

Consolidated Financial Statements of

**BRITISH COLUMBIA INSTITUTE  
OF TECHNOLOGY**

Years ended March 31, 2006 and 2005

# **BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY**

Consolidated Financial Statements and Other Financial Information

Year ended March 31, 2006

Management Report

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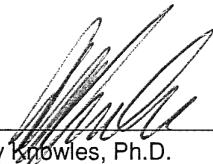
## MANAGEMENT REPORT

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 auditor.


The Audit 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.

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



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Tony Knowles, Ph.D.  
President



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Nina Leemhuis, CGA  
Chief Financial Officer



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## AUDITORS' REPORT

*To the Members of 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, 2006 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants  
Burnaby, Canada  
May 5, 2006

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Consolidated Statements of Financial Position  
(in thousands of dollars)

March 31, 2006 and 2005

	2006	2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 547	\$ 3,138
Short-term investments	239	10,031
Accounts receivable:		
Province of British Columbia	1,214	501
Other (note 3)	12,056	9,761
Inventories	1,672	1,546
Prepaid expenses	514	517
	16,242	25,494
Restricted cash (note 4)	6,913	4,090
Investments (note 5)	19,563	18,364
Debt sinking funds (note 6)	2,565	2,199
Capital assets (note 7)	273,291	252,816
	\$ 318,574	\$ 302,963

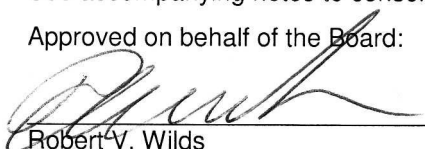
## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 17,944	\$ 21,170
Deferred tuition fees	15,390	15,100
Short-term debt (note 9)	2,781	2,227
Current portion of long-term debt (note 11)	3,735	1,519
	39,850	40,016
Employee future benefits (note 10)	9,622	8,803
Asset retirement obligation (note 8)	2,576	2,385
Long-term debt (note 11)	27,483	28,381
Deferred contributions (note 12):		
Capital	143,021	130,434
Other	3,243	1,906
Net assets:		
Invested in capital assets (note 13)	100,028	91,479
Endowments	10,922	9,986
Internally restricted	7,724	7,569
Unrestricted	(25,895)	(17,996)
	92,779	91,038
	\$ 318,574	\$ 302,963

Commitments and contingencies (note 14)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

  
Robert V. Wilds  
Chair, Board of Governors

  
Jim Grey  
Chair, Audit & Finance Committee

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Consolidated Statements of Operations  
(in thousands of dollars)

Years ended March 31, 2006 and 2005

	2006	2005
Revenue:		
Grants - Province of British Columbia	\$ 110,672	\$ 105,897
Tuition fees	74,017	72,147
Ancillary revenue	12,871	11,981
Industry services	16,726	12,860
Facilities rental, cost recoveries and other income	9,545	7,332
Investment income	2,201	822
Gifts and donations	1,032	1,147
Amortization of deferred contributions (note 12):		
Capital	9,505	10,374
Other	1,056	3,448
	<u>237,625</u>	<u>226,008</u>
Expenses:		
Salaries and wages	129,103	122,357
Employee benefits	23,575	20,693
Depreciation	18,800	18,583
Fees for service	13,688	12,369
Supplies and general	11,333	10,777
Repairs and maintenance	8,030	8,094
Cost of sales	6,190	6,104
Professional development	5,870	5,276
Utilities	4,045	4,040
Capital and equipment leases	3,682	3,419
Student awards	3,084	3,134
Printing and advertising	2,777	2,827
Interest	2,949	2,501
Banking and insurance	1,952	2,045
Telecommunications	1,742	1,435
	<u>236,820</u>	<u>223,654</u>
Excess of revenue over expenses	\$ 805	\$ 2,354

See accompanying notes to consolidated financial statements.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Consolidated Statements of Changes in Net Assets  
(in thousands of dollars)

