Grant Thornton

Consolidated financial statements

British Columbia Institute of Technology

March 31, 2010

Contents

MANAGEMENT REPORT

The management of the British Columbia Institute of Technology (the "Institute") is responsible for the preparation, presentation and consistency of the accompanying consolidated financial statements. The consolidated financial statements and accompanying notes are prepared in accordance with Canadian generally accepted accounting principles.

The management of the Institute maintains the necessary system of internal controls to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The controls are monitored by the Institute's internal auditors.

The Audit and Finance Committee of the Board of Governors meets periodically with the Institute's management and with the internal and external auditors to review matters relating to financial reporting and internal accounting control and the nature, extent and results of audit examinations.

Grant Thornton LLP conducted an independent examination of the Institute's financial statements in accordance with Canadian generally accepted auditing standards.

Don Wright
President

Jun. 23/10.

Lorcan O'Melinn, CGA
Vice President, Finance and Administration

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Auditors' report

To the Board of Governors of the British Columbia Institute of Technology

We have audited the consolidated statement of financial position of the British Columbia Institute of Technology (the "Institute") as at March 31, 2010 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Vancouver, Canada

May 17, 2010

Chartered accountants

British Columbia Institute of Technology
Consolidated statement of financial position

(in thousands of dollars)

March 31	2010	2009
		(Restated) (Note 17)
Assets		
Current		
Cash and cash equivalents	$ **7,444**	$ (789)
Accounts receivable		
Province of British Columbia	**56**	47
Other (Note 3)	**7,596**	8,829
Inventories	**1,664**	1,646
Prepaid expenses	**1,753**	406
	18,513	10,139
Restricted cash	**20,017**	16,324
Investments (Note 4)	**24,904**	22,337
Debt sinking funds (Note 5)	**6,333**	5,038
Capital assets (Note 6)	**359,423**	362,791
	$ **429,190**	$ 416,629
Liabilities		
Current		
Accounts payable and accrued liabilities	$ **23,705**	$ 21,062
Deferred tuition fees	**17,140**	15,824
Deferred revenue - other	**11,986**	10,475
Short-term debt (Note 7)	**900**	1,000
Current portion of long-term liabilities (Note 10)	**6,685**	6,991
	60,416	55,352
Employee future benefits (Note 8)	**13,729**	12,605
Asset retirement obligation (Note 9)	**5,978**	6,739
Long-term liabilities (Note 10)	**82,420**	83,278
Deferred contributions (Note 11)		
Capital	**183,148**	176,583
Other externally restricted funds	**7,946**	6,105
	353,637	340,662
Net assets		
Invested in capital assets (Note 12)	**92,363**	98,419
Endowments	**20,661**	19,381
Internally restricted	**487**	9,232
Unrestricted	**(37,958)**	(51,065)
	75,553	75,967
	$ **429,190**	$ 416,629

Commitments and contingencies (Note 13)

On behalf of the Board

Maureen [signature] Governor

P. Sangle Governor

See accompanying notes to the consolidated financial statements.

British Columbia Institute of Technology
Consolidated statement of operations

(in thousands of dollars)

Year ended March 31		**2010**		2009
				(Restated) (Note 17)
Revenue				
Grants - Province of British Columbia	**$**	**131,047**	$	124,173
Tuition fees		**81,577**		76,620
Sales and ancillary revenue		**12,946**		13,815
Industry services		**10,875**		14,088
Facilities rental, cost recoveries and other income		**10,506**		8,408
Investment income (loss)		**3,751**		(1,608)
Gifts and donations		**2,102**		3,212
Amortization of deferred contributions (Note 11)				
Capital		**11,225**		10,402
Other		**3,561**		1,143
		267,590		250,253
Expenses				
Salaries and wages		**150,088**		141,988
Employee benefits		**25,856**		26,184
Amortization of capital assets		**24,684**		23,546
Fees for service		**14,306**		12,382
Supplies and general		**10,641**		11,441
Repairs and maintenance		**12,292**		13,511
Cost of sales		**6,442**		6,292
Professional development		**5,651**		6,996
Utilities		**4,331**		4,966
Equipment and facilities leases		**1,256**		1,480
Student awards		**2,696**		3,105
Printing and advertising		**2,311**		2,870
Interest		**5,408**		5,801
Banking and insurance		**1,804**		1,458
Telecommunications		**1,518**		1,545
		269,284		263,565
Excess of expenses over revenue	**$**	**(1,694)**	$	(13,312)

