

Consolidated Financial Statements of

**BRITISH COLUMBIA INSTITUTE  
OF TECHNOLOGY**

Year ended March 31, 2007

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Consolidated Financial Statements

Year ended March 31, 2007

Management Report

Auditors' Report

Consolidated Financial Statements

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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.

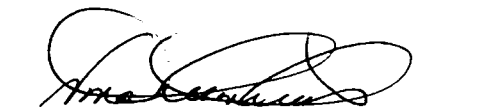
The management of the Institute maintains the necessary system of internal controls to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The controls are monitored by the Institute's internal auditor.

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.



Verna Magee-Shepherd  
Acting President



Nina Leemhuis, CGA  
Chief Financial Officer



**KPMG LLP**  
**Chartered Accountants**  
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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, 2007 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Burnaby, Canada

May 4, 2007

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Consolidated Statement of Financial Position  
(in thousands of dollars)

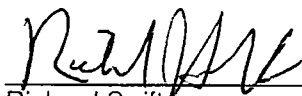
March 31, 2007, with comparative figures for 2006

	2007	2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ (2,807)	\$ 547
Short-term investments	82	239
Accounts receivable:		
Province of British Columbia	2,166	1,214
Other (note 4)	8,409	12,056
Inventories	1,792	1,672
Prepaid expenses	342	514
	9,984	16,242
Restricted cash (note 5)	7,232	6,913
Investments (note 6)	30,055	19,563
Debt sinking funds (note 7)	3,960	2,565
Capital assets, including intangible assets (note 8)	320,379	273,291
Goodwill (note 3)	387	-
	\$ 371,997	\$ 318,574
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 22,580	\$ 17,944
Deferred tuition fees	15,291	15,390
Short-term debt (note 10)	1,086	2,781
Current portion of long-term liabilities (note 12)	8,051	3,735
	47,008	39,850
Employee future benefits (note 11)	10,650	9,622
Asset retirement obligation (note 9)	2,782	2,576
Long-term liabilities (note 12)	61,362	27,483
Deferred contributions (note 13):		
Capital	148,906	143,021
Other	3,478	3,243
Net assets:		
Invested in capital assets (note 14)	110,289	100,028
Endowments	16,012	10,922
Internally restricted	10,745	7,724
Unrestricted	(39,235)	(25,895)
	97,811	92,779
	\$ 371,997	\$ 318,574

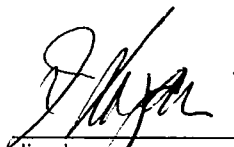
Commitments and contingencies (note 15)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Richard Swift  
Chair, Board of Governors



Jim Logan  
Chair, Audit & Finance Committee

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Consolidated Statement of Operations  
(in thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Grants - Province of British Columbia	\$ 119,383	\$ 110,672
Tuition fees	73,833	74,017
Ancillary revenue	13,286	12,871
Industry services	12,980	16,726
Facilities rental, cost recoveries and other income	9,462	9,545
Investment income	3,527	2,201
Gifts and donations	1,727	1,032
Amortization of deferred contributions (note 13):		
Capital	9,595	9,505
Other	1,915	1,056
	<u>245,708</u>	<u>237,625</u>
Expenses:		
Salaries and wages	138,058	129,103
Employee benefits	23,891	23,575
Depreciation	19,445	18,800
Fees for service	12,992	13,688
Supplies and general	10,346	11,333
Repairs and maintenance	8,690	8,030
Cost of sales	6,274	6,190
Professional development	6,272	5,870
Utilities	4,548	4,045
Capital and equipment leases	3,396	3,682
Student awards	3,233	3,084
Printing and advertising	2,650	2,777
Interest	2,431	2,949
Banking and insurance	1,918	1,952
Telecommunications	1,847	1,742
	<u>245,991</u>	<u>236,820</u>
Excess (deficiency) of revenue over expenses	\$ (283)	\$ 805

See accompanying notes to consolidated financial statements.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2007, with comparative figures for 2006