Years ended March 31, 2006 and 2005

	Invested in capital assets	Restricted for Endowments	Internally restricted	Unrestricted	Total 2006	Total 2005
Balance, beginning of year	\$ 91,479	\$ 9,986	\$ 7,569	\$ (17,996)	\$ 91,038	\$ 87,948
Excess of revenue over expenses (note 13)	(9,295)	-	-	10,100	805	2,354
Net change in invested in capital assets (note 13)	17,844	-	-	(17,844)	-	-
Net transfer of internally restricted funds	-	-	155	(155)	-	-
Endowment contributions	-	936	-	-	936	736
Balance, end of year	\$ 100,028	\$ 10,922	\$ 7,724	\$ (25,895)	\$ 92,779	\$ 91,038

See accompanying notes to consolidated financial statements.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Consolidated Statements of Cash Flows  
(in thousands of dollars)

Years ended March 31, 2006 and 2005

	2006	2005
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 805	\$ 2,354
Items not involving cash:		
Depreciation	18,800	18,583
Employee future benefits	819	656
Asset retirement obligation	191	150
Amortization of deferred contributions:		
Capital	(9,505)	(10,374)
Other	(1,056)	(3,448)
Change in non-cash operating working capital (note 15)	(6,067)	2,073
	3,987	9,994
Investments:		
Additions to capital assets	(39,275)	(22,372)
Investments	(1,199)	(1,185)
	(40,474)	(23,557)
Financing:		
Capital contributions received during the year	22,092	6,458
Other contributions received during the year	2,393	3,582
Endowment donations	936	736
Short-term debt	554	(409)
Long-term debt	1,318	(1,624)
Debt sinking funds	(366)	(322)
	26,927	8,421
Decrease in cash	(9,560)	(5,142)
Cash, beginning of year	17,259	22,401
Cash, end of year	\$ 7,699	\$ 17,259
Cash consists of:		
Cash and cash equivalents	\$ 547	\$ 3,138
Short-term investments	239	10,031
Restricted cash	6,913	4,090
	\$ 7,699	\$ 17,259

Supplementary cash flow information (note 15)

See accompanying notes to consolidated financial statements.



# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements  
(tabular amounts in thousands of dollars)

Years ended March 31, 2006 and 2005

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## 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 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. Significant accounting policies:

### (a) 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 non-profit organization, was incorporated March 30, 1999 under the Society Act (British Columbia). The purpose of the 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., a wholly owned corporation, is incorporated in British Columbia, provides management training in the transportation field and facilitates 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, equity and results of operations of Great Northern Way Campus Trust (the "Trust") (note 5(b)). The Trust is an equal share joint venture between the Institute, Simon Fraser University, the University of British Columbia, and the 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 telecommunications technologies.

BCIT Chile Limitada, a wholly-owned subsidiary, ceased operations during the year, effective May 31, 2005.

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

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements  
(tabular amounts in thousands of dollars)

Years ended March 31, 2006 and 2005

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## 2. Significant accounting policies (continued):

(b) 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.

(c) 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.

(d) 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.

(e) Restricted cash:

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

(f) Investments:

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

(g) 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 \$23.8 million.

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

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Buildings and teaching facilities	40 years
Equipment	4 - 6 years
Computers	4 years
Library books	10 years

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Equipment under capital lease is depreciated on a straight-line basis over the term of the lease.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements  
(tabular amounts in thousands of dollars)

Years ended March 31, 2006 and 2005

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## 2. Significant accounting policies (continued):

### (h) 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 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.

### (i) 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 March 31, 2003 and projected to March 31, 2006. The actuary performing the valuation of the obligation indicated there were no significant factors noted during fiscal 2006 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.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements  
(tabular amounts in thousands of dollars)

Years ended March 31, 2006 and 2005

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## 2. Significant accounting policies (continued):

### (j) 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.

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

### (k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses reported during the 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 results may ultimately differ from these estimates.

