

**BCNET**  
**Financial Statements**  
**For the year ended March 31, 2021**

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**For the year ended March 31, 2021**

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**CONTENTS**

<b>Management's Responsibility for Financial Reporting .....</b>	<b>2</b>
<b>Independent Auditor's Report .....</b>	<b>3</b>
<b>Statement of Financial Position .....</b>	<b>5</b>
<b>Statement of Operations .....</b>	<b>6</b>
<b>Statement of Net Debt .....</b>	<b>7</b>
<b>Statement of Changes in Accumulated Surplus .....</b>	<b>8</b>
<b>Statement of Cash Flows .....</b>	<b>9</b>
<b>Notes to Financial Statements .....</b>	<b>10</b>
1. Nature of Operations and Summary of Significant Accounting Policies .....	10
2. Tangible Capital Assets .....	13
3. Deferred Operating Grants .....	14
4. Deferred Capital Contributions .....	14
5. Deferred Revenues .....	15
6. Accumulated Surplus .....	15
7. Budget .....	16
8. Expenses by Object .....	16
9. Related Party Transactions .....	16
10. Commitments .....	17
11. Contractual Rights .....	17
12. Pension Plan .....	17
13. Financial Instrument Risk .....	18
14. Segmented Information .....	19
15. Comparative Figures .....	20
16. Significant event – COVID-19 .....	20

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## Management's Responsibility for Financial Reporting

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The financial statements and the information contained in the annual report are the responsibility of the management of BCNET. The financial statements have been prepared in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

The financial statements include, where appropriate, estimates based on the best judgment of management. Financial and operating data elsewhere in the annual report is consistent with that contained in the accompanying financial statements.

As part of its responsibilities, BCNET maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that BCNET's assets are appropriately accounted for and adequately safeguarded.

The Board of BCNET carries out its responsibilities with regard to the financial statements mainly through its Finance and Audit Committee (the "Committee"). The Committee reviews the annual financial statements and other information contained in the annual report and recommends them to the Board for approval. The Committee meets periodically with management and external auditors. Following these meetings, the Committee meets privately with the auditors to ensure free and open discussion of any subject the Committee or the auditors wish to pursue. The Committee also recommends the engagement or re-appointment of the external auditors, reviews the audit approach and approves the fees of the external auditors for audit and non-audit services.

The financial statements, audited by BDO Canada LLP, have been approved by the Board, on the recommendation of the Finance and Audit Committee.

Signed by:



Board Vice-Chair



Chief Financial Officer

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## Independent Auditor's Report

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To the Members of BCNET

### Opinion

We have audited the financial statements of BCNET (the "Entity") which comprise the statement of financial position as at March 31, 2021, and the statements of operations, net debt, changes in reserves 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 of the Entity as at and for the year ended March 31, 2021 are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia (the "Act").

### 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 BCNET 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 opinion.

### Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared in order for BCNET to meet the reporting requirements of the Act referred to above. Note 1(b) to the Financial Statements discloses the impact of these differences between such basis of accounting and Canadian public sector accounting standards. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of the financial statements in accordance with the Act, 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 BCNET'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 BCNET, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 BCNET's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 BCNET'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 BCNET to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within BCNET to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
June 25, 2021

**BCNET**  
**Statement of Financial Position**

	As at March 31 2021	As at March 31 2020
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 4,368,774	\$ 3,041,809
Accounts receivable	338,072	263,637
	<u>4,706,846</u>	<u>3,305,446</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	792,805	1,312,548
Deferred capital contributions (Note 3)	2,747,262	3,199,975
Deferred operating grants (Note 4)	3,448,073	1,437,575
Deferred revenues (Note 5)	1,235,728	1,269,294
	<u>8,223,868</u>	<u>7,219,392</u>
<b>NET DEBT</b>	<b>(3,517,022)</b>	<b>(3,913,946)</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	815,652	657,535
Tangible capital assets (Note 2)	7,025,170	7,391,775
	<u>7,840,822</u>	<u>8,049,310</u>
<b>Accumulated surplus</b>	<b>\$ 4,323,800</b>	<b>\$ 4,135,364</b>

