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**FINANCIAL STATEMENTS**

**KWANTLEN UNIVERSITY COLLEGE  
STUDENT ASSOCIATION**

**December 31, 1997**

** TOMPKINS, <sup>\*</sup>WOZNY & Co.**  
Chartered Accountants

\* denotes incorporated professional

March 24, 1998

**PRIVATE & CONFIDENTIAL**

Mr. Rolando Navarro  
Kwantlen University College Student Association  
12666 - 72nd Avenue  
Surrey, B.C.  
V3W 2M8

Dear Rolando:

We enclose 11 copies (4 bound, 7 unbound) of the financial statements of Kwantlen College Student Association for the period ended December 31, 1997, which is attached to our report as auditors.

Before these statements are circulated, the balance sheets should be signed by Graig and Chris to indicate their approval by the Student Executive as required by the Society Act of British Columbia.

We will forward the charity tax information and post audit letter to the Association some time next week.

If you should have any questions regarding any of the above, please do not hesitate to contact us.

Yours sincerely,

**TOMPKINS, WOZNY & Co.**



Gary Wozny  
Partner

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## AUDITORS' REPORT

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To the Members of  
**Kwantlen University College Student Association**

We have audited the balance sheets of **Kwantlen University College Student Association** as at December 31, 1997 and the statements of revenues, expenditures and equity and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance as to 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 financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Society Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Tompkins, Wozny & Co.*

Vancouver, Canada  
March 13, 1998

Chartered Accountants

**Kwantlen University College Student Association**  
Incorporated under the Society Act of B.C.

**BALANCE SHEET  
OPERATING FUND**

As at December 31

	1997 \$	1996 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash	220,814	232,968
Cash in trust [note 4]	78,745	—
Restricted cash [note 5]	157,000	—
Treasury bills	—	143,579
Investment in bonds and mutual funds (at market value)	116,152	126,013
Accounts receivable - Kwantlen University College	159,334	137,004
- Other	16,426	8,887
Inventory [note 6]	25,886	32,152
Prepaid expenses	12,003	5,491
<b>Total assets</b>	<b>786,360</b>	<b>686,094</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accruals [note 7]	125,279	115,752
Due to Facilities Fund	—	26,285
Deferred fee revenue [note 8]	206,942	194,380
<b>Total current liabilities</b>	<b>332,221</b>	<b>336,417</b>
<b>Equity</b>	<b>454,139</b>	<b>349,677</b>
<b>Total liabilities and equity</b>	<b>786,360</b>	<b>686,094</b>
Contingent liability [note 7]		
Commitment [note 12]		

See accompanying notes

Approved by the Student Executive:

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Treasurer

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**Kwantlen University College Student Association**  
Incorporated under the Society Act of B.C.

**BALANCE SHEET**  
**FACILITIES FUND**

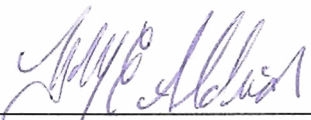
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As at December 31

	1997	1996
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	3,149	442
Restricted cash [note 5]	243,000	—
Investment in bonds (at market value)	20,285	181,354
Due from Operating Fund	—	26,285
<b>Total assets</b>	<b>266,434</b>	<b>208,081</b>
<b>EQUITY</b>		
Equity, beginning of year	208,081	20,600
Transfer from Operating Fund [note 11]	50,000	120,000
Transfer from former Capital Fund	—	60,526
Investment income	8,353	6,955
<b>Total equity, end of year</b>	<b>266,434</b>	<b>208,081</b>

*See accompanying notes*

Approved by the Student Executive:

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Treasurer

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**Kwantlen University College Student Association****STATEMENT OF REVENUES, EXPENDITURES AND EQUITY  
OPERATING FUND**

