

Consolidated Financial Statements of

**BRITISH COLUMBIA INSTITUTE  
OF TECHNOLOGY**

Year ended March 31, 2009

# **BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY**

Consolidated Financial Statements

Year ended March 31, 2009

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.

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



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Don Wright  
President



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Kathy Roberts, CGA  
Controller, Financial Services



## AUDITORS' REPORT

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*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, 2009 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures as at March 31, 2008 and for the year then ended were reported upon by another firm of chartered accountants who expressed an opinion without reservation in their report dated May 9, 2008.

*Grant Thornton LLP*

Vancouver, Canada  
May 15, 2009

Chartered Accountants

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Consolidated Statement of Financial Position  
(in thousands of dollars)

March 31, 2009, with comparative figures for 2008

	2009	2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,517	\$ 11,463
Accounts receivable:		
Province of British Columbia	47	38
Other (note 3)	8,635	9,635
Inventories	1,646	1,541
Prepaid expenses	406	522
	<u>17,251</u>	<u>23,199</u>
Restricted cash (note 4)	9,018	8,425
Investments (note 5)	22,337	22,557
Debt sinking funds (note 6)	5,038	5,128
Capital assets, including intangible assets (note 7)	362,791	342,157
Goodwill	-	387
	<u>\$ 416,435</u>	<u>\$ 401,853</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 20,345	\$ 18,880
Deferred tuition fees	15,824	14,689
Deferred revenue - other	8,558	7,882
Short-term debt (note 9)	1,000	1,688
Current portion of long-term liabilities (note 11)	6,991	8,669
	<u>52,718</u>	<u>51,808</u>
Employee future benefits (note 10)	12,605	12,124
Asset retirement obligation (note 8)	6,739	7,503
Long-term liabilities (note 11)	83,278	83,443
Deferred contributions (note 12):		
Capital	176,583	157,370
Other	3,800	3,455
	<u>335,723</u>	<u>315,703</u>
Net assets:		
Invested in capital assets (note 13)	98,419	95,509
Endowments	19,381	18,163
Internally restricted (note 18)	13,454	15,675
Unrestricted	(50,542)	(43,197)
	<u>80,712</u>	<u>86,150</u>
	<u>\$ 416,435</u>	<u>\$ 401,853</u>

Commitments and contingencies (note 14)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

  
Maureen Enser  
Chair, Board of Governors

  
Pardeep Sangha  
Chair, Audit & Finance Committee

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Consolidated Statement of Operations  
(in thousands of dollars)

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Grants - Province of British Columbia	\$ 124,173	\$ 119,651
Tuition fees	76,620	73,995
Sales and ancillary revenue	13,815	13,743
Industry services	14,088	14,023
Facilities rental, cost recoveries and other income	8,532	9,712
Investment income	(1,608)	663
Gifts and donations	3,212	3,738
Amortization of deferred contributions (note 12):		
Capital	10,402	9,136
Other	1,892	3,006
	<u>251,126</u>	<u>247,667</u>
Expenses:		
Salaries and wages	141,988	142,800
Employee benefits	26,184	25,826
Depreciation	23,546	21,652
Fees for service	12,382	14,766
Supplies and general	11,441	10,376
Repairs and maintenance	13,112	10,347
Cost of sales	6,292	6,472
Professional development	6,996	6,761
Utilities	4,966	4,684
Equipment leases	1,480	2,517
Student awards	3,105	2,983
Printing and advertising	2,870	2,496
Interest	5,801	4,515
Banking and insurance	1,458	1,446
Telecommunications	1,545	1,470
	<u>263,166</u>	<u>259,111</u>
Excess of expenses over revenue	<u>\$ (12,040)</u>	<u>\$ (11,444)</u>

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, 2009, with comparative figures for 2008

	Invested in capital assets	Restricted for endowments	Internally restricted	Unrestricted	Total 2009	Total 2008
Balance, beginning of year	\$ 95,509	\$ 18,163	\$ 15,675	\$ (43,197)	\$ 86,150	\$ 93,482
Transitional adjustment on adoption of financial instrument standards	-	-	-	-	-	2,470
Excess (deficiency) of revenue over expenses (note 13)	(13,144)	-	(2,221)	3,325	(12,040)	(11,444)
Net change in invested in capital assets (note 13)	10,670	-	-	(10,670)	-	-
Land Donation Mathissi Place	5,384	-	-	-	5,384	-
Endowment contributions	-	1,218	-	-	1,218	1,642
Balance, end of year	\$ 98,419	\$ 19,381	\$ 13,454	\$ (50,542)	\$ 80,712	\$ 86,150