Approved by:



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CEO & President



\_\_\_\_\_  
Matt J Milovick (Jun 29, 2021 14:14 PDT)

\_\_\_\_\_  
Finance & Audit Committee Chair

**BCNET**  
**Statement of Operations**  
**For the year ended March 31**

	<b>Budget</b> (Note 7)	<b>2021</b>	<b>2020</b>
<b>Revenues</b>			
Operating revenue	12,022,346	11,899,802	11,353,636
Operating grants (Note 3)	1,686,648	1,975,908	2,314,898
Capital grants (Note 4)	431,699	452,713	414,310
Pass through services	7,755,129	7,811,890	7,420,275
	<u>\$ 21,895,822</u>	<u>\$ 22,140,313</u>	<u>\$ 21,503,119</u>
<b>Expenses (Note 8)</b>			
Cyber Security & Identity Management	545,485	703,342	654,553
Enterprise Resource Planning Services	6,753,352	6,869,021	6,564,207
General & Administration	2,630,139	2,293,257	2,790,563
Network Services	6,081,752	6,332,987	6,142,756
Professional Development & Training Services	288,468	204,571	215,612
Procurement	767,712	626,009	731,238
Shared Services & Technology	4,657,738	4,922,690	4,315,078
	<u>\$ 21,724,646</u>	<u>\$ 21,951,877</u>	<u>\$ 21,414,007</u>
<b>Annual Surplus</b>	<u><b>\$ 171,176</b></u>	<u><b>\$ 188,436</b></u>	<u><b>\$ 89,112</b></u>

**BCNET**  
**Statement of Net Debt**  
**For the year ended March 31**

	Budget	2021	2020
Annual Surplus	\$ 171,175	\$ 188,436	\$ 89,112
Acquisition of tangible capital assets	(843,600)	(1,085,505)	(1,307,109)
Amortization of tangible capital assets	1,373,006	1,401,552	1,204,881
Loss on disposal of tangible capital assets	-	50,558	-
	<u>529,406</u>	<u>366,605</u>	<u>(102,228)</u>
Acquisition of prepaid expenses	-	(2,181,116)	(1,471,965)
Use of prepaid expenses	-	2,022,999	1,773,288
	<u>-</u>	<u>(158,117)</u>	<u>301,323</u>
Changes in net debt for the year	700,581	396,924	288,207
Net debt, beginning of year	(3,913,946)	(3,913,946)	(4,202,153)
<b>Net debt, end of year</b>	<u>\$ (3,213,365)</u>	<u>\$ (3,517,022)</u>	<u>\$ (3,913,946)</u>

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**BCNET**

**Statement of Changes in Accumulated Surplus**  
**For the year ended March 31**

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	<b>Capital Reserve (Note 6)</b>	<b>Operating Reserve (Note 6)</b>	<b>Unrestricted</b>	<b>Total</b>
<b>Balance, April 1, 2020</b>	<b>\$ 2,135,364</b>	<b>\$ 2,000,000</b>	<b>\$ -</b>	<b>\$ 4,135,364</b>
Annual Surplus	-	-	188,436	188,436
Transfer to Capital Reserve	188,436	-	(188,436)	-
<b>Balance March 31, 2021</b>	<b><u>\$ 2,323,800</u></b>	<b><u>\$ 2,000,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,323,800</u></b>

