British Columbia Institute of Technology

Consolidated Financial Statements
March 31, 2021
(in thousands of dollars)

Independent auditor's report

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

Our opinion

In our opinion, the accompanying consolidated financial statements of British Columbia Institute of Technology and its subsidiaries (together, the Institute) as at March 31, 2021 and for the year then ended are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

What we have audited
The Institute's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2021;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of remeasurement (losses) gains for the year then ended;
- the consolidated statement of changes in net debt for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- and the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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

Independence
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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - basis of accounting

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

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accounting standards. Note 2 to the consolidated financial statements provides a description of the nature of these differences. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements in accordance with the accounting requirements of 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 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 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.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 14, 2021

British Columbia Institute of Technology

Consolidated Statement of Financial Position

As at March 31, 2021

(in thousands of dollars)

	2021 $	2020 $
Assets		
Cash and cash equivalents	114,242	107,204
Accounts receivable (note 3)	8,941	7,534
Inventories for resale	1,113	1,472
Due from government and other government organizations (note 4)	3,391	13,277
Portfolio investments (note 5)	12,270	6,510
Debt sinking funds (note 6)	8,255	7,167
Investments in government business enterprises and partnerships (note 7)	14,844	13,647
	163,056	156,811
Liabilities		
Accounts payable and accrued liabilities (note 8)	30,282	34,412
Due to government and other government organizations (note 4)	7,026	6,414
Employee future benefits (note 9)	29,500	27,613
Deferred tuition fees	39,062	39,470
Deferred revenue – other	4,746	6,109
Deferred contributions (note 10)	25,495	30,172
Deferred capital contributions (note 11)	317,602	278,905
Asset retirement obligation (note 12)	20,482	21,007
Debt (note 13)	55,932	56,398
Obligations under capital lease (note 14)	18,493	20,479
	548,620	520,979
Net debt	(385,564)	(364,168)
Non-financial assets		
Tangible capital assets (note 15)	500,065	471,392
Endowment investments (notes 5 and 16)	28,377	27,966
Inventories held for use	488	270
Prepaid expenses	2,861	881
	531,791	500,509
Accumulated surplus	146,227	136,341
Accumulated surplus comprises:		
Accumulated operating surplus	143,164	138,122
Accumulated remeasurement gains (losses)	3,063	(1,781)
	146,227	136,341

Commitment and contingencies (note 17)

Approved by the Board of Governors

Doug Eveneshen ______ Governor　　　______ Governor

Doug Eveneshen, Board Chair　　　Dan Reader, Chair Audit & Finance Committee

The accompanying notes are an integral part of these consolidated financial statements.

British Columbia Institute of Technology

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2021

(in thousands of dollars)

	Budget $	2021 $	2020 $
Revenue			
Province of British Columbia grants	149,922	155,197	146,638
Government of Canada grants	-	376	173
Tuition fees	148,453	143,317	148,303
Sales and ancillary revenue	12,744	7,600	13,090
Industry services	12,493	11,870	12,685
Facilities rental, cost recoveries and other income	7,800	6,171	7,684
Investment income	4,150	3,529	4,633
Gifts and donations	1,200	1,776	2,552
Gain (loss) from government business enterprises and partnerships (note 7)	-	917	(557)
Amortization of deferred contributions (note 10)	11,988	17,323	17,335
Amortization of deferred capital contributions (note 11)	15,342	15,433	13,222
	364,092	363,509	365,758
Expenses (note 20)			
Academic and student support	54,102	49,791	50,896
Administrative support	70,088	69,259	61,551
Ancillary	11,199	9,653	11,710
Instruction	216,154	213,527	219,246
Externally funded and related entities	12,549	16,648	15,358
	364,092	358,878	358,761
Operating surplus before endowment contributions	-	4,631	6,997
Endowment contributions	-	411	588
Operating surplus for the year	-	5,042	7,585
Accumulated operating surplus – Beginning of year		138,122	129,205
Recognition adjustment – Government business enterprises		-	1,332
Accumulated operating surplus – End of year		143,164	138,122

The accompanying notes are an integral part of these consolidated financial statements.