	Invested in capital assets	Restricted for endowments	Internally restricted	Unrestricted	Total 2007	Total 2006
Balance, beginning of year	\$ 100,028	\$ 10,922	\$ 7,724	\$ (25,895)	\$ 92,779	\$ 91,038
Excess (deficiency) of revenue over expenses (note 14)	(9,850)	-	2,796	6,771	(283)	805
Net change in invested in capital assets (note 14)	20,111	-	-	(20,111)	-	-
Net transfer of internally restricted funds	-	(225)	225	-	-	-
Endowment contributions	-	5,315	-	-	5,315	936
<b>Balance, end of year</b>	<b>\$ 110,289</b>	<b>\$ 16,012</b>	<b>\$ 10,745</b>	<b>\$ (39,235)</b>	<b>\$ 97,811</b>	<b>\$ 92,779</b>

See accompanying notes to consolidated financial statements.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Consolidated Statements of Cash Flows  
(in thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (283)	\$ 805
Items not involving cash:		
Depreciation	19,445	18,800
Employee future benefits	1,028	819
Asset retirement obligation	206	191
Amortization of deferred contributions:		
Capital	(9,595)	(9,505)
Other	(1,915)	(1,056)
Change in non-cash operating working capital (note 16)	7,319	(6,067)
	16,205	3,987
Investments:		
Additions to capital assets	(66,270)	(39,275)
Investments	(10,492)	(1,199)
Acquisition of Newton College (net of cash acquired of \$57) (note 3)	(685)	-
	(77,447)	(40,474)
Financing:		
Capital contributions received	15,480	22,092
Other contributions received	2,150	2,393
Endowment contributions	5,315	936
Debt sinking funds	(1,395)	(366)
Short-term debt	(1,695)	554
Long-term liabilities	38,195	1,318
	58,050	26,927
Decrease in cash	(3,192)	(9,560)
Cash, beginning of year	7,699	17,259
Cash, end of year	\$ 4,507	\$ 7,699
Cash consists of:		
Cash and cash equivalents	\$ (2,807)	\$ 547
Short-term investments	82	239
Restricted cash	7,232	6,913
	\$ 4,507	\$ 7,699

Supplementary cash flow information (note 16)

See accompanying notes to consolidated financial statements.



# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2007

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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, 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.
- Newton College (Vancouver) Inc. ("Newton College"), a wholly owned corporation, incorporated in British Columbia, provides English language instruction through programs registered with the Government of British Columbia's Private Career Training Institutions Agency. Newton College was acquired by the Institute on December 28, 2006 (note 3).

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 6(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.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2007

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## 2. Significant accounting policies (continued):

(a) Basis of presentation (continued):

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

(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	6 years
Computers	4 years
Library books	10 years

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# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2007

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## 2. Significant accounting policies (continued):

### (g) Capital assets (continued):

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

### (h) Intangible assets:

Intangible assets are comprised of curriculum acquired. Amortization is provided for on a straight-line basis over the estimated useful life of five years. Management reviews the carrying value of intangible assets for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Any impairment loss is recorded when it is determined that the carrying amount of these assets is not recoverable and exceeds their fair value.

### (i) Goodwill:

Goodwill represents the excess of the purchase over the fair values of the net assets acquired, and is not amortized. Management reviews the carrying value of goodwill for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Any excess in carrying value of goodwill over fair value will be charged to income in the period in which the impairment is determined.

### (j) 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.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2007

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## 2. Significant accounting policies (continued):

### (k) 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, 2006 and projected to March 31, 2007. The actuary performing the valuation of the obligation indicated there were no significant factors noted during fiscal 2007 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.

### (l) 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.

### (m) 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.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2007

### 3. Acquisition of Newton College:

On December 28, 2006, the Institute acquired the common shares of Newton College for cash proceeds of \$742,510. This acquisition has been accounted for using the purchase method, and the operating results of Newton College have been consolidated into the operations of the Institute since the date of acquisition, December 28, 2006. The fair value of the assets and liabilities acquired are as follows:

Assets acquired:		
Cash	\$	57
Working capital		60
Capital assets		23
Investment in curriculums		240
Goodwill		387
		<hr/> 767
Liabilities assumed:		
Deferred tuition fees		25
<hr/>		
Total consideration:		
Net assets acquired for cash	\$	742

### 4. Accounts receivable - other:

	2007	2006
Student	\$ 1,414	\$ 2,600
Trade and other	6,995	9,456
	<hr/> \$ 8,409	<hr/> \$ 12,056

### 5. 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)

Year ended March 31, 2007

## 6. Investments:

### (a) Portfolio investments:

Investments as at March 31 are comprised of:

	2007	2006
Fixed income securities	\$ 13,462	\$ 11,750
Equity investments	16,593	7,813
	\$ 30,055	\$ 19,563
Market value as at March 31	\$ 32,414	\$ 21,492