See accompanying notes to the consolidated financial statements.

British Columbia Institute of Technology
Consolidated statement of changes in net assets

(in thousands of dollars)
Year ended March 31

	Invested in capital assets	Endowments	Internally restricted	Unrestricted	2010 Total	2009 (Restated) (Note 17) Total
Balance, beginning of year, as previously reported	$ 98,419	$ 19,381	$ 13,454	$ (50,542)	$ 80,712	$ 86,150
Prior period restatement - other (Note 17)	-	-	(4,222)	(523)	(4,745)	(3,473)
Balance, beginning of year, as restated	98,419	19,381	9,232	(51,065)	75,967	82,677
Excess (deficiency) of revenue over expenses (Note 12)	(13,459)	-	(8,745)	20,510	(1,694)	(13,312)
Net change in invested in capital assets (Note 12)	7,403	-	-	(7,403)	-	-
Donation of Mathissi Place land	-	-	-	-	-	5,384
Endowment contributions	-	1,280	-	-	1,280	1,218
Balance, end of year	$ 92,363	$ 20,661	$ 487	$ (37,958)	$ 75,553	$ 75,967

See accompanying notes to the consolidated financial statements.

British Columbia Institute of Technology
Consolidated statement of cash flows

(in thousands of dollars)

Year ended March 31		2010		2009
				(Restated) (Note 17)
Cash provided by (used in):				
Operations				
Excess of expenses over revenue	**$**	**(1,694)**	$	(13,312)
Items not involving cash				
Fair value adjustment of investments		**(3,235)**		1,775
Amortization of capital assets		**24,684**		23,546
Employee future benefits		**1,124**		481
Asset retirement obligation accretion expense		**397**		140
Amortization of deferred contributions				
Capital		**(11,225)**		(10,402)
Other		**(3,561)**		(1,143)
Change in non-cash operating working capital (Note 14)		**5,329**		4,880
		11,819		5,965
Investments				
Additions to capital assets		**(22,079)**		(43,793)
Changes in long-term investments, net		**668**		(1,555)
Asset retirement obligation liabilities settled		**(395)**		(904)
Donation of Mathissi Place land		**-**		5,384
		(21,806)		(40,868)
Financing				
Capital contributions received		**17,790**		29,615
Other contributions received		**5,402**		2,158
Endowment contributions		**1,280**		1,218
Debt sinking funds		**(1,295)**		90
Short-term debt		**(100)**		(688)
Long-term liabilities		**(1,164)**		(1,843)
		21,913		30,550
Increase (decrease) in cash		**11,926**		(4,353)
Cash and cash equivalents, beginning of year		**15,535**		19,888
Cash and cash equivalents, end of year	**$**	**27,461**	$	15,535

Cash and cash equivalents consists of:				
Cash and cash equivalents	**$**	**7,444**	$	(789)
Restricted cash		**20,017**		16,324
	$	**27,461**	$	15,535

Supplemental cash flow information (Note 14)

See accompanying notes to the consolidated financial statements.

1. General

The 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 to 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").

2. Summary of significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and include the accounts of the following entities:

- BCIT Foundation, which is a controlled not-for-profit organization, was incorporated March 30, 1999 under the Society 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; 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.
- TTA Technology Training Associates Ltd., which is a wholly-owned corporation, was incorporated July 12, 1999 under the Business Corporations Act (British Columbia). The purpose of TTA Technology Training Associates Ltd. is to provide management training in the transportation field and facilitate the submission of international education project proposals for funding through Canadian International Development Agency.