**BCNET**  
**Statement of Cash Flows**  
**For the year ended March 31**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Annual Surplus	\$ 188,436	\$ 89,112
Items not involving cash:		
Amortization of tangible capital assets	1,401,552	1,204,881
Amortization of deferred capital contributions	(452,713)	(414,310)
Loss on disposal of tangible capital assets	50,558	-
Change in non-cash operating working capital:		
Accounts receivable	(74,435)	(31,682)
Prepaid expense	(158,117)	301,323
Accounts payable and accrued liabilities	(519,743)	576,411
Deferred operating grants	2,010,498	(52,849)
Deferred revenue	(33,566)	(311,153)
	2,412,470	1,361,733
<b>Cash flows for capital activities</b>		
Purchase of tangible capital assets	(1,085,505)	(1,307,109)
	(1,085,505)	(1,307,109)
<b>Increase in cash and cash equivalents</b>	1,326,965	54,624
<b>Cash and cash equivalents, beginning of year</b>	3,041,809	2,987,185
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,368,774</b>	<b>\$ 3,041,809</b>
<b>Cash and cash equivalents consist of:</b>		
Cash in Bank	357,505	484,039
Cash equivalents	4,011,269	2,557,770
	<b>\$ 4,368,774</b>	<b>\$ 3,041,809</b>

**1. Nature of Operations and Summary of Significant Accounting Policies**

a) Nature and Purpose of the Organization

BCNET's ("the Corporation") mission is to deliver exceptional value to our members by leveraging our advanced network, fostering collaboration, and building on our expertise.

BCNET is incorporated under the Canada Not-for-profit Corporations Act.

BCNET is a tax-exempt body under Section 149 of the Income Tax Act.

b) Basis of Accounting

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 198/2011 issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that are comprised of generally accepted accounting principles for senior governments in Canada, being Canadian Public Sector Accounting Standards ("PSAS"), or if the Treasury Board makes a regulation, the set of standards and guidelines that are comprised of generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 198/2011 requires that restricted contributions received or receivable for acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital assets are to be deferred and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded.

The basis of accounting that the Corporation has adopted is different from PSAS with respect to the timing of revenue recognition for government transfers. If the Corporation had recorded government transfers under PSAS rather than the accounting policy described in note 1(f), capital contributions recognized as revenue and the annual surplus for the year ended March 31, 2021 would have decreased by \$452,713 (March 31, 2020- \$414,310).

**1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

Consequentially, as at March 31, 2021, deferred capital contributions used to purchase tangible capital assets would have decreased and the accumulated surplus would have increased by \$2,747,262 (March 31, 2020 - \$3,669,975). Under PSAS, the total cash flows from operating, financing, and capital transactions for the years ended March 31, 2021 and 2020 would have been the same as reported in these financial statements.

c) Cash and Cash Equivalents

Cash and cash equivalents are comprised of the amounts held in the Corporation's bank accounts, balances held in the Province's Central Deposit Program (CDP), guaranteed investment certificates with original terms to maturity of less than 90 days, and mutual funds that are readily convertible to cash.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost. Amortization is provided annually on a straight-line basis. Tangible capital assets not yet in service are not amortized. Estimated useful lives are as follows:

Fibre	10 - 15 years
Leasehold Improvements	Over the term of the lease
Office equipment, and computer hardware	3 – 10 years

The Corporation reviews its tangible capital assets for impairment. An impairment loss is recognized for tangible capital assets whenever events or changes in circumstances indicate a tangible capital asset no longer contributes to the Corporation's ability to provide services. The impairment loss is calculated as the difference between the carrying amount and the residual value. The amount of the write-down is recognized as an impairment loss on the Statement of Operations.

e) Leased Assets

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset. The asset is amortized in a manner consistent with tangible capital assets owned by the Corporation. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

**1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

f) Revenue Recognition

Externally restricted contributions are recorded as deferred revenue and then recognized as revenue when the restrictions specified by the contributors are satisfied.

- Contributions for specific purposes other than for the acquisition of tangible capital assets are recorded as deferred revenue and recognized as revenue in the year in which the related expenses are incurred.
- Contributions restricted for capital purposes by external restrictions or the Restricted Contribution Regulation 198/2011 described in note 1(b) are recorded as deferred capital contributions and amortized on a straight-line basis over the useful life of the asset. Amortization commences once the asset is put into use.