### (b) Great Northern Way Campus Trust joint venture:

A summarized balance sheet, statement of operations and cash flows as at March 31, 2007 and for the year then ended are as follows:

	Trust	25% share
Current assets	\$ 40,598	\$ 10,149
Long-term assets	52,788	13,197
Current liabilities	23,366	5,841
Long-term liabilities	22,427	5,607
Revenue	\$ 3,422	\$ 855
Expenses	4,040	1,010
Deficiency of revenue over expenses	\$ (618)	\$ (155)
Cash flows provided by (used in):		
Operating activities	\$ (66)	\$ (17)
Financing activities	41,022	10,256
Investing activities	(39,419)	(9,855)

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)

Year ended March 31, 2007

## 6. Investments (continued):

### (b) Great Northern Way Campus Trust joint venture (continued):

During the year, the Trust received \$40,500,000 in funding from the BC Ministry of Economic Development for the Masters Program in Digital Media and World Centre for Digital Media Education, in partnership with New Media BC, a not-for-profit organization. The Institute has recorded the funding of \$10,125,000, representing its 25% share of the total funding, based on the funding agreement as follows: \$5,000,000 in deferred capital contributions, \$500,000 in deferred contributions - other, \$4,250,000 in endowment and \$375,000 in start-up expenses.

## 7. 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.

## 8. Capital assets, including intangible assets:

	Cost	Accumulated amortization	2007 Net book value	2006 Net book value
Land	\$ 51,869	\$ -	\$ 51,869	\$ 51,805
Buildings	292,610	68,626	223,984	177,815
Equipment	127,564	97,142	30,422	28,555
Computers	68,636	58,383	10,253	10,628
Library books	387	77	310	648
Teaching facilities	9,214	9,097	117	1,272
Leased equipment	10,399	7,203	3,196	2,568
Intangible assets - curriculum acquired	240	12	228	-
	\$ 560,919	\$ 240,540	\$ 320,379	\$ 273,291

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2007

## 9. 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.

	2007	2006
Balance, beginning of year	\$ 2,576	\$ 2,385
Liabilities incurred during the year	-	-
Accretion expense	206	191
Less liabilities settled	-	-
Balance, end of year	\$ 2,782	\$ 2,576

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%.

## 10. Short-term debt:

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

	2007	2006
Term loan	\$ 86	\$ 1,581
Other borrowings	1,000	1,200
	\$ 1,086	\$ 2,781

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 4.2% and the principal is due and payable in full on July 12, 2007.

## 11. Pension plans and employee future benefits:

The Institute's 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.



# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2007

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

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 Plans 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 was performed as at August 31, 2006 with results expected to be available in the fiscal year ending March 31, 2008. 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.

Contributions to the Plans are expensed in the year they are made, and in the current year amounted to \$9,434,000 (2006 - \$8,870,000).

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 \$1,749,000 (2006 - \$1,678,000).

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2007

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

Information about these benefits is as follows:

	2007	2006
Accrued benefit obligation	\$ 13,089	\$ 12,613
Fair value of plan assets	-	-
Funded status	(13,089)	(12,613)
Balance of unamortized amounts	2,439	2,991
Accrued benefit liability	\$ (10,650)	\$ (9,622)

The obligation is not presently funded.

The significant assumptions used are as follows:

	2007	2006
Accrued benefit obligations as of March 31:		
Discount rate	5.0%	6.5%
Benefit cost for years ended March 31:		
Discount rate	5.0%	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:

	2007	2006
Employer contributions	\$ 721	\$ 859

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2007

## 12. Long-term liabilities:

	2007	2006
Long-term debt	\$ 66,109	\$ 28,547
Capital lease obligations	3,304	2,671
	69,413	31,218
Less current portion	8,051	3,735
	\$ 61,362	\$ 27,483

### (a) Long-term debt:

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

	2007	2006
BC Immigrant Investment Fund, 4.95% due 2011	\$ 35,500	\$ -
Province of British Columbia, 8% bond, due 2023	22,888	22,888
Royal Bank of Canada, 5.55% mortgage, due August 29, 2013	2,058	2,134
UBC Properties Investment Ltd., (i)	5,663	3,525
	66,109	28,547
Less current portion of long-term debt	6,432	2,575
	\$ 59,677	\$ 25,972

The Institute makes contributions to the sinking funds each year to repay the bond at maturity (note 7). 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.