These consolidated financial statements also include 25% of the assets, liabilities, net assets, revenues and expenses of operations of Great Northern Way Campus Trust (the "Trust") (Note 4). The Trust is an equal share joint venture between the Institute, Simon Fraser University, University of British Columbia, and Emily Carr Institute of Art and 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.

All balances and transactions between the Institute and the above consolidated entities have been eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid securities with original terms to maturity of three months or less when purchased.

2. Summary of significant accounting policies (continued)

Short-term investments

Short-term investments include securities with original terms to maturity of greater than three months and less than one year when purchased.

Inventories

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

Restricted cash

Restricted cash includes the unspent portion of deferred contributions and deferred capital contributions.

Interests in joint ventures

Interests in joint ventures are recorded using proportionate consolidation, whereby the Institute's pro-rata share of each of the assets, liabilities, net assets, revenues and expenses are recorded.

Capital assets

Capital asset acquisitions are recorded at cost, except donated assets which are recorded at fair market value at the date of acquisition.

Capital assets contributed by the Province are recorded at the assigned values at the dates of acquisition, except for certain land, buildings and equipment which were granted to the Institute by the Province. Only the land portion of the grant is recorded at its 1986 assessed value of $23,800.

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

Buildings and teaching facilities	40 years
Computers	4 years
Equipment	6 years
Library books	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.

2. Summary of significant accounting policies (continued)

Employee future benefits

The Institute 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 Institute accrues the cost of these employee future benefits over the periods which the employees earn the benefits. These costs are actuarially determined using the projected benefit cost method prorated on the length of service and management's best estimate of salary escalation, retirement ages of employees and expected plan benefits costs. The most recent valuation of the obligation was performed for December 31, 2009 and projected to March 31, 2010. The actuary performing the valuation of the obligation indicated there were no significant factors noted during fiscal 2010 which would result in a change in the actuarial assumptions used in determining the valuation. The plans are unfunded. Employer contributions are made based upon expected annual benefit payments.

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 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 that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate. 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. Changes in the obligation due to the passage of time are recognized in income as an operating expense using the interest method. Changes in the obligation due to changes in estimated cash flows 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

The Institute follows the deferral method of accounting for contributions.

Under this method, amounts externally restricted by a contributor for designated expenditures are recognized as revenue in the period the related expenses are incurred. Amounts not recognized as revenue in the current year are shown as deferred contributions. Capital funding provided by the Province is recorded as deferred capital contributions as funds are advanced for capital asset acquisitions. These deferred capital contributions are recognized as revenue on the same basis as the depreciation expense relating to the capital asset. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases to net assets.

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 and interest income are recognized over the period earned.

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Donations for capital asset acquisitions are deferred and recognized as revenue in the year in which the related amortization expense is recorded.

Financial instruments

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated statement of financial position and are initially measured at fair market value. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in excess of revenue over expenses in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included as changes in net asset balances until the asset is removed from the consolidated statement of financial position. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest rate method.

The Institute classifies its financial instruments as follows:

- Cash and cash equivalents as held-for-trading;
- Accounts receivable as loans and receivables;
- Investments as held-for-trading;
- Debt sinking funds as held-for-trading;
- Accounts payable and accrued liabilities as other financial liabilities;
- Short-term debt as other financial liabilities; and
- Long-term liabilities as other financial liabilities.

Purchases and sales of investments are recorded on a trade date basis.

The Institute has opted to continue to apply the disclosure requirements of The Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3861 *Financial Instruments Disclosure and Presentation* in place of CICA Handbook Sections 3862 and 3863 as permitted for not-for-profit organizations.

