15,295	-	-	15,295
Furniture and equipment	136,774	7,821	(6,155)	138,440
Computer hardware and software	33,788	5,652	(2,694)	36,746
Equipment under capital lease	11,309	4,820	(1,619)	14,510
Library holdings	3,377	166	(424)	3,119
Construction in process	19,758	23,444	-	43,202
	<u>\$ 753,222</u>	<u>\$ 55,336</u>	<u>\$ (10,892)</u>	<u>\$ 797,666</u>

Accumulated amortization

	2018	Amortization	Accumulated amortization on disposals	2019
Land	\$ -	\$ -	\$ -	\$ -
Buildings, leasehold improvements and capital projects / renovations	189,728	15,623	-	205,351
Buildings under capital lease	1,863	505	-	2,368
Furniture and equipment	107,619	5,382	(5,875)	107,126
Computer hardware and software	25,956	2,990	(2,015)	26,931
Equipment under capital lease	8,052	2,431	(1,512)	8,971
Library holdings	1,954	293	(424)	1,823
	<u>\$ 335,172</u>	<u>\$ 27,224</u>	<u>\$ (9,826)</u>	<u>\$ 352,570</u>

Net book value

	2019	2018
Land	\$ 44,808	\$ 44,808
Buildings, leasehold improvements and capital projects/renovations	296,195	298,385
Buildings under capital lease	12,927	13,432
Furniture and equipment	31,314	29,155
Computer hardware and software	9,815	7,832
Equipment under capital lease	5,539	3,257
Library holdings	1,296	1,423
Construction in process	43,202	19,758
	<u>\$ 445,096</u>	<u>\$ 418,050</u>

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16. Endowments

Endowment contributions form part of accumulated surplus. Changes to the endowment balances are as follows:

	2019	2018
Balance, beginning of year	\$ 24,668	\$ 23,925
Contributions received during the year	2,710	743
Balance, end of year	\$ 27,378	\$ 24,668

17. Contingencies

There are lawsuits pending in which the Institute is involved arising in the ordinary course of business. It is considered that the potential claims against the Institute resulting from such litigation would not materially affect the consolidated financial statements of the Institute. Any difference between the liability accrued by the Institute related to the lawsuits and the amounts ultimately settled will be recorded in the period in which the claim is resolved.

18. Supplemental cash flow information

Change in non-cash working capital items

	2019	2018
Accounts receivable	\$ 922	\$ (1,579)
Inventories	89	186
Prepaid expenses	93	(310)
Due from government and other government organizations	(5,927)	(444)
Accounts payable and accrued liabilities	6,738	5,119
Due to government and other government organizations	168	297
Deferred tuition fees	8,462	1,262
Deferred revenue - other	140	131
	\$ 10,685	\$ 4,662

Non-cash transactions

Receipt of donated capital assets	\$ 382	\$ 2,184
Buildings and equipment under capital lease	4,820	2,986
(Decrease) increase in asset retirement obligation and capital assets	1,222	876

British Columbia Institute of Technology

Notes to the Consolidated Financial Statements

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19. Financial instruments

Fair value

The following classification system is used to describe the basis of the inputs used to measure the fair value of investments:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
- Level 3 Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's-length transaction

The classification of portfolio and endowment investments is disclosed in Note 5.

Risk management

The Institute has exposure to the following risks from its use of financial instruments.

Credit risk

The Institute is exposed to the risk that the counterparty defaults or becomes insolvent. The Institute's investments in pooled funds that hold debt securities are exposed to such risk. Credit risk also arises from the possibility that student, trade and other receivables may not be collected.

This risk is mitigated by proactive credit management and investment policies that include regular monitoring of each debtor's payment history and performance.

As at March 31, 2019, accounts receivable is comprised of:

	<u>Under 90 days</u>	<u>Over 90 days</u>	<u>Total</u>
Student	\$ 3,066	\$ 33	\$ 3,099
Trade and other	2,654	444	3,098
Allowance for doubtful accounts	<u>(285)</u>	<u>(90)</u>	<u>(375)</u>
	<u>\$ 5,435</u>	<u>\$ 387</u>	<u>\$ 5,822</u>

Market risk

There is a risk that fluctuations in market prices will affect the Institute's net assets and the value of holdings in investments. Market risk is comprised of the following:

Interest rate risk

Interest rate risk refers to the effect on the market value of the Institute's assets due to fluctuations in interest rates. The market value of the Institute's investments in fixed income pooled funds is also affected by fluctuations in interest rates.

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19. Financial instruments (continued)

Risk management (continued)

Foreign currency risk

Foreign currency exposure arises from the Institute's foreign currency denominated investments. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments.

The Institute manages its credit risk and market risks on its investments by investing in funds that have a well-diversified portfolio of securities.

Liquidity risk

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as they become due.

The Institute manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

20. Expenses by object	2019	2018
Salaries and wages	\$ 181,956	\$ 171,345
Employee benefits	37,289	36,350
Amortization of tangible capital assets	27,224	26,036
Supplies and general	18,095	17,442
Fees for service	18,000	15,218
Repairs and maintenance	17,835	18,890
Utilities and taxes	6,155	6,107
Cost of sales	4,893	4,897
Student awards	4,357	4,301
Training and travel	4,114	3,800
Interest	3,727	4,037
Printing and advertising	2,608	2,950
Promotional and catering	2,239	1,918
Contractual professional development	1,890	1,863
Equipment and facilities leases	1,220	1,029
Telecommunications	1,008	966
Banking and insurance	465	404
Official functions	74	331
	<hr/>	<hr/>
	\$ 333,149	\$ 317,884

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21. Related party transactions

The Institute is related through common ownership to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

The Institute administers funds on behalf of British Columbia Council of Admissions and Transfer (BCCAT) and other external agencies. Included in other accounts payable is \$6,363 (2018 - \$3,699).