Revenue from the provision of services is recorded as the services are performed.

"Pass through services" are software services purchased by BCNET on behalf of members, and directly rebilled to the members.

g) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

h) Financial Instruments

Financial instruments are limited to fixed income instruments and are recorded at fair value when acquired or issued.

**BCNET**  
**Notes to Financial Statements**  
**March 31, 2021**

**2. Tangible Capital Assets**

<b>Cost</b>	<b>2020</b>	<b>Additions</b>	<b>Disposal</b>	<b>2021</b>
Leasehold improvements	\$ 736,013	-	-	\$ 736,013
Office equipment	423,899	32,243	(9,872)	446,270
Computer hardware	8,659,325	1,053,262	(111,729)	9,600,858
Fibre	13,952,508	-	-	13,952,508
Fibre Option	177,370	-	-	177,370
<b>Total</b>	<b>\$ 23,949,116</b>	<b>1,085,505</b>	<b>(121,601)</b>	<b>\$ 24,913,019</b>
<b>Accumulated Amortization</b>	<b>2020</b>	<b>Amortization Expense</b>	<b>Disposal</b>	<b>2021</b>
Leasehold improvements	\$ 218,949	63,126	-	\$ 282,075
Office equipment	355,565	45,818	(9,872)	391,511
Computer hardware	6,195,229	832,523	(61,171)	6,966,581
Fibre	9,787,597	460,085	-	10,247,682
Fibre Option	-	-	-	-
<b>Total</b>	<b>\$ 16,557,340</b>	<b>1,401,552</b>	<b>(71,043)</b>	<b>\$ 17,887,849</b>
<b>Net Book Value</b>	<b>2020</b>			<b>2021</b>
Leasehold improvements	\$ 517,064			\$ 453,938
Office equipment	68,334			54,759
Computer hardware	2,464,096			2,634,277
Fibre	4,164,911			3,704,826
Fibre Option	177,370			177,370
<b>Total</b>	<b>\$ 7,391,775</b>			<b>\$ 7,025,170</b>

**BCNET**  
**Notes to Financial Statements**  
**March 31, 2021**

**2. Tangible Capital Assets (continued)**

"Fibre" refers to certain fibre circuits connecting member organizations that have been purchased or acquired through Indefeasible Right of Use (IRU) and capital lease agreements.

The Corporation has entered into fibre agreements for periods of between ten and twenty years for the use of IRU Fibres to service its members. The Corporation is amortizing these costs over the term of the agreements.

In 2014, the Corporation transferred fibre valued at \$2.5 million to a third party in exchange for an IRU to access a portion of the fibre transferred; and a fibre option to access an additional 350 strand kilometres of fibre and the commitment to connect specified members to the additional fibre. The transaction was measured at the fair value of the fibre transferred which approximates the fair value of the assets received. The remaining option cost will be transferred to the fibre account and amortized once the fibre circuits are identified and in use.

**3. Deferred Operating Grants**

	2020	Received	Amortized to Revenue	2021
Federal	\$ -	\$ 144,523	\$ (144,523)	\$ -
Provincial	1,437,575	3,316,883	(1,306,385)	3,448,073
Other	-	525,000	(525,000)	-
<b>Total</b>	<b>\$ 1,437,575</b>	<b>\$ 3,986,406</b>	<b>\$ (1,975,908)</b>	<b>\$ 3,448,073</b>

The deferred provincial operating grants are restricted for the implementation of Administrative Service Delivery Transformation (ASDT) initiatives and for the expansion of the BCNET network.

