
FINANCIAL STATEMENTS

**KWANTLEN UNIVERSITY COLLEGE
STUDENT ASSOCIATION**

December 31, 2005

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, 2005 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, 2005 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.

Vancouver, Canada
May 26, 2006

“Tompkins, Wozny, Miller & Co.”
Chartered Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31

	2005		2004	
	Operating Fund \$	Capital Asset Fund \$	Totals \$	Totals \$
ASSETS				
Current				
Cash [note 4]	975,561	51,453	1,027,014	970,909
Accounts receivable - Kwantlen University College	208,186	25,750	233,936	248,436
- Other	3,226	—	3,226	659
Inventory [note 5]	14,862	—	14,862	32,468
Current portion of other investments [note 7]	—	9,100	9,100	—
Prepaid expenses	16,283	—	16,283	12,830
Total current assets	1,218,118	86,303	1,304,421	1,265,302
Long-term investments [note 6]	139,821	291,580	431,401	1,187,376
Other investments [note 7]	—	610,900	610,900	—
Interfund receivable	—	223,559	223,559	—
Capital assets [note 8]	—	1,443,140	1,443,140	1,468,195
Total assets	1,357,939	2,655,482	4,013,421	3,920,873
LIABILITIES AND FUND BALANCES				
Current liabilities				
Accounts payable and accruals	121,435	—	121,435	98,275
Deferred fee revenue [note 9]	272,622	90,874	363,496	379,232
Restricted contributions [note 10[a]]	949,305	—	949,305	777,569
Bank loan [note 11]	—	1,080,000	1,080,000	1,160,000
Total current liabilities	1,343,362	1,170,874	2,514,236	2,415,076
Restricted contributions [note 10[b]]	—	665,410	665,410	657,573
Interfund payable	223,559	—	223,559	—
Deferred contributions related to capital assets [note 12]	—	284,255	284,255	171,064
Total liabilities	1,566,921	2,120,539	3,687,460	3,243,713
Fund balances				
Invested in capital assets	—	78,885	78,885	107,358
Internally restricted [note 13]	—	456,058	456,058	456,058
Unrestricted	(208,982)	—	(208,982)	113,744
Total fund balances	(208,982)	534,943	325,961	677,160
Total liabilities and fund balances	1,357,939	2,655,482	4,013,421	3,920,873

Commitment [note 14]

See accompanying notes

Approved by the Student Executive:

 President

 Treasurer

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

Year ended December 31

	2005			2004
	Operating Fund \$	Capital Asset Fund \$	Totals \$	Totals \$
REVENUES				
Activity fees	724,249	—	724,249	745,670
Student Health and Dental Plan <i>[note 10[a]i]</i>	778,562	—	778,562	870,875
Lobbying Fund <i>[note 10[a]ii]</i>	55,820	—	55,820	24,190
Student Health Improvement Program <i>[note 10[a]iii]</i>	—	—	—	255
Bursary Fund <i>[note 10[a]iv]</i>	14,000	—	14,000	—
Revenue from restricted funds <i>[note 10[b]]</i>	—	48,926	48,926	47,999
Investment income (net of related expenses)	95,671	—	95,671	28,702
Locker rentals	5,539	—	5,539	7,274
Other	15,832	—	15,832	24,873
Sales – Café Lounge <i>[schedule 1]</i>	110,075	—	110,075	139,987
Fitness Centre	9,600	—	9,600	12,088
Amortization of deferred contributions related to capital assets <i>[note 12]</i>	—	71,462	71,462	55,156
	1,809,348	120,388	1,929,736	1,957,069
EXPENSES				
Activities	71,164	—	71,164	60,517
Amortization of capital assets	—	99,935	99,935	119,403
Bursary Fund	14,000	—	14,000	—
Café Lounge <i>[schedule 1]</i>	142,693	—	142,693	155,718
Common area expenses	17,725	—	17,725	16,977
Conferences and travel	16,888	—	16,888	14,062
Executive and rep stipends	186,362	—	186,362	153,549
Handbook	30,032	—	30,032	27,557
Insurance	14,709	—	14,709	10,468
Interest expense <i>[note 10[b]]</i>	—	48,926	48,926	47,999
Lobbying Fund <i>[note 10[a] ii]</i>	55,820	—	55,820	24,190
Mileage	3,227	—	3,227	2,557
Office, dues, postage, supplies and other	40,578	—	40,578	33,365
Photocopying (net of recoveries)	8,037	—	8,037	2,801
Professional	105,379	—	105,379	40,242
Repairs and maintenance	6,200	—	6,200	—
Student Health and Dental Plan <i>[note 10[a]i]</i>	778,562	—	778,562	870,875
Student Health Improvement Program <i>[note 10[a]iii]</i>	—	—	—	255
Telephone and fax	13,033	—	13,033	8,072
Transit (net of revenues)	16,023	—	16,023	4,085
Wages, subcontractors and benefits	611,642	—	611,642	444,182
	2,132,074	148,861	2,280,935	2,036,874
Deficiency of revenue for the year	(322,726)	(28,473)	(351,199)	(79,805)
Fund balances, beginning of year	113,744	563,416	677,160	756,965
Fund balances, end of year	(208,982)	534,943	325,961	677,160

