
FINANCIAL STATEMENTS

**KWANTLEN UNIVERSITY COLLEGE
STUDENT ASSOCIATION**

December 31, 2002

***TWM* TOMPKINS, WOZNY, MILLER & CO.**
Chartered Accountants

A partnership of incorporated professionals.

AUDITORS' REPORT

To the Members of
Kwantlen University College Student Association

We have audited the statement of financial position of **Kwantlen University College Student Association** as at December 31, 2002 and the statements of operations and changes in fund balances, 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 Canadian 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, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian 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, Miller & Co.

Vancouver, Canada
March 7, 2003

Chartered Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31

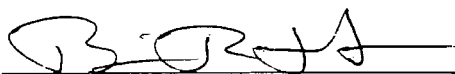
	2002		2001	
	Operating Fund	Capital Asset Fund	Totals	Totals
	\$	\$	\$	\$
ASSETS				
Current				
Cash [note 4]	605,271	281,030	886,301	992,318
Accounts receivable - Kwantlen University College	4,962	1,655	6,617	32,780
- Other	5,884	—	5,884	10,905
Inventory [note 5]	51,171	—	51,171	20,705
Prepaid expenses	33,979	—	33,979	7,775
Total current assets	701,267	282,685	983,952	1,064,483
Long-term investments [note 6]	455,431	456,306	911,737	1,039,899
Interfund receivable	—	241,650	241,650	108,997
Capital assets [note 7]	—	1,590,265	1,590,265	1,708,556
Total assets	1,156,698	2,570,906	3,727,604	3,921,935
LIABILITIES AND FUND BALANCES				
Current liabilities				
Accounts payable and accruals	72,199	—	72,199	57,364
Deferred fee revenue [note 8]	298,868	99,623	398,491	356,257
Restricted contributions [note 9[a]]	289,402	—	289,402	562,075
Current portion of bank loan [note 10]	—	80,000	80,000	80,000
Total current liabilities	660,469	179,623	840,092	1,055,696
Bank loan [note 10]	—	1,240,000	1,240,000	1,320,000
Restricted contributions [note 9[b]]	—	424,960	424,960	329,521
Interfund payable	241,650	—	241,650	108,997
Deferred contributions related to capital assets [note 11]	—	294,536	294,536	225,826
Total liabilities	902,119	2,139,119	3,041,238	3,040,040
Fund balances				
Invested in capital assets	—	(24,271)	(24,271)	82,730
Internally restricted [note 13]	—	456,058	456,058	456,058
Unrestricted	254,579	—	254,579	343,107
Total fund balances	254,579	431,787	686,366	881,895
Total liabilities and fund balances	1,156,698	2,570,906	3,727,604	3,921,935

Other information [note 14]

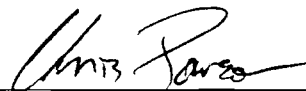
Commitment [note 15]

See accompanying notes

Approved by the Student Executive:



Director of Finance



Director of Operations

**STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCES**

Year ended December 31

	2002		2001
	Operating Fund \$	Capital Asset Fund \$	Totals \$
REVENUES			
Activity fees	696,619	—	696,619
Student Health and Dental Plan <i>[note 9[a]]</i>	744,178	—	744,178
Revenue from restricted funds <i>[note 9[b]]</i>	—	56,767	56,767
Investment (loss) income (net of related expenses)	(39,147)	—	(39,147)
Advertising - handbook	2,127	—	2,127
Locker rentals	8,516	—	8,516
Arcade	5,825	—	5,825
Other	7,387	—	7,387
Amortization of deferred contributions related to capital assets <i>[note 11]</i>	—	11,290	11,290
Leasing - Café Lounge	7,806	—	7,806
Fitness Centre	14,766	—	14,766
	1,448,077	68,057	1,516,134
EXPENSES			
Activities	68,194	—	68,194
Amortization of capital assets	—	138,338	138,338
Campus pipeline project	—	—	—
Common area expenses	16,450	—	16,450
Conferences and travel	11,098	—	11,098
Donations <i>[note 12]</i>	42,690	—	42,690
Executive and rep stipends	134,715	—	134,715
Fitness Centre	—	—	—
Handbook	23,559	—	23,559
Insurance	8,395	—	8,395
Interest expense <i>[9[b]]</i>	—	56,767	56,767
Mileage	2,635	—	2,635
Office, dues, postage, supplies and other	31,136	—	31,136
Photocopying (net of recoveries)	5,084	—	5,084
Professional	19,720	—	19,720
Student Health and Dental Plan <i>[note 9[a]]</i>	744,178	—	744,178
Telephone and fax	8,438	—	8,438
Transit (net of revenues)	(1,051)	—	(1,051)
Wages, subcontractors and benefits	312,608	—	312,608
	1,427,849	195,105	1,622,954
Excess (deficiency) of revenues before other item	20,228	(127,048)	(106,820)
Other item			
Write-down of long term investment <i>[note 6]</i>	(88,709)	—	(88,709)
Deficiency of revenue for the year	(68,481)	(127,048)	(195,529)
Fund balances, beginning of year	343,107	538,788	881,895
Acquisition of capital assets from Operating Fund	(20,047)	20,047	—
Fund balances, end of year	254,579	431,787	686,366