**4. Deferred Capital Contributions**

	2020	Received	Amortized to Revenue	2021
Federal	\$ 2,233,141	-	\$ (360,735)	\$ 1,872,406
Provincial	616,291	-	(58,180)	558,111
Other	350,543	-	(33,798)	316,745
<b>Total</b>	<b>\$ 3,199,975</b>	<b>-</b>	<b>\$ (452,713)</b>	<b>\$ 2,747,262</b>

The deferred capital contributions are restricted for the development and support of the Optical Regional Advanced Network.

**BCNET**  
**Notes to Financial Statements**  
**March 31, 2021**

**5. Deferred Revenues**

	<b>2020</b>	<b>Received</b>	<b>Amortized to Revenue</b>	<b>2021</b>
Service contracts	\$ 609,988	\$ 9,344,904	\$ (9,366,716)	\$ 588,176
Conferences & member services	615,241	75,765	(111,920)	579,086
Software customization	44,065	210,501	(186,100)	68,466
<b>Total</b>	<b>\$ 1,269,294</b>	<b>\$ 9,631,170</b>	<b>\$ (9,664,736)</b>	<b>\$ 1,235,728</b>

**6. Accumulated Surplus**

- a) In December 2019, the BCNET Board approved the creation of an Operating Reserve and a Capital Reserve. The target minimum Operating Reserve is to equal two months of operating costs; and has been calculated at \$2,000,000 based on the budget approved by the BCNET Board of Directors at a meeting on December 12, 2018. The balance of any annual surpluses in excess of the \$2,000,000 will be allocated to the Capital Reserve.
- b) The Corporation's Capital Reserve includes amounts invested in tangible capital assets plus any additional funds available for future investments. The Corporation's tangible capital assets are funded either through grants received from CANARIE, the Ministry of Advanced Education, Skills and Training or internally from surpluses generated by the Corporation. The unamortized balance of those assets that are funded internally reflects the funds committed and their future amortization expense.

	<b>2021</b>	<b>2020</b>
Tangible capital assets	\$ 7,025,170	\$ 7,391,775
Amounts financed by:		
Unamortized deferred capital grants	(2,747,262)	(3,669,975)
<b>Invested in Tangible Capital Assets</b>	<b>\$ 4,277,908</b>	<b>\$ 3,721,800</b>
Less: Expected future recoveries from members	(2,000,000)	(2,000,000)
Add: Funds allocated to Capital Reserve	45,892	413,564
<b>Balance in Capital Reserve</b>	<b>\$ 2,323,800</b>	<b>\$ 2,135,364</b>

**BCNET**  
**Notes to Financial Statements**  
**March 31, 2021**

**7. Budget**

The budget for the fiscal year ended March 31, 2021 was approved by the BCNET Board of Directors at a meeting on April 27, 2020.

**8. Expenses by Object**

	<b>Budget</b>		<b>2021</b>		<b>2020</b>
Cost of services	\$ 7,428,566	\$	7,455,614	\$	7,607,053
Staffing	4,290,383		4,538,526		4,367,131
Operating	877,562		698,665		814,665
Amortization	1,373,006		1,452,110		1,204,881
Pass through services	7,755,129		7,806,962		7,420,277
<b>Total</b>	<b>\$ 21,724,646</b>	<b>\$</b>	<b>21,951,877</b>	<b>\$</b>	<b>21,414,007</b>

**9. Related Party Transactions**

During the year, the Corporation entered into the following transactions with its members:

	<b>2021</b>		2020
Revenue	\$ 19,387,826	\$	17,355,016
Fees paid to members	1,585,592		1,595,815

As at March 31, the Corporation had balances due to and from members as follows:

	<b>2021</b>		2020
Receivable from members	\$ 182,947	\$	68,577
Payable to members	254,896		326,302

These transactions are in the normal course of operations and are measured at the exchange value established and agreed to by the related parties.

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**BCNET**  
**Notes to Financial Statements**  
**March 31, 2021**

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**10. Commitments**

The Corporation has commitments for fibre contracts, software licensing and rent that extend to January 2038.