See accompanying notes

STATEMENT OF CASH FLOWS

Year ended December 31

	2005	2004
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenues for the year	(351,199)	(79,805)
Add items not affecting cash		
Amortization of capital assets	99,935	119,403
Amortization of deferred contributions related to capital assets	(71,462)	(55,156)
Gain on sale of long-term investments	(63,435)	—
Changes in non-cash working capital items		
Accounts receivable	3,205	(28,099)
Inventory	17,606	(20,734)
Prepaid expenses	(3,453)	(5,798)
Accounts payable and accruals	52,933	(12,402)
Deferred fee revenue	(11,802)	(9,419)
Cash used in operating activities	(327,672)	(92,010)
FINANCING ACTIVITIES		
Repayment of bank loan	(80,000)	(80,000)
Capital student activity fees collected	239,406	235,569
Restricted Student Health and Dental Plan fees collected	949,100	848,947
Restricted Student Health and Dental Plan fees disbursed	(778,562)	(870,875)
Other restricted funds collected	77,822	58,598
Other restricted funds disbursed	(69,820)	(24,445)
Interest expense funded with capital fees	(48,926)	(47,999)
Cash provided by financing activities	289,020	119,795
INVESTING ACTIVITIES		
Increase (decrease) in long-term investments (net)	819,410	(26,391)
Increase in other investments	(620,000)	—
Purchase of capital assets, net of accounts payable of \$Nil [2004 - \$29,773]	(104,653)	(92,418)
Cash provided by (used in) investing activities	94,757	(118,809)
Increase (decrease) in cash during the year	56,105	(91,024)
Cash, beginning of year	970,909	1,061,933
Cash, end of year	1,027,014	970,909
Supplementary information:		
Interest expense paid	48,926	47,999

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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. The Association is exempt from income taxes.

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.

Revenue from student activity fees (Operating Fund) are recognized according to the academic terms they relate to.

Revenue from all other sources is recognized when the service is provided or when the respective goods are sold to the customer.

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, 2005

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, mortgage receivable, promissory note receivable, accounts payable 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, mortgage receivable, promissory note receivable and bank loan.

The fair market value of these financial instruments approximates their carrying value except for the long-term investments, mortgage receivable and promissory note receivable.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

4. CASH

Included in cash is \$706,934 [2004 - \$533,629], which is restricted for expenditure on the Student Health and Dental Plans [note 10[a)i].

5. INVENTORY

	2005	2004
	\$	\$
Café lounge supplies	1,200	2,391
Photocopier cards	—	2,037
Tickets and other	—	17,075
Transit cards and passes	13,662	10,965
	14,862	32,468

6. LONG-TERM INVESTMENTS

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

	2005	2004
	\$	\$
Investments (market value \$466,319 [2004 - \$1,271,697])	431,401	1,187,376

\$320,000 of the investments are held as collateral for the bank loan relating to the Association's premises [note 11].

7. OTHER INVESTMENTS

	2005	2004
	\$	\$
Mortgage receivable - bears interest at 5% and is due January 2008. Monthly repayments of \$3,373 (principal and interest) and is secured by a second charge on the mortgagee's property	580,000	—
Promissory note receivable - bears interest at 5% and is due in January 2008. The note is repayable at \$167 per month, interest only. The note is secured by a second charge on the noteholders property	40,000	—
	620,000	—
Less: Current portion	(9,100)	—
	610,900	—

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

8. CAPITAL ASSETS

	Cost \$	Accumulated Amortization \$	Net Book Value \$
2005			
Student association premises	1,689,049	368,433	1,320,616
Fitness Centre equipment	—	—	—
Café Lounge equipment	138,209	117,686	20,523
Furniture, equipment and computers	554,893	452,892	102,001
	2,382,151	939,011	1,443,140
2004			
Student association premises	1,689,622	311,851	1,377,771
Fitness Centre equipment	113,562	111,950	1,612
Café Lounge equipment	110,649	110,649	—
Furniture, equipment and computers	504,086	415,274	88,812
	2,417,919	949,724	1,468,195

The Association premises are located on land leased from Kwantlen University College [note 14], and are pledged in support of the Association's bank loan [note 11].