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 serviceability of assets, useful lives for amortization, asset retirement obligation, provision for uncollectible accounts and provision for contingencies. Actual amounts may ultimately differ from these estimates.

(in thousands of dollars)

2. Summary of significant accounting policies (continued)

Changes in accounting policies

Effective April 1, 2009, the Institute adopted amendments to CICA Handbook Section 4400 *Financial Statement Presentation by Not-for-Profit* Organizations. The amendments modify the requirements with respect to various elements of financial statement presentation.

These amendments include:

- reporting certain revenues and expenses gross in the statement of revenues and expenditures;
- making CICA Handbook Section 1540 *Cash Flow Statements* applicable to not-for-profit organizations; and
- eliminating the requirement to treat net assets invested in capital assets as a separate component of net assets.

Effective April 1, 2009, the Institute adopted amendments to CICA Handbook Section 4460 *Disclosure of Related Party Transactions by Not-for-Profit Organizations*. The amendments align the definition of related parties to CICA Handbook Section 3840 *Related Party Transactions*. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.

Effective April 1, 2009, the Institute adopted CICA Handbook Section 4470 *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The standards establish disclosure requirements for not-for-profit organizations that classify their expenses by function and allocate their expenses to a number of functions to which the expenses relate.

The adoption of these standards did not result in any significant adjustments.

3. Accounts receivable - other

	2010	2009 (Restated) (Note 17)
Student	**$ 1,848**	$ 1,124
Trade and other	**5,748**	7,705
	$ 7,596	$ 8,829

(in thousands of dollars)

4. Investments

Portfolio investments

Portfolio investments, which are comprised of fixed income securities and equity investments, are used for endowment awards.

All of the Institute's portfolio investments are designated as held-for-trading and are measured at fair value with all gains and losses included in excess of revenue over expenses.

Investments as at March 31 are comprised of:

		2010		2009
Fixed income securities	$	**16,484**	$	13,821
Equity investments		**8,420**		8,516
	$	**24,904**	$	22,337
Historical cost	$	**24,358**	$	25,026

Great Northern Way Campus Trust joint venture

A summarized balance sheet, statement of operations and statement of cash flows as at December 31 and for the year then ended are as follows:

		2010				2009		
		Trust		**25% share**		Trust		25% share
Current assets	$	**33,336**	$	**8,334**	$	35,062	$	8,766
Long-term assets	$	**49,083**	$	**12,271**	$	47,498	$	11,875
Current liabilities	$	**1,550**	$	**388**	$	19,048	$	4,762
Long-term liabilities	$	**38,676**	$	**9,669**	$	21,304	$	5,326
Revenue	$	**6,821**	$	**1,705**	$	5,269	$	1,317
Expenses		**(6,825)**		**(1,706)**		(11,764)		(2,941)
Deficiency of revenue over expenses	$	**(4)**	$	**(1)**	$	(6,495)	$	(1,624)
Cash provided by (used in):								
Operating	$	**(1,092)**	$	**(273)**	$	(1,884)	$	(471)
Financing		**611**		**153**		(8,207)		(2,052)
Investing		**466**		**117**		5,597		1,399

The continuation of the Trust as a going concern is dependent upon the continued support of its owners.

(in thousands of dollars)

5. 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 bond.

6. Capital assets

	Cost	Accumulated amortization	**2010** Net book value	2009 Net book value
Land	$ 56,310	$ -	**$ 56,310**	$ 55,674
Buildings	357,607	94,156	**263,451**	263,805
Equipment	147,436	124,627	**22,809**	24,883
Computers	82,273	71,232	**11,041**	12,358
Library books	438	202	**236**	280
Teaching facilities	10,218	8,255	**1,963**	2,092
Lease computers and equipment	10,506	6,893	**3,613**	3,699
	$ 664,788	$ 305,365	**$ 359,423**	$ 362,791

7. Short-term debt

Other borrowings under the Ministry of Finance commercial paper are to be repaid out of grants from the Province. The commercial paper has an interest rate of 0.13% and the principal is due and payable in full on April 19, 2010. The short-term debt is unsecured.

