

FINANCIAL STATEMENTS

**BRITISH COLUMBIA FEDERATION
OF STUDENTS**

August 31, 2019



INDEPENDENT AUDITOR'S REPORT

To the Members of
British Columbia Federation of Students

Opinion

We have audited the financial statements of British Columbia Federation of Students (the Federation), which comprise the statement of financial position as at August 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Federation as at August 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Federation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Federation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Federation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Federation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Federation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Federation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Federation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Societies Act, we report that the accounting principles used in these financial statements have been applied on a basis consistent with that of the preceding year.

Tompkins Wozny LLP

Vancouver, Canada
January 16, 2020

Chartered Professional Accountants



STATEMENT OF FINANCIAL POSITION

As at August 31

	2019	2018
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	2,821,106	3,166,015
Accounts receivable <i>[note 4]</i>	984,146	867,396
Prepaid expenses	583,627	319,306
Total current assets	4,388,879	4,352,717
Long-term investments <i>[note 3]</i>	915,189	861,337
Capital assets <i>[note 5]</i>	1,540,489	1,308,744
	6,844,557	6,522,798
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accruals <i>[note 6]</i>	1,641,202	1,758,893
Deferred revenue	46,781	250
Total current liabilities	1,687,983	1,759,143
Net assets		
Invested in capital assets	1,540,489	1,308,744
Internally restricted <i>[note 7]</i>	711,451	411,451
Unrestricted <i>[note 8]</i>	2,904,634	3,043,460
Total net assets	5,156,574	4,763,655
	6,844,557	6,522,798

Contingency *[note 6]*

See accompanying notes to the financial statements

On behalf of the Executive Committee:

Executive

Executive

STATEMENT OF CHANGES IN NET ASSETS

Year ended August 31

	Invested in Capital Assets	Internally Restricted			Unrestricted	Total
		Accessibility Fund	Capital Fund	CFS Legal Defence Fund		
	\$	\$	\$	\$	\$	\$
2019		[note 7]	[note 7]	[note 7]		
Balance, beginning of year	1,308,744	311,451	—	100,000	3,043,460	4,763,655
Excess of revenue for the year	—	—	—	—	392,919	392,919
Internally restricted	—	—	300,000	—	(300,000)	—
Purchase of capital assets	264,578	—	—	—	(264,578)	—
Disposal of capital assets	(5,615)	—	—	—	5,615	—
Amortization	(27,218)	—	—	—	27,218	—
Balance, end of year	1,540,489	311,451	300,000	100,000	2,904,634	5,156,574
2018						
Balance, beginning of year	1,908,616	311,451	—	—	2,046,402	4,266,469
Excess of revenue for the year	—	—	—	—	497,186	497,186
Internally restricted	—	—	—	100,000	(100,000)	—
Purchase of capital assets	444,233	—	—	—	(444,233)	—
Disposal of capital assets	(1,014,135)	—	—	—	1,014,135	—
Amortization	(29,970)	—	—	—	29,970	—
Balance, end of year	1,308,744	311,451	—	100,000	3,043,460	4,763,655

See accompanying notes to the financial statements

STATEMENT OF OPERATIONS

Year ended August 31

	2019	2018
	\$	\$
REVENUE		
Membership fees <i>[note 9]</i>	1,429,240	799,238
Investment income	95,115	47,683
Health and dental consortium fees (net of expenses)	46,113	37,001
Handbook advertising	7,833	—
Provincial allocation	1,567	86,460
	1,579,868	970,382
EXPENSES		
Wages, stipends and benefits <i>[note 10 and 12]</i>	421,918	322,220
Campaigns	202,189	105,575
Field work and membership development	148,182	64,884
General meetings (net of delegate fees)	116,900	70,163
Premises expense	60,378	75,182
Executive meetings	56,262	34,589
Mobile application (net of recoveries)	42,788	57,421
Membership development materials (net of recoveries)	41,371	45,647
Amortization	27,218	29,970
Handbook (net of recoveries)	21,585	18,707
Office	18,802	16,319
Professional fees	20,250	60,735
Communications	9,106	8,077
	1,186,949	909,489
Excess of revenue before other item	392,919	60,893
Gain on sale of building	—	436,293
Excess of revenue for the year	392,919	497,186

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS

Year ended August 31

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue for the year	392,919	497,186
Items not affecting cash		
Amortization of capital assets	27,218	29,970
Unrealized gain on long-term investments	(28,837)	(1,101)
Gain on sale of building	—	(436,293)
Loss on disposal of printer	5,615	—
Changes in other non-cash working capital items		
Accounts receivable	(116,750)	66,580
Prepaid expenses	(264,321)	246,636
Accounts payable and accruals	(117,691)	503,771
Deferred revenue	46,531	(104,254)
Cash provided by (used in) operating activities	(55,316)	802,495
INVESTING ACTIVITIES		
Purchase of building improvements	(346)	(380,248)
Purchase of other capital assets	(264,232)	(63,985)
Proceeds from sale of building (net)	—	1,450,428
Purchase of long-term investments (net)	(25,015)	(26,916)
Cash provided by (used in) investing activities	(289,593)	979,279
Increase (decrease) in cash during the year	(344,909)	1,781,774
Cash and cash equivalents, beginning of year	3,166,015	1,384,241
Cash and cash equivalents, end of year	2,821,106	3,166,015