(i) 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 and prime plus 0.65% on the remaining balance, payable monthly with the principal due on demand.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2007

## 12. Long-term liabilities (continued):

### (a) Long-term debt (continued):

Principal payments for the next five years are as follows:

	BC Immigrant Fund	Province of British Columbia	Royal Bank	UBC Properties Investment Ltd.	Total
2008	\$ 690	\$ -	\$ 79	\$ 5,663	\$ 6,432
2009	1,183	-	84	-	1,267
2010	1,183	-	89	-	1,272
2011	1,183	-	93	-	1,276
2012	31,261	-	99	-	31,360
Thereafter	-	22,888	1,614	-	24,502
	\$ 35,500	\$ 22,888	\$ 2,058	\$ 5,663	\$ 66,109

### (b) Capital lease obligations:

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

2008	\$ 1,673
2009	1,058
2010	513
2011	107
	3,351
Less payment representing implicit interest rates	(47)
Present value of minimum capital lease payments	3,304
Less current portion	1,619
	\$ 1,685

## 13. 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.

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(tabular amounts in thousands of dollars)

Year ended March 31, 2007

## 13. Deferred contributions (continued):

### (a) Capital (continued):

	2007	2006
Balance, beginning of year	\$ 143,021	\$ 130,434
Contributions received during the year	15,480	22,092
Less amounts amortized to revenue	(9,595)	(9,505)
Balance, end of year	\$ 148,906	\$ 143,021

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

	2007	2006
Unamortized capital contributions used to purchase assets	\$ 139,018	\$ 138,304
Unspent capital funding	9,888	4,717
	\$ 148,906	\$ 143,021

### (b) Other:

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

Changes in deferred contributions are as follows:

	2007	2006
Balance, beginning of year	\$ 3,243	\$ 1,906
Contributions received during the year relating to future periods	2,150	2,393
Less amounts recognized as revenue	(1,915)	(1,056)
Balance, end of year	\$ 3,478	\$ 3,243

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## 14. Invested in capital assets:

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

	2007	2006
Capital assets, including intangible assets	\$ 320,379	\$ 273,291
Goodwill	387	-
Amounts financed by:		
Deferred capital contributions	(139,018)	(138,304)
Long-term debt	(69,413)	(31,218)
Short-term debt	(1,086)	(2,781)
Asset retirement obligation	(960)	(960)
	\$ 110,289	\$ 100,028

(b) Excess of revenue over expenses:

	2007	2006
Amortization of deferred capital contributions	\$ 9,595	\$ 9,505
Depreciation expense	(19,445)	(18,800)
	\$ (9,850)	\$ (9,295)

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

	2007	2006
Purchase of capital assets, including intangible assets	\$ 66,533	\$ 39,275
Goodwill	387	-
Amounts funded by deferred capital contributions	(15,480)	(22,092)
Change in unspent capital contributions	5,171	2,533
Issuance of long-term liabilities	(38,195)	(1,318)
Issuance of short-term debt	1,695	(554)
	\$ 20,111	\$ 17,844

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## 15. Commitments and contingencies:

- (a) Total commitments under construction contracts for capital projects as at March 31, 2007 were \$22,405,000 (2006 - \$43,570,949). Of this amount, \$18,670,000 is for Aerospace Training Centre.
- (b) Commitments under operating leases for facilities and equipment, for the next five fiscal years, are as follows:

2008	\$	1,334
2009		1,124
2010		936
2011		288
2012		92

- (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.

## 16. Supplementary cash flow information:

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

	2007	2006
Accounts receivable	\$ 2,789	\$ (3,008)
Inventories	(120)	(126)
Prepaid expenses	172	3
Accounts payable and accrued liabilities	4,602	(3,226)
Deferred tuition fees	(124)	290
	\$ 7,319	\$ (6,067)

- (b) During the year, interest of \$ 2,892,000 (2006 - \$2,836,000) was paid.

- (c) Non-cash transactions:

	2007	2006
Receipt of gifts in kind	\$ 2,939	\$ 2,725

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## **17. Financial instruments:**

The Institute's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, investments, debt sinking funds, accounts payable and accrued liabilities and long-term liabilities. 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 funds and long-term debt at March 31, 2007 is \$3,628,705 and \$32,274,560, 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.

## **18. Comparative figures:**

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