(in thousands of dollars)

8. Pension plans and employee future benefits

Pension plans

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusteed pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has about 12,000 active members from college senior administration and instructional staff and approximately 3,900 retired members. The Municipal Pension Plan has about 158,000 active members, with approximately 5,400 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2006 indicated an unfunded liability of $54,000 for basic pension benefits. The next valuation will be as at August 31, 2009 with results available in 2010. The most recent valuation for the Municipal Pension Plan as at December 31, 2006 indicated a surplus of $438,000 for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the unfunded liability to individual employers. The Institute paid $11,156 for employer contributions to the plans in fiscal 2010 (2009: $10,498).

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.

Information about these employee future benefits is as follows:

		2010		2009
Accrued benefit obligation	**$**	**14,511**	$	11,897
Fair value of plan assets		**-**		-
Funded status		**(14,511)**		(11,897)
Balance of unamortized amounts		**1,653**		(111)
Accrued benefit liability		**(12,858)**		(12,008)
Employer's share of benefits (EI, CPP, pension)		**(871)**		(597)
Total liability	**$**	**(13,729)**	$	(12,605)

The obligation is not presently funded.

(in thousands of dollars)

8. Pension plans and employee future benefits (continued)

Employee future benefits (continued)

The significant assumptions used are as follows:

	2010	2009
Accrued benefit obligations as of March 31		
Discount rate	**5.0%**	5.0%
Benefit cost for years ended March 31		
Discount rate	**5.0%**	7.0%
Assumed health care cost trend rates at March 31	**4.5% - 8.5%**	3.5% - 11.0%

Other information regarding the Institute's benefits are as follows:

	2010	2009
Employer contributions	**$ 1,216**	$ 1,047

9. 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:

	2010	2009
Balance, beginning of year	**$ 6,739**	$ 7,503
Add: accretion expense	**397**	140
Less: reductions to obligation	**(763)**	-
Less: liabilities settled	**(395)**	(904)
Balance, end of year	**$ 5,978**	$ 6,739

The accretion expense is included in interest expense. The undiscounted estimated cash flows required to settle the obligation are approximately $7,335 to be paid during the fiscal years 2011 to 2020. The cash flows for the estimated obligation were discounted using the credit-adjusted risk-free rate of 4.95%.

10. Long-term liabilities

	2010	2009
Long-term debt	**$ 85,237**	$ 86,636
Capital lease obligations	**3,868**	3,633
	89,105	90,269
Less: current portion	**6,685**	6,991
	$ 82,420	$ 83,278

(in thousands of dollars)

10. Long-term liabilities (continued)

Long-term debt

Long-term debt as at March 31 is comprised of:

	2010	2009
BC Immigrant Investment Fund, 4.95% due 2011 (i)	$ 56,756	$ 58,102
Province of British Columbia, 8% bond, due 2023 (ii)	22,888	22,888
Royal Bank of Canada, 5.55% mortgage, due August 29, 2013 (iii)	1,808	1,896
UBC Properties Investment Ltd. (iv)	3,785	3,750
	85,237	86,636
Less: current portion of long-term debt	5,291	5,183
	$ 79,946	$ 81,453

i Principal and interest payments are made to the BC Immigrant Investment Fund at $1,049 per quarter. The debt is unsecured.
ii Interest payments are made to the Province of British Columbia semi-annually. The Institute makes contributions to the sinking funds each year to repay the bond at maturity (Note 5). Principal is due and payable in full in 2023. The bond is unsecured.
iii Principal and interest payments are made to Royal Bank of Canada at $16 per month. The mortgage is secured by a charge against a portion of the student residences.
Iv Interest payments are made to UBC Properties Investment Ltd. semi-annually. The interest rate is 5.47% per annum on the first $10,000 balance and prime plus 0.65% on the remaining balance, payable monthly with the principal due on demand. The debt is secured by a promissory note, a general security agreement, a first charge over the revenue producing properties and land held for sale, and an assignment of all risk insurance.