The annual payments due for the next five years and thereafter are as follows:

2022	\$	2,910,298
2023		2,207,723
2024		834,124
2025		458,174
2026		336,700
Thereafter		975,307
<b>Total</b>	<b>\$</b>	<b><u>7,722,326</u></b>

**11. Contractual Rights**

The Corporation has entered into fibre contracts (Note 10) to connect certain member institutions to the BCNET network. In return, the Corporation has received commitments to receive the following revenues from those institutions:

2022	\$	2,514,749
2023		1,788,843
2024		448,622
2025		236,816
2026		142,526
Thereafter		333,217
<b>Total</b>	<b>\$</b>	<b><u>5,464,773</u></b>

**12. Pension Plan**

The employer and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2018, the Plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 contributors from local government.

## **12. Pension Plan (continued)**

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

BCNET paid \$275,684 (2020 - \$204,205) for employer contributions while employees contributed \$245,816 (2020 - \$181,075) to the plan in fiscal 2021.

The next valuation will be as at December 31, 2021, with results available in late 2022.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

## **13. Financial Instrument Risk**

### **Credit risk**

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Corporation to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Corporation limits its exposure to credit risk by placing its cash and cash equivalents with high quality investments. The Corporation's exposure to credit risk with respect to its accounts receivable is low as most receivables are from government sources and member organizations that are primarily government funded.

### **13. Financial Instrument Risk (continued)**

#### Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is exposed to foreign exchange risk through its transactions with U.S. entities. The Corporation limits its exposure to foreign exchange risk by entering into forward derivative contracts on all significant purchases made in U.S. dollars and arranging to rebill most costs to members at equivalent exchange rates.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's risk is limited to the investments held in accordance with its investment Policy.

#### Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation budgets for adequate levels of working capital to ensure all its obligations can be met when they fall due, and a sufficient operating reserve to manage any unexpected fluctuations.

### **14. Segmented Information**

BCNET provides a variety of services to its members. Distinguishable functional segments have been separately disclosed on the Statement of Operations. The segments and services provided are as follows:

#### Cyber Security & Identity Management

We support our members to continuously improve the protection of information. Services include but are not limited to support service for federated identity services and security vulnerability scanning.

#### Enterprise Resource Planning (ERP) Services

The ERP Office provides strategic consulting, expert services, and vendor management services in support of institutional ERP systems.

#### **14. Segmented Information (continued)**

##### Network

The BCNET Advanced Network provides BCNET members with private, dedicated, ultra-high-speed, fibre optic infrastructure and third party managed leased circuit at speeds of up to 100 gigabits per second. The Advanced Network extends over 10,076 (2020 - 10,054) kilometers and directly connects 243 (2020 - 244) colleges, institutes, research universities, federal and provincial laboratory and research institution sites in British Columbia. Our Transit Exchange service offers network peering to help reduce network costs and improve internet performance. A cloud-based virtual router service helps reduce equipment, operating, and facility costs.

##### Professional Development & Training

Our professional development and training service portfolio helps to support our members to train their staff. We investigate member requirements and negotiate competitive pricing with third party organizations. BCNET partners with prominent information Technology companies and Training Providers in the delivery of training.

##### Procurement

BCNET procurement contracts offer the best overall price, help minimize duplication and follow a process compliant with legislative and regulatory requirements.

##### Shared Services & Technology

BCNET facilitates the development of collaborative and innovative technology solutions to support the delivery of education and research. The solutions we offer to our members include: Data-Safe, Digital Signage, EduCloud Backup, EduCloud Server, Kaltura, Moodle, IBM SPSS, TeamDynamix and Video Conferencing.

#### **15. Comparative Figures**

Certain comparative figures have been reclassified to conform to the financial statement presentation in the current year.

#### **16. Significant event – COVID-19**

The COVID-19 pandemic has had a worldwide impact. Although the full impact has yet to be assessed, it is not expected to adversely affect the Corporation's viability.