British Columbia Institute of Technology

Consolidated Statement of Remeasurement Gains (Losses)

For the year ended March 31, 2021

(in thousands of dollars)

	2021 $	2020 $
Unrealized gains (losses)	4,091	(3,094)
Realized gains (losses) on investments, reclassified to consolidated statement of operations and accumulated surplus	753	(308)
Net remeasurement gains (losses)	4,844	(3,402)
Accumulated remeasurement (losses) gains – Beginning of year	(1,781)	1,621
Accumulated remeasurement gains (losses) – End of year	3,063	(1,781)

The accompanying notes are an integral part of these consolidated financial statements.

British Columbia Institute of Technology

Consolidated Statement of Changes in Net Debt

For the year ended March 31, 2021

(in thousands of dollars)

	Budget $	2021 $	2020 $
Operating surplus for the year	-	5,042	7,585
Additions of tangible capital assets	(55,455)	(58,032)	(52,007)
Amortization of tangible capital assets	30,475	29,353	25,834
(Loss) gain on disposition of tangible capital assets	(250)	6	(123)
	(25,230)	(28,673)	(26,296)
Change in endowment investments		(412)	(588)
Change in inventories held for use		(217)	39
Change in prepaid expenses		(1,980)	(135)
	-	(2,609)	(684)
Recognition adjustment – Government business enterprises		-	1,332
Net remeasurement gains (losses)		4,844	(3,402)
Increase in net debt	(25,230)	(21,396)	(21,465)
Net debt – Beginning of year		(364,168)	(342,703)
Net debt – End of year		(385,564)	(364,168)

The accompanying notes are an integral part of these consolidated financial statements.

British Columbia Institute of Technology

Consolidated Statement of Cash Flows

For the year ended March 31, 2021

(in thousands of dollars)

	2021 $	2020 $
Cash provided by (used in)		
Operating activities		
Operating surplus for the year	5,042	7,585
Items not involving cash		
Loss (gain) from government business enterprises and partnerships	(917)	557
Amortization of tangible capital assets	29,353	25,834
Employee future benefits	1,887	699
Asset retirement obligation accretion expense	489	511
Loss (gain) on disposition of tangible capital assets	6	(123)
Amortization of deferred capital contributions (note 11)	(15,433)	(13,222)
	20,427	21,841
Change in non-cash working capital items (note 18)	(3,348)	4,997
	17,079	26,838
Capital		
Purchases of tangible capital assets	(58,413)	(47,186)
Asset retirement obligation liabilities settled	(11)	(379)
	(58,424)	(47,565)
Investing activities		
Changes in investments, net	(1,093)	(1,380)
Contribution from government business enterprises and partnerships	(280)	85
	(1,373)	(1,295)
Financing activities		
Capital contributions received	54,130	40,699
Repayment of debt sinking funds	(1,088)	(1,037)
Capital lease payments	(2,820)	(3,334)
Debt repayments	(466)	(172)
	49,756	36,156
Increase in cash and cash equivalents	7,038	14,134
Cash and cash equivalents – Beginning of year	107,204	93,070
Cash and cash equivalents – End of year	114,242	107,204

Supplemental cash flow information (note 18)

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of dollars)

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). 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 (Canada).

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 to be 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 consolidated 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

a) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenue 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.

(in thousands of dollars)

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.

b) 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.

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

i) 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.

ii) 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.

iii) PanGlobal Training Systems Ltd. (PanGlobal) – PlanGlobal is an equal share joint venture between the Institute, Southern Alberta Institute of Technology and Northern Alberta Institute of Technology. The purpose of PanGlobal is to produce and market Power Engineering multimedia learning products.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid securities which will mature within 90 days or less.

(in thousands of dollars)

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.

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 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 trusteed 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 lives of the employees.

(in thousands of dollars)

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 consolidated statement of operations and accumulated surplus 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.

Revenue recognition

Tuition fees, ancillary revenue and industry services are recognized as revenue at the time the products are delivered or the services are substantially provided.

Facilities 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 writedowns on investments where the loss in value is determined to be other than temporary.

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:

a) 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.

(in thousands of dollars)

b) 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 has been met.

c) Contributions to be retained in perpetuity are classified as endowment donations and are recorded 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, due to/from government and other government organizations, debt, obligations under capital lease and endowment investments.

Investments are measured and carried at fair value. All other financial instruments are measured and carried 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 consolidated statement of remeasurement (losses) gains 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 consolidated statement of operations and accumulated surplus and related balances reversed from the consolidated statement of remeasurement gains (losses).