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

	BC Immigrant Investment Fund	Province of British Columbia	Royal Bank of Canada	UBC Properties Investment Ltd.	Total
2011	$ 1,413	$ -	$ 93	$ 3,785	$ 5,291
2012	55,343	-	99	-	55,442
2013	-	-	104	-	104
2014	-	-	1,512	-	1,512
Thereafter	-	22,888	-	-	22,888
	$ 56,756	$ 22,888	$ 1,808	$ 3,785	$ 85,237

(in thousands of dollars)

10. Long-term liabilities (continued)

Capital lease obligations

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

2011	**$**	**2,491**
2012		**932**
2013		**528**
2014		**87**
		4,038
Less: payment representing implicit interest rates		**170**
Present value of minimum lease payments		**3,868**
Less: current portion		**1,394**
	$	**2,474**

11. Deferred contributions

Capital

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

		2010		2009
Balance, beginning of year	**$**	**176,583**	$	157,370
Add: contributions received during the year		**17,790**		29,615
Less: amounts amortized to revenue		**(11,225)**		(10,402)
Balance, end of year	**$**	**183,148**	$	176,583

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

		2010		2009
Unamortized capital contributions used to purchase assets	**$**	**171,077**	$	166,364
Unspent capital funding		**12,071**		10,219
	$	**183,148**	$	176,583

(in thousands of dollars)

11. Deferred contributions (continued)

Other externally restricted funds

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations.

Changes in deferred contributions are as follows:

		2010		2009 (Restated) (Note 17)
Balance, beginning of year	$	6,105	$	5,090
Add: contributions received during the year relating to future periods		5,402		2,158
Less: amounts recognized as revenue		(3,561)		(1,143)
Balance, end of year	$	7,946	$	6,105

12. Invested in capital assets

Invested in capital assets is comprised of the following:

		2010		2009
Capital assets	$	359,423	$	362,791
Amounts financed by				
Deferred capital contributions		(171,077)		(166,364)
Long-term debt		(89,105)		(90,269)
Short-term debt		(900)		(1,000)
Asset retirement obligation		(5,978)		(6,739)
	$	92,363	$	98,419

Excess of revenue over expenses

		2010		2009
Amortization of deferred capital contributions	$	11,225	$	10,402
Amortization of capital assets		(24,684)		(23,546)
	$	(13,459)	$	(13,144)

(in thousands of dollars)

12. Invested in capital assets (continued)

Change in net assets invested in capital assets

		2010		2009
Purchase of capital assets	**$**	**22,079**	$	43,793
Contributions received during the year		**(17,790)**		(29,615)
Change in unspent capital contributions		**1,852**		249
Repayment of long-term liabilities		**1,164**		1,843
Repayment of short-term debt		**100**		688
Change in asset retirement obligation		**(2)**		(904)
	$	**7,403**	$	16,054

13. Commitments and contingencies

Total commitments under construction contracts for capital projects as at March 31, 2010 were $37,200.

There are several 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.

Commitments under operating leases for equipment and facilities for the next five years are as follows:

2011	**$**	**726**
2012		**680**
2013		**680**
2014		**680**
2015		**680**

(in thousands of dollars)

14. Supplemental cash flow information

Change in non-cash operating working capital		2010		2009 (Restated) (Note 17)
Accounts receivable	**$**	**1,224**	$	797
Inventories		**(18)**		(105)
Prepaid expenses		**(1,347)**		116
Accounts payable and accrued liabilities		**2,643**		2,182
Deferred tuition fees		**1,316**		1,135
Deferred revenue - other		**1,511**		755
	$	**5,329**	$	4,880

During the year, interest of $5,408 was paid (2009: $5,185).

