

FINANCIAL STATEMENTS

**BRITISH COLUMBIA FEDERATION
OF STUDENTS**

August 31, 2018



INDEPENDENT AUDITOR'S REPORT

To the Members of
British Columbia Federation of Students

Report on the Financial Statements

We have audited the accompanying financial statements of British Columbia Federation of Students, which comprise the statement of financial position as at August 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Federation's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of British Columbia Federation of Students as at August 31, 2018, 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.

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 10, 2019

Chartered Professional Accountants



STATEMENT OF FINANCIAL POSITION

As at August 31

	2018	2017
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	3,166,015	1,384,241
Accounts receivable [note 4]	867,396	933,976
Prepaid expenses	319,306	565,942
Total current assets	4,352,717	2,884,159
Long-term investments [note 3]	861,337	833,320
Capital assets [note 5]	1,308,744	1,908,616
	6,522,798	5,626,095
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accruals [note 6]	1,758,893	1,255,122
Deferred revenue	250	104,504
Total current liabilities	1,759,143	1,359,626
Net assets		
Invested in capital assets	1,308,744	1,908,616
Internally restricted [note 7]	411,451	311,451
Unrestricted [note 8]	3,043,460	2,046,402
Total net assets	4,763,655	4,266,469
	6,522,798	5,626,095

Subsequent event [note 13]

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
		Disabled Access Fund	Capital Fund	CFS Legal Defence Fund		
	\$	\$	\$	\$	\$	\$
2018		[note 7]	[note 7]	[note 7]		
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
2017						
Balance, beginning of year	1,062,667	311,451	500,000	—	2,388,675	4,262,793
Excess of revenue for the year	—	—	—	—	3,676	3,676
Purchase of capital assets	892,331	—	(500,000)	—	(392,331)	—
Amortization	(46,382)	—	—	—	46,382	—
Balance, end of year	1,908,616	311,451	—	—	2,046,402	4,266,469

See accompanying notes to the financial statements

STATEMENT OF OPERATIONS

Year ended August 31

	2018	2017
	\$	\$
REVENUE		
Membership fees <i>[note 9]</i>	799,238	779,310
Provincial allocation	86,460	127,610
Investment income	47,683	30,424
Health and dental consortium fees (net of expenses)	37,001	46,050
Handbook advertising	—	11,391
	970,382	994,785
EXPENSES		
Wages, stipends and benefits <i>[note 10 and 12]</i>	322,220	330,603
Campaigns	105,575	143,798
Premises expense	75,182	47,762
General meetings (net of delegate fees)	70,163	66,991
Field work and membership development	64,884	62,060
Professional fees <i>[note 12]</i>	60,735	192,669
Mobile application (net of recoveries)	57,421	—
Executive meetings	34,589	27,024
Membership development materials (net of recoveries)	33,569	25,173
Amortization	29,970	46,382
Handbook (net of recoveries)	18,707	25,773
Office	16,319	14,937
Other services	12,078	2,872
Communications	8,077	5,065
	909,489	991,109
Excess of revenue before other item	60,893	3,676
Gain on sale of building	436,293	—
Excess of revenue for the year	497,186	3,676

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS

Year ended August 31

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue for the year	497,186	3,676
Item not affecting cash		
Amortization of capital assets	29,970	46,382
Unrealized loss/(gain) on long-term investments	(1,101)	337
Gain on sale of building	(436,293)	—
Changes in other non-cash working capital items		
Accounts receivable	66,580	(321,919)
Prepaid expenses	246,636	(325,894)
Accounts payable and accruals	503,771	398,909
Deferred revenue	(104,254)	96,639
Cash provided by (used in) operating activities	802,495	(101,870)
INVESTING ACTIVITIES		
Purchase of building improvements	(380,248)	(870,818)
Purchase of other capital assets	(63,985)	(21,513)
Proceeds from sale of building (net)	1,450,428	—
Purchase of long-term investments (net)	(26,916)	(9,901)
Cash provided by (used in) investing activities	979,279	(902,232)
Increase (decrease) in cash during the year	1,781,774	(1,004,102)
Cash and cash equivalents, beginning of year	1,384,241	2,388,343
Cash and cash equivalents, end of year	3,166,015	1,384,241

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

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, 2018

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 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.

	2018	
	Cost	Market Value
	\$	\$
Long-term investments [2017 - \$759,858 cost; \$833,320 market value]	786,774	861,337

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

4. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
Due from Locals		
Membership fees	355,962	378,190
Provincial allocation	7,650	25,877
Due from CFS & CFS Services <i>[note 6]</i>		
Membership fees	356,785	356,785
Other	52,339	52,339
Provincial allocation	65,579	104,707
Other	29,081	16,078
Allowance for doubtful accounts	—	—
	867,396	933,976

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
	\$	\$	\$
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
2017			
Land - 1055 West Broadway	533,598	—	533,598
Building - 1055 West Broadway	687,725	207,188	480,537
Building - 245 East Columbia	870,818	—	870,818
Office equipment and computers	23,461	17,834	5,627
Printer	23,863	23,863	—
Telephones	4,663	4,663	—
Website	34,905	16,869	18,036
	2,179,033	270,417	1,908,616

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

6. ACCOUNTS PAYABLE AND ACCRUALS

	2018	2017
	\$	\$
Operations	68,490	100,622
Wages and vacation payable	21,967	13,440
CFS & CFS Services	1,668,436	1,141,060
	1,758,893	1,255,122

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) Disabled Access Fund**

The Disabled Access 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, 2018

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

	2018		2017
	Revenue		Revenue
	Revenue	Rec'd to Date	Revenue
	\$	\$	\$
Local 1	38,084	38,084	36,911
Local 2	18,854	18,854	20,089
Local 4	34,055	34,055	29,595
Local 5	66,930	66,930	67,160
Local 6	115,861	115,861	105,578
Local 9	0	0	125,000
Local 10	19,497	19,497	19,219
Local 12	77,750	77,750	72,733
Local 13	92,982	92,982	87,651
Local 14	13,351	13,351	12,596
Local 15	19,431	19,431	18,763
Local 16	100,850	100,850	75,087
Local 17	103,444	103,444	95,280
Local 20	13,578	13,578	13,648
	714,667	714,667	779,310
Recovered membership fees - Local 9	84,572	84,572	—
	799,239	799,239	779,310

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

10. WAGES, STIPENDS AND BENEFITS

Wages, stipends and benefits include stipends paid to Executive Committee members in the amount of \$132,576 [2017 - \$125,167].

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

	\$
Indigenous Students' Representative	4,061
Campaigns Coordinator	4,177
Chairperson	62,161
Secretary-Treasurer	54,088
Services Coordinator	4,061
Women Students' Representative	4,028
	<hr/> 132,576 <hr/>

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, 2018.

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 short-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, 2018

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 \$86,152 [2017 - \$Nil] paid to one [2017 - None] employee.

Professional fees expense includes \$Nil [2017 - \$184,261] of legal expenses provided by no [2017 - One] contractor.

13. SUBSEQUENT EVENT

Subsequent to the year-end, the Federation released funds to a former employee of the CFS pursuant to the agreement between the CFS and the employee's union which lists that the payment would be drawn from the monies held in trust by the Federation as agreed by the Federation in 2015.