See accompanying notes to the consolidated financial statements

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Consolidated Statements of Cash Flows  
(in thousands of dollars)

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operations:		
Excess of expenses over revenue	\$ (12,040)	\$ (11,444)
Items not involving cash:		
Fair value adjustment of investments	3,185	656
Depreciation	23,546	21,652
Employee future benefits	481	1,474
Asset retirement obligation accretion expense	140	195
Amortization of deferred contributions:		
Capital	(10,402)	(9,136)
Other	(1,892)	(3,006)
Change in non-cash operating working capital (note 15)	4,278	4,553
	<u>7,296</u>	<u>4,944</u>
Investments:		
Additions to capital assets	(43,793)	(43,302)
Changes in long-term investments, net	(2,965)	9,312
Asset retirement obligation liabilities settled	(904)	(349)
Donation of Mathissi Place land	5,384	-
	<u>(42,278)</u>	<u>(34,339)</u>
Financing:		
Capital contributions received	29,615	18,018
Other contributions received	2,237	2,983
Endowment contributions	1,218	1,642
Debt sinking funds	90	(1,168)
Short-term debt	(688)	602
Long-term liabilities	(1,843)	22,699
	<u>30,629</u>	<u>44,776</u>
Increase (decrease) in cash	(4,353)	15,381
Cash and cash equivalents, beginning of year	19,888	4,507
Cash and cash equivalents, end of year	<u>\$ 15,535</u>	<u>\$ 19,888</u>
Cash and cash equivalents consists of:		
Cash and cash equivalents	\$ 6,517	\$ 11,463
Restricted cash	9,018	8,425
	<u>\$ 15,535</u>	<u>\$ 19,888</u>

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)

Year ended March 31, 2009

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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.

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.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2009

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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.

During the year, the Institute purchased property from a crown corporation for a nominal amount of \$1. This transaction has been recorded as a gift in kind and the property has been recorded at its fair market value of \$20 million. The Institute has entered into lease agreements for certain portions of the property at nominal rents for periods from 5 years to 15 years.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2009

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## 2. Significant accounting policies (continued):

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

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

Intangible assets, which are comprised of curriculum acquired, are depreciated on a straight-line basis over the estimated useful life of five years.

### (h) 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. During the year, the Institute provided for an impairment of goodwill in the amount of \$387 thousand in the statement of operations.

### (i) 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, 2009

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## 2. Significant accounting policies (continued):

### (j) 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, 2009. The actuary performing the valuation of the obligation indicated there were no significant factors noted during fiscal 2009 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.

### (k) 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.

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

### (l) 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, 2009

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## 2. Significant accounting policies (continued):

### (m) 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 balance sheet and are initially measured at fair market value. Subsequent measurement and recognition of changes in fair value of financial instruments depends 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 balance sheet. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Institute classifies its financial instruments as follows:

- a) Cash and cash equivalents as held for trading
- b) Accounts receivable as loans and receivables
- c) Investments as held for trading
- d) Debt sinking funds as held for trading
- e) Accounts payable and accrued liabilities as other financial liabilities
- f) Short-term debt as other financial liabilities
- g) Long-term liabilities as other financial liabilities

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

### n) Changes in accounting policies

Effective April 1, 2008, the Institute adopted the following new accounting standards:

#### (i) Inventories

The CICA Handbook Section 3031 *Inventories* establish standards for the determination of the cost of inventories and the subsequent recognition as expense, including any write-down to net realizable value and reversals of previous write-downs for increases to net realizable value. Also, guidance is provided related to reclassification of inventory items as property, plant and equipment. The standard requires retrospective application with no restatements of prior year results. The adoption of this standard did not result in any changes in accounting treatment for the year ended March 31, 2009.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2009

## 2. Significant accounting policies (continued):

### (ii) Capital management

The CICA Handbook Section 1535 *Capital Disclosures* requires the Institute to disclose information about the objectives, policies and processes for the management of its capital. The impact of this new accounting standard on the Institute's financial statements is disclosed in note 18.

### o) Future accounting standards

Recent amendments to CICA Handbook Section 4400 *Financial Statement Presentation by Not-for-Profit Organizations* will 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 Section 1540 *Cash Flow Statements* applicable to not-for-profit organizations;
- when a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from each of these two functions to other functions; and
- elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets.

Section 4460 *Disclosure of Related Party Transactions by Not-for-Profit Organizations* has been amended to align the definition of related parties to CICA 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.

Section 4470 *Disclosure of Allocated Expenses by Not-for-Profit Organizations* establishes disclosure standards for a not-for-profit organization that classified its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

These standards will be effective for the Institute's 2010 fiscal year end. Management does not expect the adoption of these sections to have a material effect on the Institute's financial statements.