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Year ended December 31

	1997	1996
	\$	\$
<b>REVENUES</b>		
Activity fees	578,186	555,589
Interest and other	24,286	26,295
Insurance proceeds	11,037	—
Advertising - handbook	6,144	4,012
Locker rentals and sales	5,191	5,565
Arcade games	17,417	11,393
Merchandise sales	9,482	1,043
	<b>651,743</b>	<b>603,897</b>
<b>EXPENDITURES</b>		
Activities	50,530	47,486
Bookkeeping	8,318	20,249
Capital expenditures <i>[note 9]</i>	28,382	102,837
Conference and travel	18,067	9,771
Donations <i>[note 10]</i>	31,184	35,376
Handbook	11,852	19,337
Insurance	5,300	4,395
Membership dues	9,047	2,395
Merchandise	14,147	3,697
Merchandise inventory writedown	—	20,000
Mileage	2,305	3,519
Office, dues, postage, supplies and other	19,765	26,293
Photocopying (net of recoveries)	6,352	10,536
Professional	18,082	10,443
Promotion	8,131	13,612
Scholarships	15,000	500
Student honoraria	58,831	67,659
Telephone	5,290	6,317
Transit (net of revenues)	18,415	8,112
Wages and benefits	162,946	123,840
Writedown of investment in bonds and mutual funds	5,337	—
	<b>497,281</b>	<b>536,374</b>
<b>Excess of revenues for the year</b>	<b>154,462</b>	<b>67,523</b>
Equity, beginning of year	349,677	402,154
Transfers to Facilities Fund <i>[note 11]</i>	(50,000)	(120,000)
<b>Equity, end of year</b>	<b>454,139</b>	<b>349,677</b>

*See accompanying notes*

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Kwantlen University College Student Association

STATEMENT OF CASH FLOWS  
OPERATING FUND

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Year ended December 31

	1997	1996
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenues for the year	154,462	67,523
Changes in non-cash working capital items	(8,026)	20,980
	<u>146,436</u>	<u>88,503</u>
<b>FINANCING ACTIVITIES</b>		
Transfer to Capital Fund	—	(60,526)
Transfer to Facilities Fund (net)	(76,285)	(114,315)
	<u>(76,285)</u>	<u>(174,841)</u>
Increase (decrease) in cash for the year	70,151	(86,338)
Cash and equivalent, beginning of the year	502,560	588,898
Cash and equivalent, end of the year	<u>572,711</u>	<u>502,560</u>
<b>Cash and equivalent consist of:</b>		
Cash	220,814	232,968
Treasury bills	—	143,579
Cash in trust [note 4]	78,745	—
Restricted cash [note 5]	157,000	—
Investment in bonds and mutual funds	116,152	126,013
	<u>572,711</u>	<u>502,560</u>

*See accompanying notes*

NOTES TO FINANCIAL STATEMENTS

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December 31, 1997

**1. PURPOSE OF THE ORGANIZATION**

Kwantlen University College Student Association ("Association") is a non-profit organization incorporated under the Society Act of British Columbia who provides support services and advocacy representation to the student membership.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies used in the preparation of the financial statements:

**[a] Capital Expenditures**

Capital expenditures, except those funded through the Facilities Fund, are charged to the Operating Fund in the year the asset is acquired.

**[b] Facilities Fund**

The Facilities Fund was established for the construction of new physical facilities for the Association. Any interest earned on the Facilities Fund is credited to the fund. Transfers to the fund are at the discretion of the membership [note 11].

**[c] Inventory**

Inventory is valued at the lower of cost and net realizable value.

**[d] Investment in Bonds and Mutual Funds**

Investment in bonds and mutual funds are recorded at the lower of cost and market value.

**[e] Statement Of Cash Flows - Facilities Fund**

A statement of cash flows has not been presented for the Facilities Fund as the information is readily apparent from the financial statements presented.

NOTES TO FINANCIAL STATEMENTS

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December 31, 1997

**3. FINANCIAL INSTRUMENTS**

The Association's financial instruments consist of cash, investment in bonds and mutual funds, accounts receivable, accounts payable and accruals. It is management's opinion that the Association is not exposed to significant interest or credit risks from these financial instruments.

**4. CASH IN TRUST**

During the year, \$78,745 was required to be paid into court with respect to a legal action [note 7].

**5. RESTRICTED CASH**

As at December 31, 1997, \$400,000 was held on behalf of the Association as collateral for the Association's financing commitment relating to the Phase II development [note 12]. The \$400,000 was funded by the Operating Fund (\$157,000) and the Facilities Fund (\$243,000). Subsequent to the year end, the Association advanced an additional \$147,089 to the lender as collateral.