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

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

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

(in thousands of dollars)

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:

a) 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 includes 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 include VPs, management, administration, support staff and related support costs.

b) Administrative support

Administrative support includes expenses related to activities that support the Institute as a whole. This includes 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 include VPs management, administration, support staff and related support costs.

c) 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 includes Bookstore, Room Rentals, Leases, Food Services, Parking and Residences. Costs associated with this function include management, administration, support staff and related support costs.

d) 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 include instructors, contract expenses, deans, instructional administration, support staff and related support costs.

e) Externally funded and related entities

Externally funded and related entities include 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 Wards and BCIT Foundation. Costs associated with this function include deans, management, administration, support staff and related support costs.

(in thousands of dollars)

Budget figures

Budget figures have been provided for comparative purposes and have been derived from the 2020/2021 Fiscal Plan approved by the Board of Governors of the Institute on March 17, 2020.

Use of estimates

The preparation of consolidated 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 consolidated 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

	2021 $	2020 $
Student	5,169	3,364
Trade and other	2,369	2,990
Allowance for doubtful accounts	(375)	(375)
Funds owed by external agencies	1,778	1,555
	8,941	7,534

4 Balances with government and other government organizations

Due from government and other government organizations

	2021 $	2020 $
Federal government	1,985	2,530
Provincial government	1,102	9,754
Other government organizations	304	993
	3,391	13,277

(in thousands of dollars)

Due to government and other government organizations

	2021 $	2020 $
Federal government	1,641	1,430
Provincial government	4,316	3,998
Other government organizations	1,069	986
	7,026	6,414

5 Investments

Investments consist of:

	2021 $	2020 $
Portfolio investments	12,270	6,510
Endowment investments	28,377	27,966
	40,647	34,476

The underlying investments consist of:

	Fair value hierarchy level	2021 $	2020 $
Equities	Level 2	21,241	18,027
Cash and cash equivalents	Level 1	2,957	1,521
Fixed income	Level 2	16,449	14,928
		40,647	34,476
Historical cost		37,669	36,616

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 payments of principal and interest towards the sinking funds, which are held and invested by the Province to provide for the retirement of the debt.

(in thousands of dollars)

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:

	$
2022	788
2023	674
2024	674
2025	674
2026	674
Thereafter	10,784
	14,268

7 Investments in government business enterprises and partnerships

	Balance – Beginning of year $	Net contributions received $	Net income (loss) $	Balance – End of year $
Investment in the Trust	11,899	280	1,124	13,303
Investment in PanGlobal	1,396	-	(220)	1,176
Investment in TTA	352	-	13	365
	13,647	280	917	14,844

Condensed financial information of the Trust that is part of the Institute's reporting entity is as follows:

Great Northern Way Campus Trust

	25% share	
	2021 $	**2020** $
Statement of financial position		
Total assets	16,514	14,563
Total liabilities	1,946	2,664
Equity	14,568	11,899
Statement of operations		
Revenue	1,332	1,721
Expenses	(1,556)	(1,564)
Unrealized gain (loss) on investment	1,349	(780)
Net gain (loss)	1,125	(623)

Total liabilities include $170 (2020 – $280) payable to the Institute.

(in thousands of dollars)

8 Accounts payable and accrued liabilities

	2021 $	2020 $
Trade payables	11,290	16,645
Salaries and benefits payable	13,597	11,879
Other	5,395	5,888
	30,282	34,412

9 Pension plans and employee future benefits

Pension plans

The Institute and its employees contribute to the College Pension Plan and the Municipal Pension Plan, which are jointly trusteed 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, 2019, the College Pension Plan had about 15,000 active members, and approximately 9,000 retired members. As at December 31, 2019, the Municipal Pension Plan had about 213,000 active members, including approximately 6,000 from colleges.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation from the College Pension Plan as at August 31, 2018, indicated a $303 million surplus for basic pension benefits on a going concern basis.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2018, indicated a $2,866 million funding surplus for basic pension benefits on a going concern basis.

The Institute paid $19,084 for employer contributions to the plan in fiscal 2021 (2020 –$17,775), consisting of $14,773 to the College Pension Plan and $4,311 to the Municipal Pension Plan.