## 3. Accounts receivable - other:

	2009	2008
Student	\$ 1,124	\$ 1,292
Trade and other	7,511	8,343
	\$ 8,635	\$ 9,635

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2009

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## 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.

## 5. Investments:

### (a) 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 investments and are measured at fair market value with realized and unrealized gains and losses included on the statement of operations.

Investments as at March 31 are comprised of:

	2009	2008
Fixed income securities	\$ 13,821	\$ 13,534
Equity investments	8,516	9,023
	<u>\$ 22,337</u>	<u>\$ 22,557</u>
Historical cost	\$ 25,026	\$ 23,471

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2009

## 5. Investments: (continued)

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

A summarized balance sheet, statement of operations and cash flows as at December 31, 2008 and for the year then ended are as follows:

	Trust	25% share
Current assets	\$ 35,062	\$ 8,766
Long-term assets	47,498	11,874
Current liabilities	19,048	4,762
Long-term liabilities	21,304	5,326
Revenue	\$ 5,269	\$ 1,317
Expenses	(11,764)	(2,941)
Deficiency of revenue over expenses	\$ (6,495)	\$ (1,624)
Cash flows provided by (used in):		
Operating activities	\$ (1,884)	\$ (471)
Financing activities	(8,207)	(2,052)
Investing activities	5,597	1,399

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

## 6. Debt sinking funds:

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



# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2009

## 7. Capital assets, including intangible assets:

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Land	\$ 55,674	\$ -	\$ 55,674	\$ 50,249
Buildings	348,421	84,616	263,805	249,983
Equipment	142,086	117,203	24,883	26,076
Computers	80,317	67,959	12,358	11,314
Library books	438	158	280	290
Teaching facilities	9,963	7,871	2,092	2,168
Leased equipment	10,296	6,597	3,699	1,964
Intangible assets - curriculum acquired	-	-	-	113
	\$ 647,195	\$ 284,404	\$ 362,791	\$ 342,157

## 8. 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.

	2009	2008
Balance, beginning of year	\$ 7,503	\$ 2,782
Accretion expense	140	195
Additions to obligation	-	4,875
Less liabilities settled	(904)	(349)
Balance, end of year	\$ 6,739	\$ 7,503

The accretion expense is included in interest expense. The undiscounted estimated cash flows required to settle the obligation are approximately \$9,180,855 to be paid during the years 2009 to 2020. The cash flows for the initial estimated obligation were discounted using the credit-adjusted risk-free rate of 4.95%.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2009

## 9. Short-term debt:

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

	2009	2008
Term loan	\$ -	\$ 688
Other borrowings	1,000	1,000
	<u>\$ 1,000</u>	<u>\$ 1,688</u>

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 0.36% and the principal is due and payable in full on July 16, 2009. The short term debt is unsecured.

## 10. Pension plans and employee future benefits:

### a) Pension plans

The college and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee 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 11,000 active members from college senior administration and instructional staff and approximately 3,500 retired members. The Municipal Pension Plan has about 150,000 active members, with approximately 5,000 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 million 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 million 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 \$10,497,931 for employer contributions to the plan in fiscal 2009 (2008 - \$9,891,800).

### b) 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.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2009

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

Information about these employee future benefits is as follows:

	2009	2008
Accrued benefit obligation	\$ 11,897	\$ 12,694
Fair value of plan assets	-	-
Funded status	(11,897)	(12,694)
Balance of unamortized amounts	(111)	1,278
Accrued benefit liability	\$ (12,008)	\$ (11,416)
Employer's share of benefits (EI, CPP, Pension)	(597)	(708)
<b>Total Liability</b>	<b>\$ (12,605)</b>	<b>\$ (12,124)</b>

The obligation is not presently funded.

The significant assumptions used are as follows:

	2009	2008
Accrued benefit obligations as of March 31:		
Discount rate	5.0%	5.0%
Benefit cost for years ended March 31:		
Discount rate	7.0%	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:

	2009	2008
Employer contributions	\$ 1,047	\$ 1,048

## 11. Long-term liabilities:

	2009	2008
Long-term debt	\$ 86,636	\$ 90,126
Capital lease obligations	3,633	1,986
	90,269	92,112
Less current portion	6,991	8,669
	<b>\$ 83,278</b>	<b>\$ 83,443</b>

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2009

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

### (a) Long-term debt:

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

	2009	2008
BC Immigrant Investment Fund, 4.95% due 2011 (i)	\$ 58,102	\$ 59,383
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)	1,896	1,980
UBC Properties Investment Ltd., (iv)	3,750	5,875
	86,636	90,126
Less current portion of long-term debt	5,183	7,239
	\$ 81,453	\$ 82,887

- (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 6). Principal is due and payable in full on 2023. The bond is unsecured.
- (iii) Principal and interest payments are made to Royal Bank of Canada at \$15,945 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 \$10,000,000 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.