**6. INVENTORY**

	1997	1996
	\$	\$
Merchandise	28,500	49,880
Other	8,786	2,272
Allowance for writedown of merchandise inventory	(11,400)	(20,000)
	<u>25,886</u>	<u>32,152</u>

NOTES TO FINANCIAL STATEMENTS

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December 31, 1997

**7. CONTINGENT LIABILITY**

The Association is a defendant in a legal action commenced by the Canadian Federation of Students (the "CFS"). The legal dispute relates to the calculation of membership fees for the fiscal years 1989 to 1992 and the withdrawal of the Association from the CFS in 1991.

The CFS has filed a claim against the Association for unpaid membership fees for the fiscal years 1989 to 1992 in the amount of \$78,345; unpaid membership fees for the fiscal years 1992 to 1993 and subsequent years (estimated by the CFS to exceed \$200,000); and damages, interest and costs.

While the Association's financial statements include a liability for the fiscal years 1989 to 1992 in the amount of \$69,487 (1996-\$69,487), the Association believes its obligation to the CFS to be \$24,401.

The likelihood of the Association's gain or loss, in the event that the claims are settled or determined at amounts greater or less than \$69,487 is not presently determinable.

The Association believes the CFS's claim for amounts relating to the unpaid membership fees for the fiscal years 1989 to 1992 to be excessive. The Association also believes any other claims are without merit. The Association intends to vigorously defend all of the above claims.

**8. DEFERRED FEE REVENUE**

Deferred fee revenue consists of student activity fees received by December 31, 1997 which relate to the 1998 college school semester.

NOTES TO FINANCIAL STATEMENTS

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December 31, 1997

9. CAPITAL EXPENDITURES

	1997	1996
	\$	\$
Computer equipment and software	15,794	25,619
Photocopiers and card readers	10,693	62,493
Furniture and equipment	1,895	14,725
	<u>28,382</u>	<u>102,837</u>

10. DONATIONS

	1997	1996
	\$	\$
Daycare	15,000	20,000
Emergency Fund	3,800	7,600
Library	5,000	5,000
Recreation services	3,200	—
Other	4,184	2,776
	<u>31,184</u>	<u>35,376</u>

11. TRANSFER TO FACILITIES FUND

The Association has transferred the following amounts from the Operating Fund to the Facilities Fund:

	1997	1996
	\$	\$
Annual budget	50,000	20,000
1995 equity	—	100,000
	<u>50,000</u>	<u>120,000</u>

NOTES TO FINANCIAL STATEMENTS

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December 31, 1997

**12. COMMITMENT**

In March 1996, at the Association's annual general meeting, \$1,600,000 was committed towards the development costs of a new student union building ("Phase II"). In September 1996, the Association entered into an agreement with Kwantlen University College ("College") whereby the College would lease a portion of the new student union building to the Association in exchange for the \$1,600,000 commitment. The space leased by the Association is to be used for their offices, food services, lounge facilities, weight room, games room and a copy centre. The lease will be of a term of 75 years with a rental rate of \$1 per year.

The \$1,600,000 in development costs are expected to be funded by a demand bank loan bearing interest at the CIBC prime rate plus 0.35%. The demand loan proceeds will be advanced as detailed under the terms of the Association's lease with the College. These funds are expected to be advanced to the Association between the period March 1998 and the time the development is substantially completed. The Association will repay the demand bank loan by making principal payments of \$40,000 on both of September 30 and January 31 each year. Interest will be paid monthly from the date of the demand loan drawdown.

The Association's assets and a mortgage over the Association's lease interest in the development will be pledged as collateral for the demand bank loan. As at December 31, 1997, \$400,000 was advanced to the CIBC as collateral for the bank loan [note 5]. Subsequent to the year end, the Association advanced an additional \$147,089 to the CIBC. To date, the Association has not incurred any development costs.

**13. COMPARATIVE FIGURES**

Certain prior year's 1996 comparative figures have been reclassified where necessary to conform to current year's presentation.