9. DEFERRED FEE REVENUE

Deferred fee revenue consists of student activity fees received or receivable by December 31, 2005 which relate to the 2006 college school semester.

10. RESTRICTED CONTRIBUTIONS

a) A summary of the restricted contributions is as follows:

	2005 \$	2004 \$
Students' Health & Dental Plans	897,339	743,416
Lobbying Fund	28,008	22,303
SHIP Fund	6,264	6,264
Bursary Fund	12,070	—
Women's Centre Fund	5,624	5,586
Balance, end of year	949,305	777,569

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

10. RESTRICTED CONTRIBUTIONS (CONT'D)

a) [i] Student Health and Dental Plans (Externally Restricted)

Restricted contributions represent unspent contributions externally restricted for the Student Health and Dental Plan.

	2005 \$	2004 \$
Balance, beginning of year	743,416	702,998
Contributions – student fees	932,485	911,293
	1,675,901	1,614,291
Insurers’ premiums	(751,562)	(839,756)
Student bursaries	(27,000)	(27,000)
Legal fees	—	(4,119)
Total expenses	(778,562)	(870,875)
Balance, end of year	897,339	743,416

a) [ii] Lobbying Fund (Externally Restricted)

Restricted contributions for the Lobbying Fund represent unspent funds collected for lobbying and campaigning.

	2005 \$	2004 \$
Balance, beginning of year	22,303	—
Contributions – student fees	61,525	46,493
Lobbying expenditures	(55,820)	(24,190)
Balance, end of year	28,008	22,303

a) [iii] Students’ Health Improvement Program Fund (“SHIP”) (Externally Restricted)

Restricted contributions for the SHIP Fund represent unspent amounts received for programs to improve students’ health.

	2005 \$	2004 \$
Balance, beginning of year	6,264	—
Contributions	—	6,519
Expenditures made during year	—	(255)
Balance, end of year	6,264	6,264

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

10. RESTRICTED CONTRIBUTIONS (CONT'D)

a) [iv] Bursary Fund (Externally Restricted)

Restricted contributions received and unspent for bursaries.

	2005 \$	2004 \$
Contributions	26,070	—
Bursary expenditures	(14,000)	—
Balance, end of year	12,070	—

a) [v] Women's Centre Fund (Externally Restricted)

Restricted contributions received and unspent for the Women's Centre.

	2005 \$	2004 \$
Balance, beginning of year	5,586	—
Contributions	38	5,586
Balance, end of year	5,624	5,586

b) Externally Restricted – Premises and Capital Asset Acquisitions

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 Association's premises as well as capital asset acquisitions.

	2005 \$	2004 \$
Balance, beginning of year	657,573	537,012
Contributions – student activity fees	241,416	248,560
Repayment of bank loan	(80,000)	(80,000)
Interest expense	(48,926)	(47,999)
Capital assets acquired	(104,653)	—
Balance, end of year	665,410	657,573

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

11. BANK LOAN

	2005	2004
	\$	\$
Demand bank loan, bearing interest at CIBC prime rate. Interest is payable on a monthly basis. The loan principal is repayable at \$40,000 semi-annually on September 30 and January 31.	1,080,000	1,160,000

The Association's assets and a mortgage over the leasehold interest in the Association's premises [notes 6 and 8] are pledged as collateral for the loan.

12. 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 Association's premises and other capital asset acquisitions. The balance in the account is as follows:

	2005	2004
	\$	\$
Balance, beginning of year	171,064	146,220
Repayment of bank loan used to acquire capital assets	80,000	80,000
Capital assets acquired	104,653	—
Amounts amortized to revenue	(71,462)	(55,156)
Balance, end of year	284,255	171,064

13. INTERNALLY RESTRICTED FUND BALANCES

In previous years, the Association internally restricted \$456,058 to be used for expansion of the Association's premises.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

14. COMMITMENT

Lease Commitment

The Association leases space 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.

The estimated common area maintenance expenses over the next five years are as follows:

	\$
2006	17,976
2007	17,976
2008	17,976
2009	17,976
2010	17,976
	89,880

15. COMPARATIVE FIGURES

Certain of the 2004 comparative figures have been reclassified to conform to the presentation adopted in the current year.

**SCHEDULE OF REVENUE AND EXPENSES
- CAFÉ LOUNGE**

December 31, 2005

	2005	2004
	\$	\$
Sales	110,075	139,987
Cost of sales	79,920	95,429
Gross profit	30,155	44,558
Repairs and maintenance	6,192	2,814
Wages and benefits	56,581	57,475
Loss from operations	(32,618)	(15,731)