See accompanying notes

STATEMENT OF CASH FLOWS

Year ended December 31

	2002 \$	2001 \$
OPERATING ACTIVITIES		
Deficiency of revenues for the year	(195,529)	(3,020)
Add items not affecting cash		
Amortization of capital assets	138,338	139,224
Amortization of deferred contributions related to capital assets	(11,290)	(8,327)
Write-down of long-term investments	88,709	—
Changes in non-cash working capital items		
Accounts receivable	31,184	(468)
Inventory	(30,466)	11,994
Prepaid expenses	(26,204)	23,060
Accounts payable and accruals	14,835	(59,631)
Deferred fee revenue	42,234	5,174
Cash provided by operating activities	51,811	108,006
FINANCING ACTIVITIES		
Repayment of bank loan	(80,000)	(80,000)
Capital fees assessed	232,206	223,328
Restricted Student Health and Dental Plan fees assessed	471,505	986,758
Restricted Student Health and Dental Plan fees disbursed	(744,178)	(717,173)
Interest expense funded with capital fees	(56,767)	(89,328)
Interest earned on externally restricted funds	—	2,736
Cash provided by (used in) financing activities	(177,234)	326,321
INVESTING ACTIVITIES		
Purchase of long-term investments (net)	39,453	(9,468)
Purchase of capital assets	(20,047)	(21,322)
Cash provided by (used in) investing activities	19,406	(30,790)
Increase (decrease) in cash during the year	(106,017)	403,537
Cash, beginning of year	992,318	588,781
Cash, end of year	886,301	992,318

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

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.

Fund Accounting

Revenues and expenses related to support services and administrative activities are reported in the Operating Fund.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Association's capital assets.

Revenue Recognition

The Association follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Long-Term Investments

Long-term investments are recorded at cost. The carrying value of long-term investments is only written down when a loss in value is considered to be other than a temporary decline.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital Assets

Purchased capital assets are recorded in the Capital Asset Fund at cost. Contributed capital assets are recorded in the Capital Asset Fund at fair value at the date of contribution.

Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

- | | |
|--------------------------------------|----------|
| ▪ Student Association premises | 30 years |
| ▪ Fitness Centre equipment | 5 years |
| ▪ Café Lounge equipment | 5 years |
| ▪ Furniture, equipment and computers | 5 years |

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventory

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

Statement of Cash Flows

The Association's statement of cash flows is prepared on a net cash basis and cash flows from operating activities are reported using the indirect method.

3. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash, accounts receivable, long-term investments, accounts payable and accruals and bank loan. It is management's opinion that the Association is not exposed to significant interest, market or credit risks from these financial instruments, except for the exposure to market risk and interest rate risk applicable to the Association's long-term investments and bank loan.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

4. CASH

Included in cash is \$222,227 [2001 - \$494,743], which is restricted for expenditure on the Student Health and Dental Plan [note 9].

5. INVENTORY

	2002 \$	2001 \$
Tickets and other	18,492	14,469
Transit cards and passes	32,679	6,236
	<u>51,171</u>	<u>20,705</u>

6. LONG-TERM INVESTMENTS

The Association's long-term investments, which are managed by CIBC, consist of investments in various bond, money market and equity pools.

During the year the Association amended its regulations to restrict investments to non-equity instruments. As at December 31, 2002, the Association's long-term investments included investment in equities of \$468,926 (at cost). Given these investments are required to be converted to non-equity instruments, the difference between the cost of \$468,926 (above) and the December 31, 2002 market value of \$380,217 or \$88,709, was recorded as a write-down of long-term investments.