## 3. Accounts receivable - other:

	2006	2005
Student	\$ 2,600	\$ 4,781
Trade and other	9,456	4,980
	\$ 12,056	\$ 9,761

## 4. Restricted cash:

Funds externally committed for specific purposes include commitments for renovation projects, capital asset acquisitions and other special projects undertaken by the Institute.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements  
(tabular amounts in thousands of dollars)

Years ended March 31, 2006 and 2005

## 5. Investments:

### (a) Portfolio investments:

Investments as at March 31 are comprised of:

	2006	2005
Fixed income securities	\$ 11,750	\$ 10,362
Equity investments	7,813	8,002
	\$ 19,563	\$ 18,364
Market value as at March 31	\$ 21,492	\$ 19,233

### (b) Great Northern Way Campus Trust Joint Venture:

A summarized balance sheet, statement of operations and cash flows as at March 31, 2006 and for the year then ended are as follows:

	Trust	25% share
Current assets	\$ 81	\$ (20)
Long-term assets	52,898	13,225
Current liabilities	6,767	1,692
Long-term liabilities	15,000	3,750
Revenue	1,779	445
Expenses	3,254	814
Deficiency in revenue over expenses	(1,475)	(369)
Cash flows provided by (used in):		
Operating activities	(1,164)	(291)
Financing activities	7,331	1,833
Investing activities	(6,607)	(1,652)

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

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements  
(tabular amounts in thousands of dollars)

Years ended March 31, 2006 and 2005

## 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 totaling \$2,033,000 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.

## 7. Capital assets:

	Cost	Accumulated amortization	2006 Net book value	2005 Net book value
Land	\$ 51,805	\$ -	\$ 51,805	\$ 49,621
Buildings	239,293	61,478	177,815	160,941
Equipment	119,461	90,906	28,555	25,211
Computers	64,091	53,463	10,628	12,820
Library books	9,160	8,512	648	1,035
Teaching facilities	2,518	1,246	1,272	1,311
Leased equipment	8,086	5,518	2,568	1,877
	\$ 494,414	\$ 221,123	\$ 273,291	\$ 252,816

## 8. Asset retirement obligation:

The Institute has recorded an asset retirement obligation for the estimated costs of restoring certain facilities to their original condition. The present value of the future asset retirement obligation at the initial measurement was \$960,000. The following is a reconciliation of the changes in the asset retirement obligation during the year.

	2006	2005
Balance, beginning of year	\$ 2,385	\$ 2,235
Liabilities incurred during the year	-	27
Accretion expense	191	150
Less liabilities settled	-	(27)
Balance, end of year	\$ 2,576	\$ 2,385

The accretion expense is included in interest expense. The undiscounted estimated cash flows required to settle the obligation are approximately \$3,156,000 to be paid during the years 2005 to 2020. The cash flows are discounted using a credit-adjusted risk-free rate of 8%.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements  
(tabular amounts in thousands of dollars)

Years ended March 31, 2006 and 2005

## 9. Short-term debt:

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

	2006	2005
Term loan	\$ 1,581	\$ 727
Other borrowings	1,200	1,500
	\$ 2,781	\$ 2,227

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 3.51% and the principal is due and payable in full on May 3, 2006.

## 10. Pension plans and employee future benefits:

Institute employees contribute to one of the following three pension plans administered by the British Columbia Pension Corporation: the College Pension Plan, the Municipal Pension Plan and the Public Service Pension Plan (the "Plans"). The Institute contributes to all three plans. The Plans are multi-employer contributory defined benefit pension plans. The details of the surplus or unfunded liability of each plan fund are described in the individual financial statements of the Plans.

All three Plans are jointly trustee pension plans. Joint trusteeship was established effective April 1, 2000 for the College Pension Plan, April 5, 2001 for the Municipal Pension Plan and January 1, 2001 for the Public Service Pension Plan. 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 the Plans. The College Pension Plan has over 11,000 active contributors from college senior administration and instructional staff and approximately 2,900 retired members. The Municipal Pension Plan has about 130,000 active contributors, with approximately 4,900 from colleges. The Public Service Pension Plan has about 51,000 active plan members and approximately 30,000 retired plan members.