Non-cash transactions		2010		2009
Receipt of donated capital assets	**$**	**2,226**	$	24,654

15. Financial instruments

The Institute’s financial instruments include cash and cash equivalents, short-term investments, investments, and debt sinking funds, and have been recorded at their fair values. Accounts receivable and accounts payable and accrued liabilities approximate their fair values due to their immediate or short term to maturity.

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 managing and investment policies that include regular monitoring of each debtor’s payment history and performance.

15. Financial instruments (continued)

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.

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

It is management's opinion that the Institute is not exposed to liquidity risk arising from these financial instruments.

16. Capital management

The capital structure of the Institute consists of net assets invested in capital assets, endowment funds, internally restricted funds and unrestricted net assets. The primary objective of the Institute's capital management is to protect the assets of the Institute while fulfilling its mandate to provide courses of instruction in advanced technological and vocational fields.

Net assets invested in property and equipment represents the amount of net assets that are not available for other purposes because they have been invested.

Internally restricted funds represent grants, gifts or donations from external sources as well as funds that have been allocated internally for the purpose of promoting the Institute, assisting students in projects related to training or providing special training and facilities not funded from the Provincial operating grants.

Endowment funds represents donations received by BCIT Foundation which are to be maintained in perpetuity as part of BCIT Foundation's mandate to raise funds to further the goals, objectives and strategic interests of the Institute. A portion of the endowment funds also represents funds received by Great Northern Way Campus Trust from the BC provincial government in 2006 for new program start up.

16. Capital management (continued)

Unrestricted net assets are funds available for future operations and are preserved so the Institute can have financial flexibility should opportunities arise in the future. At March 31, 2010, the Institute had a deficiency of unrestricted net assets of $37,958. This balance arose prior to 2009/2010, primarily due to the financing of capital assets through operations. In 2009/2010, the Institute has taken steps on an all funds basis to address this situation on an ongoing basis.

For the year ended March 31, 2010, the Institute has complied with all externally imposed capital restrictions.

17. Prior period restatement

The Institute made retroactive adjustments to the 2009 comparative figures as follows:

a During the year, management conducted a detailed review of the Institute’s designated funds to determine the appropriateness of their original classifications and subsequent revenue recognition. As a result, management determined that certain designated funds originally classified as internally restricted were externally restricted and that certain revenue was recognized prematurely.

b During the year, management determined that accounts receivable and accounts payable were understated and facilities rental, cost recoveries and other income was overstated due to the timing of collections pursuant to an exclusive supply agreement with a certain vendor and its impact on an ancillary agreement with the BCIT Student Association.

c During the year, management determined that accounts payable and repairs and maintenance expenses were understated due to the timing of invoicing for maintenance services rendered pursuant to a maintenance services agreement.

(in thousands of dollars)

17. Prior period restatement (continued)

The impact of the retroactive adjustments to the 2009 comparative figures is as follows:

	As previously reported	a Deferred contributions	b Ancillary agreement	c Maintenance services	As restated
Statement of financial position					
Assets					
Accounts receivable - other	$ 8,635	$ -	$ 194	$ -	$ 8,829
Liabilities					
Accounts payable and accrued liabilities	$ 20,345	$ -	$ 318	$ 399	$ 21,062
Deferred revenue - other	8,558	1,917	-	-	10,475
Deferred contributions - other	3,800	2,305	-	-	6,105
	$ 32,703	$ 4,222	$ 318	$ 399	$ 37,642
Net assets, beginning of year	$ 86,150	$ (3,473)	$ -	$ -	$ 82,677
Statement of operations					
Revenue	$ 251,126	$ (749)	$ (124)	$ -	$ 250,253
Expenses	263,166	-	-	399	263,565
Excess of expenses over revenue	$ (12,040)	$ (749)	$ (124)	$ (399)	$ (13,312)

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