\$330,000 of the investments are held as collateral for the Association's bank loan relating to the student association premises [note 10].

7. CAPITAL ASSETS

	2002			2001
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Student association premises	1,654,664	199,940	1,454,724	1,509,880
Fitness Centre equipment	113,562	71,512	42,050	60,735
Café Lounge equipment	110,648	73,130	37,518	59,012
Furniture, equipment and computers	404,160	348,187	55,973	78,929
	<u>2,283,034</u>	<u>692,769</u>	<u>1,590,265</u>	<u>1,708,556</u>

The Association premises are located on land leased from Kwantlen University College [note 15], and are pledged in support of the Association's bank loan [note 10].

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

8. DEFERRED FEE REVENUE

Deferred fee revenue consists of student activity fees received by December 31, 2002, which relate to the 2003 college school semester.

9. RESTRICTED CONTRIBUTIONS**[a] Externally Restricted – Student Health and Dental Plans**

Restricted contributions included in the Operating Fund represent unspent contributions externally restricted for the Student Health and Dental Plan.

	2002 \$	2001 \$
Balance, beginning of year	562,075	292,490
Add: Contributions – student fees	471,505	986,758
	1,033,580	1,279,248
Less: Insurers' premiums	(717,178)	(690,173)
Student bursaries	(27,000)	(27,000)
Total expenses	(744,178)	(717,173)
Balance, end of year	289,402	562,075

[b] Externally Restricted – Student Association Premises

Restricted contributions included in the Capital Asset Fund represent unspent contributions externally restricted for the payment of principal and interest on the bank loan used to fund the construction of the student association premises.

	2002 \$	2001 \$
Balance, beginning of year	329,521	272,785
Add: Contributions – student activity fees	232,206	223,328
Investment income (net)	—	2,736
Less: Repayment of bank loan	(80,000)	(80,000)
Interest expense	(56,767)	(89,328)
Balance, end of year	424,960	329,521

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

10. BANK LOAN

	2002	2001
	\$	\$
Demand bank loan, bearing interest at CIBC prime rate. Interest is payable on a monthly basis. The loan principal is repayable at \$40,000 on each of September 30 and January 31.	1,320,000	1,400,000
Less: current portion	80,000	80,000
	<u>1,240,000</u>	<u>1,320,000</u>

The Association's assets and a mortgage over the Association's leasehold interest in the student association premises [notes 6 and 7] are pledged as collateral for the loan.

The estimated principal repayments over the next five years are as follows:

	\$
2003	80,000
2004	80,000
2005	80,000
2006	80,000
2007	80,000
Subsequent to 2007	920,000
	<u>1,320,000</u>

11. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets reported in the Capital Asset Fund represent the unamortized portion of restricted contributions expended on debt relating to the student association premises and other capital asset acquisitions. The balance in the account is as follows:

	2002	2001
	\$	\$
Balance, beginning of year	225,826	154,153
Add: Repayment of bank loan used to acquire capital assets	80,000	80,000
Less: Amounts amortized to revenue	(11,290)	(8,327)
Balance, end of year	<u>294,536</u>	<u>225,826</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

12. DONATIONS

	2002 \$	2001 \$
Daycare	15,000	15,000
Emergency Fund	7,000	7,000
Library	5,000	7,000
Single Parents	2,000	2,000
Young Parents	12,000	—
Other	1,690	2,441
	42,690	33,441

13. INTERFUND TRANSFERS AND INTERNALLY RESTRICTED FUND BALANCES

During the year ended December 31, 2002, the Association internally restricted \$Nil [2001 - \$127,877, 2000 - \$138,181] to be used for future capital expansion of student premises. The balance of the internally restricted fund, \$190,000, was set aside during the 1995 to 1997 fiscal years for the same purpose.

14. OTHER INFORMATION

Canadian Federation of Students (“CFS”)

During the December 31, 2000 fiscal year, the Association became a member of the CFS. Kwantlen University College, pursuant to its fee collection agreement with the Association, collects CFS membership fees and remits the amounts directly to CFS. Membership fees collected for the CFS are not included in these financial statements..

15. COMMITMENT

Lease Commitment

The Association leases the space it occupies from Kwantlen University College. The annual lease cost to the Association is \$1 plus its share of common area maintenance expenses. The lease expires in May 2029.

16. COMPARATIVE FIGURES

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