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, 2003 indicated an unfunded liability of \$50 million. The most recent valuation for the Municipal Pension Plan as at December 31, 2003 indicated an unfunded liability of \$789 million. The next valuation for both of these plans will be as at August 31, 2006 with results available in 2007. The most recent valuation for the Public Service Pension Plan as at March 31, 2005 indicated an unfunded liability of \$767 million for basic pension benefits. The next valuation will be as at March 31, 2008 with results available in early 2009. The actuary does not attribute portions of the surplus to individual employers.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements  
(tabular amounts in thousands of dollars)

Years ended March 31, 2006 and 2005

## 10. Pension plans and employee future benefits (continued):

Contributions to the plans are expensed in the year they are made, and in the current year amounted to \$8,870,000 (2005 - \$7,180,000).

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 total expense recorded in the financial statements for the year in respect of these benefits amounts to \$1,678,000 (2005 - \$1,651,000).

Information about these benefits is as follows:

	2006	2005
Accrued benefit obligation	\$ 12,613	\$ 12,024
Fair value of plan assets	-	-
Funded status	(12,613)	(12,024)
Balance of unamortized amounts	2,991	3,221
Accrued benefit liability	\$ (9,622)	\$ (8,803)

The obligation is not presently funded.

The significant assumptions used are as follows:

	2006	2005
Accrued benefit obligations as of March 31:		
Discount rate	6.5%	6.5%
Benefit cost for years ended March 31:		
Discount rate	5.5%	5.5%
Assumed health care cost trend rates at March 31	3.5% to 11%	3.5% to 11%

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

	2006	2005
Employer contributions	\$ 859	\$ 995



# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements  
(tabular amounts in thousands of dollars)

Years ended March 31, 2006 and 2005

## 11. Long-term debt:

	2006	2005
Long-term debt	\$ 28,547	\$ 27,662
Capital lease obligations	2,671	2,238
	31,218	29,900
Less current portion	3,735	1,519
	\$ 27,483	\$ 28,381

### (a) Long-term debt:

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

	2006	2005
Province of British Columbia, 8% bond, due 2023	\$ 22,888	\$ 22,888
Royal Bank of Canada, 5.55% mortgage, due August 29, 2013	2,134	2,204
UBC Properties Investment Ltd., (note 1)	3,525	2,570
	28,547	27,662
Less current portion of long-term debt	2,575	71
	\$ 25,972	\$ 27,591

The Institute makes contributions to the sinking funds each year to repay the bond at maturity (note 6). Principal is due and payable in full on 2023.

Mortgage payments, including principal and interest, are paid to Royal Bank of Canada at \$15,945 per month for the remaining term of the mortgage. The mortgage is secured by a charge against a portion of the student residences.

#### Note 1:

Interest payments are made to UBC Properties Investment Ltd. semi-annually for the term of the mortgage. The interest rate is 5.47% per annum on the first \$2,500,000 balance, payable monthly, with the principal due on demand. The interest rate on the remaining \$1,025,000 is prime plus 1.5% per annum until June 14, 2006 and prime plus 1% per annum thereafter with interest only payments until the maturity date of December 15, 2014 at which time the full principal is due.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements  
(tabular amounts in thousands of dollars)

Years ended March 31, 2006 and 2005

## 11. Long-term debt (continued):

(a) Long-term debt (continued):

Principal payments for the next five years are as follows:

	Province of British Columbia	Royal Bank	UBC Properties Investment Ltd.	Total
2007	\$ -	\$ 75	\$ 2,500	\$ 2,575
2008	-	79	-	79
2009	-	84	-	84
2010	-	88	-	88
2011	-	94	-	94
Thereafter	22,888	1,714	1,025	25,627
	\$ 22,888	\$ 2,134	\$ 3,525	\$ 28,547

(b) Capital lease obligations:

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

2007	\$ 1,415
2008	1,053
2009	437
	2,905
Less payment representing implicit interest rates	234
Present value of minimum capital lease payments	2,671
Less current portion	1,160
	\$ 1,511