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

1. NATURE OF OPERATIONS

The British Columbia Federation of Students (the "Federation") is a chartered provincial component of the Canadian Federation of Students and a registered not-for-profit Federation incorporated in the Province of British Columbia. The purpose of the Federation is to organize students on a provincial and national level, on a democratic, co-operative basis, to advance students' interests; to facilitate co-operation among students in organizing services which supplement and enhance the learning experience; and to achieve the goal of a system of post-secondary education which is accessible to all, of high quality, and which recognizes the legitimacy of student representation and the validity of students' rights.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

Use of Estimates

The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the year. Significant areas requiring the use of management estimates relate to membership fee revenue and the determination of net recoverable value of assets, in particular as it relates to useful lives of capital assets. Actual results could differ from these estimates.

Revenue Recognition

Revenue is recognized as it is earned in accordance with the following:

Membership fees and provincial allocations are recognized in the academic term to which the fees apply. The provincial allocation is a payment from the members in recognition of the work performed by the Federation to implement and manage provincial services and campaigns within British Columbia. The provincial allocation is equal to one sixth of national membership fees paid by Federation members in British Columbia.

All other revenue is recognized when received or receivable once collection is reasonably assured.

Measurement of Financial Instruments

The Federation initially measures its financial assets and financial liabilities at fair value. The Federation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets measured at amortized cost include cash and accounts receivable. Financial assets measured at cost are tested for impairment when there are indicators of impairment.

Financial assets measured at fair value include long-term investments.

Financial liabilities measured at amortized cost include accounts payable and accruals.

Cash and Cash Equivalents

Cash is defined as cash on hand, term deposits, and cash on deposit, net of cheques issued and outstanding at the year-end.

The statement of cash flows is prepared on a net cash basis and cash flows from operating and investing activities are presented using the indirect method.

Long-Term Investments

These investments are recorded at their fair market value. Income, gains, losses, and changes in fair market value are recorded as investment income.

Accounts Receivable

Accounts receivable are shown net of management's best estimate of uncollectible amounts.

Capital Assets

Capital assets are written off on a straight-line basis over the following estimated useful lives:

- Building 35 years
- Office equipment and computers 3 years
- Printer 5 years
- Telephones 5 years
- Website 3 years

Amortization is not recorded in the year of disposal.

3. LONG-TERM INVESTMENTS

The Federation's investments, which are recorded at fair market value, are held at a Canadian chartered financial institution and include treasury bills, fixed income, and equities.

	Cost	Market Value
	\$	\$
Long-term investments [2018 - \$786,774 cost; \$861,337 market value]	811,789	915,189

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

4. ACCOUNTS RECEIVABLE

	2019	2018
	\$	\$
Due from Locals		
Membership fees	519,983	355,962
Provincial allocation	—	7,650
Due from CFS & CFS Services <i>[note 6]</i>		
Membership fees	356,785	356,785
Other	—	52,339
Provincial allocation	65,193	65,579
Other	42,185	29,081
Allowance for doubtful accounts	—	—
	984,146	867,396

The exact breakdown of membership fees owed directly by member locals versus those receivable from CFS & CFS Services is based on an estimation.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
2019			
Land - 245 East Columbia	775,028	—	775,028
Building - 245 East Columbia	476,384	27,212	449,172
Office equipment and computers	80,427	39,142	41,285
Printer	34,310	—	34,310
Website	34,905	24,132	10,773
Discount app program	229,921	—	229,921
	1,630,975	90,486	1,540,489
2018			
Land - 245 East Columbia	775,028	—	775,028
Building - 245 East Columbia	476,038	13,601	462,437
Office equipment and computers	80,427	29,208	51,219
Printer	30,882	25,267	5,615
Website	34,905	20,460	14,445
	1,397,280	88,536	1,308,744

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

6. ACCOUNTS PAYABLE AND ACCRUALS

	2019	2018
	\$	\$
Operations	190,621	68,490
Wages and vacation payable	36,722	21,967
CFS & CFS Services	1,413,859	1,668,436
	1,641,202	1,758,893

The Federation, while a separately-incorporated society, operates as the provincial component for the CFS and CFS-Services (collectively "CFS") in British Columbia and implements the work of the organizations in the province. In recognition of this work the CFS provides an allocation of its fee to the Federation, called the provincial allocation. Between 2008 and 2014 member locals in BC provided their combined Federation and CFS membership dues to the CFS, which then forwarded the BC fees and provincial allocation to the Federation.