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2009

## 11. Long-term liabilities (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
2010	\$ 1,345	\$ -	\$ 88	\$ 3,750	\$ 5,183
2011	1,415	-	93	-	1,508
2012	55,342	-	99	-	55,441
2013	-	-	1,616	-	1,616
2014	-	-	-	-	-
Thereafter	-	22,888	-	-	22,888
	\$ 58,102	\$ 22,888	\$ 1,896	\$ 3,750	\$ 86,636

### (b) Capital lease obligations:

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

2010	\$ 1,994
2011	1,466
2012	260
2013	20
	3,740
Less payment representing implicit interest rates	(107)
Present value of minimum capital lease payments	3,633
Less current portion	1,808
	\$ 1,825

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2009

## 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.

	2009	2008
Balance, beginning of year	\$ 157,370	\$ 148,488
Contributions received during the year	29,615	18,018
Less amounts amortized to revenue	(10,402)	(9,136)
<b>Balance, end of year</b>	<b>\$ 176,583</b>	<b>\$ 157,370</b>

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

	2009	2008
Unamortized capital contributions used to purchase assets	\$ 166,364	\$ 147,400
Unspent capital funding	10,219	9,970
<b></b>	<b>\$ 176,583</b>	<b>\$ 157,370</b>

### (a) Other:

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

Changes in deferred contributions are as follows:

	2009	2008
Balance, beginning of year	\$ 3,455	\$ 3,478
Contributions received during the year relating to future periods	2,237	2,983
Less amounts recognized as revenue	(1,892)	(3,006)
<b>Balance, end of year</b>	<b>\$ 3,800</b>	<b>\$ 3,455</b>

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2009

## 13. Invested in capital assets:

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

	2009	2008
Capital assets, including intangible assets	\$ 362,791	\$ 342,157
Goodwill	-	387
Amounts financed by:		
Deferred capital contributions	(166,364)	(147,400)
Long-term debt	(90,269)	(92,112)
Short-term debt	(1,000)	(1,688)
Asset retirement obligation	(6,739)	(5,835)
	<b>\$ 98,419</b>	<b>\$ 95,509</b>

(b) Excess of revenue over expenses:

	2009	2008
Amortization of deferred capital contributions	\$ 10,402	\$ 9,136
Depreciation expense	(23,546)	(21,652)
	<b>\$ (13,144)</b>	<b>\$ (12,516)</b>

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

	2009	2008
Purchase of capital assets, including intangible assets	\$ 43,793	\$ 48,177
Amounts funded by deferred capital contributions	(29,615)	(18,018)
Change in unspent capital contributions	249	82
Repayment (issuance) of long-term liabilities	1,843	(22,699)
Repayment (issuance) of short-term debt	688	(602)
Change in asset retirement obligation	(904)	(4,875)
	<b>\$ 16,054</b>	<b>\$ 2,065</b>

# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2009

## 14. Commitments and contingencies:

- (a) Total commitments under construction contracts for capital projects as at March 31, 2009 were \$7,691,000.
- (b) 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.
- (c) Commitments under operating leases for facilities and equipment, for the next five fiscal years, are as follows:

2010	\$866
2011	726
2012	680
2013	680
2014	680

## 15. Supplementary cash flow information:

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

	2009	2008
Accounts receivable	\$ 991	\$ 902
Inventories	(105)	251
Prepaid expenses	116	(180)
Accounts payable and accrued liabilities	1,465	(3,700)
Deferred tuition fees	1,135	474
Deferred revenue – other	676	6,806
	\$ 4,278	\$ 4,553

- (b) During the year, interest of \$5,184,800 was paid (2008 - \$4,928,000).

- (c) Non-cash transactions:

	2009	2008
Receipt of gifts in kind	\$ 24,654	\$ 6,667
Transitional adjustment on adoption of Financial instrument standards	-	2,470



# BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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

Year ended March 31, 2009

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## 16. 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 value. Accounts receivable and accounts payable and accrued liabilities approximate their fair values due to their immediate or short term to maturity.

Unless otherwise noted, it is management's opinion that the Institute is not exposed to significant interest, currency or credit risks arising from these financial instruments.

## 17. Comparative figures:

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

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

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.

For the year ended March 31, 2009, the Institute has complied with all externally imposed capital restrictions.