## 12. Deferred contributions:

The balance is made up of the following:

(a) 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.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements  
(tabular amounts in thousands of dollars)

Years ended March 31, 2006 and 2005

## 12. Deferred contributions (continued):

### (a) Capital (continued):

	2006	2005
Balance, beginning of year	\$ 130,434	\$ 134,350
Contributions received during the year	22,092	6,458
Less amounts amortized to revenue	(9,505)	(10,374)
Balance, end of year	\$ 143,021	\$ 130,434

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

	2006	2005
Unamortized capital contributions used to purchase assets	\$ 138,304	\$ 128,250
Unspent capital funding	4,717	2,184
	\$ 143,021	\$ 130,434

### (b) Other:

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

Changes in deferred contributions are as follows:

	2006	2005
Balance, beginning of year	\$ 1,906	\$ 1,772
Contributions received during the year relating to future periods	2,393	3,582
Less amounts recognized as revenue	(1,056)	(3,448)
Balance, end of year	\$ 3,243	\$ 1,906

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements  
(tabular amounts in thousands of dollars)

Years ended March 31, 2006 and 2005

## 13. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2006	2005
Capital assets	\$ 273,291	\$ 252,816
Amounts financed by:		
Deferred capital contributions	(138,304)	(128,250)
Long-term debt	(31,218)	(29,900)
Short-term debt	(2,781)	(2,227)
Asset retirement obligations	(960)	(960)
	\$ 100,028	\$ 91,479

(b) Excess of revenue over expenses:

	2006	2005
Amortization of deferred capital contributions	\$ 9,505	\$ 10,374
Depreciation expense	(18,800)	(18,583)
	\$ (9,295)	\$ (8,209)

(c) Change in net assets invested in capital assets:

	2006	2005
Purchase of capital assets	\$ 39,275	\$ 22,372
Amounts funded by deferred capital contributions	(22,092)	(6,458)
Change in unspent capital contributions	2,533	(1,971)
Payment (issuance) of long-term debt	(1,318)	1,624
Payment (issuance) of short-term debt	(554)	409
	\$ 17,844	\$ 15,976

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements  
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Years ended March 31, 2006 and 2005

## 14. Commitments and contingencies:

- (a) Total commitments under construction contracts for capital projects as at March 31, 2006 were \$43,570,949 (2005 - \$714,562). Of this amount, \$41,300,000 is for Aerospace Training Centre. As at March 31, 2006, the Institute has received \$10,310,500 funding in deferred capital contributions and expects to receive additional funding in the future.
- (b) Commitments under operating leases for facilities and equipment, for the next five fiscal years and thereafter, are as follows:

2007	\$ 1,527,500
2008	1,480,000
2009	1,360,000
2010	1,240,000
2011	1,000,000

- (c) 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.

## 15. Supplementary cash flow information:

- (a) Change in non-cash operating working capital:

	2006	2005
Accounts receivable	\$ (3,008)	\$ (2,033)
Inventories	(126)	169
Prepaid expenses	3	(405)
Accounts payable and accrued liabilities	(3,226)	3,196
Deferred tuition fees	290	1,146
	\$ (6,067)	\$ 2,073

- (b) During the year, interest of \$2,836,000 (2005 - \$2,351,000) was paid.
- (c) Non-cash transactions:

	2006	2005
Receipt of gifts in kind	\$ 2,725	\$ 1,132

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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## **16. Financial instruments:**

The Institute's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, investments, debt sinking fund deposits, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the Institute is not exposed to any significant credit or interest rate risk as a result of these financial instruments. Interest rates have been fixed for all long-term debt and capital leases.

The fair value of debt sinking fund deposits and long-term debt at March 31, 2006 is \$3,167,890 and \$39,802,775, respectively.

For all other classes of financial instruments shown in these financial statements, management considers that the carrying amounts approximate fair values due to the immediate or short-term maturity of these financial instruments.

## **17. Comparative figures:**

Certain of the comparative figures have been reclassified to conform with current year's financial statement presentation.