The next valuation for the College Pension Plan will be as at August 31, 2021, with results available in 2022. The next valuation for the Municipal Pension Plan will be as at December 31, 2021, with results available in 2022.

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.

(in thousands of dollars)

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, 2021.

Information about these employee future benefits is as follows:

	2021 $	2020 $
Accrued benefit obligation	25,381	23,297
Fair value of plan assets	-	-
Funded status	(25,381)	(23,297)
Unamortized net actuarial gains	(2,055)	(2,407)
Accrued benefit liability	(27,436)	(25,704)
Employer's share of benefits (EI, CPP, pension)	(2,064)	(1,909)
Total liability	(29,500)	(27,613)

Components of net benefit expense

	2021 $	2020 $
Service cost	1,503	1,409
Interest cost	455	480
Long-term disability experience	540	(411)
Amortization of net actuarial gain	(334)	(396)
Net benefit expense	2,164	1,082

The significant assumptions used are as follows:

	2021 %	2020 %
Accrued benefit obligations as of March 31		
Discount rate	2.0	2.0
Benefit cost for year ended March 31		
Discount rate	2.4	2.4
Assumed health care cost trend rates at March 31	4.0 – 6.1	4.0 – 6.1

(in thousands of dollars)

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.

	2021 $	2020 $
Balance – Beginning of year	30,172	29,646
Add: Contributions received during the year	23,366	28,898
Less: Amounts recognized as amortization of deferred contributions revenue	(17,323)	(17,335)
Less: Amounts recognized as Province of British Columbia grants revenue	(9,939)	(9,037)
Less: Amounts transferred to deferred capital contributions	(781)	(2,000)
Balance – End of year	25,495	30,172

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:

	2021 $	2020 $
Balance – Beginning of year	278,905	251,428
Add: Contributions received during the year	54,130	40,699
Less: Amounts amortized to revenue	(15,433)	(13,222)
Balance – End of year	317,602	278,905

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

	2021 $	2020 $
Unamortized capital contributions used to purchase assets	307,939	273,668
Unspent capital funding	9,603	5,237
	317,542	278,905

(in thousands of dollars)

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:

	2021 $	2020 $
Balance – Beginning of year	21,007	18,778
Add: Accretion expense	489	511
Add: Adjustment for change in discount rate	(1,003)	2,097
Less: Liabilities settled	(11)	(379)
Balance – End of year	20,482	21,007

The accretion expense is included in interest expense. The undiscounted estimated cash flows required to settle the obligation are approximately $21,133 to be paid during the fiscal years 2022 to 2070. The estimated cash flows were discounted using the credit-adjusted risk-free rate of 2.765% (2020 – 2.58%).

13 Debt

	2021 $	2020 $
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, 3.25% bond, due December 2021 (i)	5,000	5,000
	50,077	50,077
Province of British Columbia, 4.3% bond, premium payable (ii)	5,803	6,165
Province of British Columbia, 3.25%, premium payable (ii)	52	156
	55,932	56,398

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

(in thousands of dollars)

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

	Province of British Columbia, 3.25% bond $	Province of British Columbia, 4.3% bond $	Province of British Columbia, 8% bond $	Total $
2022	5,000	-	-	5,000
2023	-	-	-	-
2024	-	-	12,888	12,888
2025	-	-	-	-
2026	-	-	-	-
Thereafter	-	32,189	-	32,189
	5,000	32,189	12,888	50,077

Interest expense on debt is $2,748 (2020 – $2,741).

14 Obligations under leases

Capital leases

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

	$
2022	3,181
2023	2,031
2024	1,385
2025	877
2026	877
Thereafter	19,271
	27,622
Less: Interest at rates from 2.0% to 5.5%	9,129
Present value of minimum lease payments	18,493

Interest expense on capital leases is $902 (2020 – $913).

(in thousands of dollars)

Operating leases

The Institute has entered into operating leases for land.