Beginning in the 2013 fiscal year, the CFS ceased remitting the provincial allocation to the Federation, and early in the 2015 fiscal year the CFS ceased forwarding the Federation's fees. In response to this, BC member locals began remitting fees directly to the Federation. In recognition of historical amounts owed to Federation by CFS, the Executive Committee has resolved to hold all CFS fees remitted to Federation in trust until the parties can reconcile historical accounts payable and receivable.

On June 9, 2018, all Federation member local unions were summarily expelled from the CFS, and the Federation ceased to be the provincial component of the CFS. The expulsion process did not include reconciliation of funds or demands for payment of funds previously collected as CFS membership fees. The Federation has attempted to enter into negotiation for reconciliation of accounts payable and accounts receivable, so far resulting in no response from the CFS. Therefore, the monies will continue to be held in trust pending negotiation or pending the expiration of legal claim from the CFS.

7. INTERNALLY RESTRICTED FUNDS**a) Accessibility Fund**

The Accessibility Fund was established to enhance the accessibility of the Federation, and the services provided by the Federation, to people with disabilities. Disbursements from the fund are at the discretion of the Federation's Executive Committee subject to the purposes of the Fund.

b) Capital Fund

The Capital Fund was established for the purchase, or long-term leasing, of property for the Federation's operations. Since the purchase of the office space, the Federation has maintained the capital fund to provide resources for the maintenance, renovation and repair of this space. Disbursements from the fund shall be approved by the Executive Committee.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

7. INTERNALLY RESTRICTED FUNDS (CONT'D)

c) CFS Legal Defence Fund

The CFS Legal Defence Fund was established to help defray the legal costs of BC member local unions that may arise from exercising their rights under the CFS' bylaws. Disbursement from the fund shall be approved by the Executive Committee.

8. UNRESTRICTED NET ASSETS

The Federation is economically dependent on membership fees to sustain its operation, and the collection of these fees directly relies on mandatory dues collection rights provided to the Federation and its member local unions. The Federation maintains unrestricted net assets to serve as contingency that would ensure stable and ongoing operations should membership fee collection regulations be changed to the Federation's disadvantage.

9. MEMBERSHIP FEE REVENUE

	2019		2018
	Revenue		Revenue
	Revenue	Rec'd to Date	
	\$	\$	\$
Local 1	83,416	83,416	38,084
Local 2	40,679	40,679	18,854
Local 4	71,625	71,625	34,055
Local 5	177,356	84,484	66,930
Local 6	311,706	311,706	115,861
Local 10	39,276	39,276	19,497
Local 12	172,430	172,430	77,749
Local 13	200,946	200,946	92,982
Local 14	26,373	26,373	13,351
Local 15	43,521	43,521	19,431
Local 16	151,005	151,005	100,850
Local 17	95,962	95,962	103,444
Local 20	14,945	14,945	13,578
	1,429,240	1,336,368	714,666
Recovered membership fees - Local 9	—	—	84,572
	1,429,240	1,336,368	799,238

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

10. WAGES, STIPENDS AND BENEFITS

Wages, stipends and benefits include stipends paid to Executive Committee members in the amount of \$137,766 [2018 - \$132,576].

The amount above includes wages, stipends and benefits made to and on the behalf of the following elected personnel during the year:

	\$
Campaigns Coordinator	3,888
Chairperson	54,021
Indigenous Students' Representative	4,011
Secretary-Treasurer	67,970
Services Coordinator	4,011
Women Students' Representative	3,865
	137,766

11. FINANCIAL INSTRUMENTS

The Federation is exposed to various risks through its financial instruments. The following analysis presents the Federation's exposures to significant risk as at August 31, 2019.

Credit Risk

Credit risk is the risk that the Federation will incur a loss due to the failure by its debtors to meet their contractual obligations. The Federation is exposed to credit risk with respect to its cash, short-term investments and accounts receivable. The Federation limits its exposure to credit risk by placing its cash in bank accounts with a credit union.

The Federation assesses, on a continuous basis, accounts receivable on the basis of amounts it is virtually certain to receive and short-term investments are invested with a Canadian financial institution.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Federation is exposed to interest rate risk on its cash and equivalents which are invested in term deposits and the fixed income component of the long term investments.

Liquidity Risk

Liquidity risk is the risk that the Federation will not be able to meet its cash requirements or fund obligations as they become due. The Federation maintains adequate levels of working capital by preparing budgets to ensure all its obligations can be met when they fall due.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

11. FINANCIAL INSTRUMENTS (CONT'D)

Other Price Risk

Other price risk is associated with the equity shares within the long term investments. The value will change with changes to the quoted price whether due to market conditions or company specific events.

12. CONTRACTOR REMUNERATION AND WAGES AND BENEFITS

Pursuant to the British Columbia Societies Act, the Federation is required to disclose contractor fees and wages and benefits paid to employees who are paid \$75,000 or more during the fiscal year.

Wages, stipends and benefits expense includes \$77,128 [2018 - \$86,152] paid to one [2018 - one] employee.

13. COMPARATIVE FIGURES

Certain 2018 comparative figures have been reclassified where necessary to conform to the current year's presentation.