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

	$
2022	255
2023	255
2024	255
2025	255
2026	255
Thereafter	6,088
	7,363

15 Tangible capital assets

	2020 $	Additions $	Disposals $	2021 $
Cost				
Land	44,808	-	-	44,808
Buildings, leasehold improvements and capital projects/ renovations	528,193	61,527	-	589,720
Buildings under capital lease	15,295			15,295
Furniture and equipment	140,620	2,635	(655)	142,600
Computer hardware and software	32,249	6,225	(23)	38,451
Equipment under capital lease	13,533	832	(1,250)	13,115
Library holdings	3,297	217	(567)	2,947
Construction-in-process	56,598	(13,405)	-	43,193
	834,593	58,031	(2,495)	890,129

	2020 $	Amortization $	Accumulated amortization on disposals $	2021 $
Accumulated amortization				
Buildings, leasehold improvements and capital projects/ renovations	219,837	17,324	-	237,161
Buildings under capital lease	2,873	503	-	3,376
Furniture and equipment	107,397	4,776	(647)	111,526
Computer hardware and software	23,119	4,089	(23)	27,185
Equipment under capital lease	7,889	2,529	(1,249)	9,169
Library holdings	2,085	129	(567)	1,647
	363,200	29,350	(2,486)	390,064

(in thousands of dollars)

	2021 $	2020 $
Net book value		
Land	44,808	44,808
Buildings, leasehold improvements and capital projects/renovations	352,559	308,355
Buildings under capital lease	11,919	12,422
Furniture and equipment	31,074	33,224
Computer hardware and software	11,266	9,127
Equipment under capital lease	3,946	5,647
Library holdings	1,300	1,210
Construction-in-process	43,193	56,599
	500,065	471,392

16 Endowments

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

	2021 $	2020 $
Balance – Beginning of year	27,966	27,378
Contributions received during the year	411	588
Balance – End of year	28,377	27,966

17 Commitments and contingencies

Total commitments under construction contracts for capital projects as at March 31, 2020 was $41,377, which is fully funded by the Province.

There are lawsuits pending arising in the ordinary course of business, in which the Institute is involved. 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.

(in thousands of dollars)

18 Supplemental cash flow information

	2021 $	2020 $
Change in non-cash working capital items		
Accounts receivable	148	(157)
Inventories	141	(8)
Prepaid expenses	(1,980)	(135)
Due from government and other government organizations	9,974	900
Funds owed by external agencies	(1,543)	(1,555)
Accounts payable and accrued liabilities	(4,153)	4,243
Due to government and other government organizations	694	1,029
Deferred tuition fees	(578)	561
Deferred revenue – other	(1,362)	(407)
Deferred contributions	(4,689)	526
	(3,348)	4,997

	2021 $	2020 $
Non-cash transactions		
Receipt of donated capital assets	3,446	359
Buildings and equipment under capital lease	623	2,724
(Decrease) increase in asset retirement obligation and capital assets	(1,002)	2,097

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.

(in thousands of dollars)

Risk management

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

a) 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, 2021, accounts receivable comprises:

	Under 90 days $	Over 90 days $	Total $
Student	5,076	93	5,169
Trade and other	1,555	814	2,369
Allowance for doubtful accounts	-	(375)	(375)
Funds owed by external	1,778	-	1,778
	8,409	532	8,941

b) 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 comprises the following:

i) Interest rate risk

Interest rate risk refers to the effect on the market value of the Institute's assets due to the 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.

ii) 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.

(in thousands of dollars)

c) 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.

Other than the Institute's debt, which matures according to the timeline provided in note 13, the Institute's financial liabilities mature within 12 months from the consolidated statement of financial position date.

20 Expenses by object

	2021 $	2020 $
Salaries and wages	206,662	194,350
Employee benefits	44,074	41,092
Amortization of tangible capital assets	29,353	25,834
Fees for service	18,756	20,929
Repairs and maintenance	17,374	19,806
Supplies and general	15,124	22,869
Student awards	5,747	4,691
Utilities and taxes	4,888	6,137
Interest	3,648	3,763
Cost of sales	3,489	4,275
Printing and advertising	3,177	3,162
Contractual professional development	2,374	1,933
Equipment and facilities leases	1,349	1,207
Telecommunications	1,033	1,151
Training and travel	761	4,347
Promotional and catering	539	2,551
Banking and insurance	529	601
Official functions	1	63
	358,878	358,761

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 accounts receivable is $1,778 (2020 – $1,555) from BCCAT.

(in thousands of dollars)

22 Comparative information

Certain comparative information has been reclassified to conform with the consolidated financial statement presentation adopted for the current year.