



Financial Statements of

**UNIVERSITY COLLEGE of the
FRASER VALLEY**

Year ended March 31, 2002



KPMG LLP

Chartered Accountants

32575 Simon Avenue
Abbotsford, BC V2T 4W6
Canada

AUDITORS' REPORT

To the Board of
University College of the Fraser Valley

We have audited the statement of financial position of the University College of the Fraser Valley as at March 31, 2002, the statements of operations and net assets, revenue, expenditure, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University College'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 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 University College as at March 31, 2002 and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads 'KPMG LLP' in a stylized, cursive font.

Chartered Accountants

Abbotsford, British Columbia
May 24, 2002

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Financial Position


March 31, 2002, with comparative figures for 2001

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2002 Total	2001 Total (as restated)
	\$	\$	\$	\$	\$	\$
Assets						
Current assets:						
Cash and term deposits	10,117,350	-	-	2,467,712	12,585,062	6,754,071
Accounts receivable	1,194,694	94,417	-	8,103	1,297,214	1,216,536
Receivable from Ministry of Advanced Education	-	-	-	-	-	1,314,489
Inventories	96,008	748,493	-	-	844,501	823,919
Prepaid expenses	12,512	-	-	-	12,512	8,670
	11,420,564	842,910	-	2,475,815	14,739,289	10,117,685
Capital assets (Note 2)	-	-	64,749,832	-	64,749,832	62,513,331
Interfund balance	-	-	2,599,989	-	2,599,989	1,778,327
	11,420,564	842,910	67,349,821	2,475,815	82,089,110	74,409,343
Liabilities, Deferred Contributions and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities	6,590,633	-	626,560	225	7,217,418	4,574,766
Unearned revenue	3,090,386	-	-	-	3,090,386	2,088,479
	9,681,019	-	626,560	225	10,307,804	6,663,245
Interfund balance	1,952,996	278,200	-	368,793	2,599,989	1,778,327
Deferred contributions (Note 3)	-	-	62,080,161	493,627	62,573,788	60,484,631
Net assets:						
Investment in capital assets (Note 4)	-	-	4,611,946	-	4,611,946	4,452,180
Endowment principal	-	-	-	1,613,170	1,613,170	1,268,113
Internally restricted (Note 5)	656,446	-	31,154	-	687,600	661,017
Unrestricted (deficiency)	(869,897)	564,710	-	-	(305,187)	(898,170)
	(213,451)	564,710	4,643,100	1,613,170	6,607,529	5,483,140
Commitments (Note 8)						
Contingency (Note 9)						
	11,420,564	842,910	67,349,821	2,475,815	82,089,110	74,409,343

See accompanying notes to financial statements.

Approved by:

 Chairman of the Board

 Bursar

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Operations and Net Assets

Year ended March 31, 2002, with comparative figures for 2001

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2002 Total	2001 Total (as restated)
	\$	\$	\$	\$	\$	\$
Revenue	48,188,468	3,760,704	4,381,437	265,868	56,596,477	53,064,498
Expenditures	47,101,234	3,407,542	5,042,501	265,868	55,817,145	52,291,800
Excess (deficiency) of revenue over expenditures	1,087,234	353,162	(661,064)	-	779,332	772,698
Net assets (deficiency), beginning of year, as previously reported	(1,497,789)	599,619	4,492,593	1,268,113	4,862,536	4,107,532
Retroactive restatement (Note 12)	620,604	-	-	-	620,604	334,476
Net assets (deficiency), beginning of year, as restated	(877,185)	599,619	4,492,593	1,268,113	5,483,140	4,442,008
Endowment contributions	-	-	-	345,057	345,057	268,434
Interfund transfers	(423,500)	(388,071)	811,571	-	-	-
	(1,300,685)	211,548	5,304,164	1,613,170	5,828,197	4,710,442
Net assets (deficiency), end of year	(213,451)	564,710	4,643,100	1,613,170	6,607,529	5,483,140

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Revenue

Year ended March 31, 2002, with comparative figures for 2001

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2002 Total	2001 Total (as restated)
	\$	\$	\$	\$	\$	\$
Ministry of Advanced Education						
Grants						
Continuing programs	32,539,515	-	-	-	32,539,515	28,079,903
Temporary programs	-	-	-	-	-	-
Special projects	1,856,574	-	-	-	1,856,574	2,166,856
University start-up program	51,513	-	-	-	51,513	42,075
Leases and property taxes	-	-	124,200	-	124,200	124,200
Total Ministry of Advanced Education						
Grants	34,447,602	-	124,200	-	34,571,802	30,413,034
Tuition Fees						
Continuing programs	7,205,855	-	-	-	7,205,855	7,306,148
Other Income						
Amortization of deferred contributions (Note 3)	-	-	4,192,055	265,868	4,457,923	4,184,699
Contract services	3,438,677	-	-	-	3,438,677	2,661,694
Ancillary services	-	3,760,704	-	-	3,760,704	3,383,853
Investment income	237,564	-	-	-	237,564	154,254
Special projects	2,346,514	-	-	-	2,346,514	4,051,155
Other	512,256	-	65,182	-	577,438	909,661
Total Other Income	6,535,011	3,760,704	4,257,237	265,868	14,818,820	15,345,316
Total Revenue	48,188,468	3,760,704	4,381,437	265,868	56,596,477	53,064,498

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Expenditures

Year ended March 31, 2002, with comparative figures for 2001

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2002 Total	2001 Total
	\$	\$	\$	\$	\$	\$
Salaries and wages	30,848,222	409,240	-	-	31,257,462	28,315,902
Employee benefits	5,265,853	63,436	-	-	5,329,289	5,094,802
Supplies and books	1,736,807	32,690	-	5,845	1,775,342	1,678,438
Travel and conferences	564,354	2,694	-	-	567,048	496,884
Printing and advertising	271,005	2,656	-	-	273,661	228,798
Utilities	1,048,263	6,929	-	-	1,055,192	945,869
Rentals and leases	223,815	26,065	124,200	-	374,080	341,456
Contracted services	659,274	59,782	-	-	719,056	700,440
Other expenditures	1,055,999	32,130	-	-	1,088,129	895,448
University start up program	51,513	-	-	-	51,513	42,075
Special projects	5,376,129	-	-	-	5,376,129	6,350,000
Cost of sales	-	2,744,555	-	-	2,744,555	2,383,189
Amortization of capital assets	-	-	3,639,482	-	3,639,482	3,978,702
Minor equipment and supplies	-	27,365	-	76,020	103,385	50,175
Minor renovations and repairs	-	-	1,278,819	-	1,278,819	629,340
Scholarships and bursaries	-	-	-	184,003	184,003	160,282
Total Expenditures	47,101,234	3,407,542	5,042,501	265,868	55,817,145	52,291,800

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Changes in Net Assets

Year ended March 31, 2002, with comparative figures for 2001

	Investment in Capital Assets	Endowment Principal	Internally Restricted	Unrestricted (Deficiency)	2002 Total	2001 Total (as restated)
	\$	\$	\$	\$	\$	\$
Balance, beginning of year, as previously reported	4,452,180	1,268,113	40,413	(898,170)	4,862,536	4,107,532
Retroactive restatement (Note 12)	-	-	620,604	-	620,604	334,476
Balance, beginning of year, as restated	4,452,180	1,268,113	661,017	(898,170)	5,483,140	4,442,008
Excess (deficiency) of revenue over expenditures	(661,064)	-	35,842	1,404,554	779,332	772,698
Interfund transfers	820,830	-	(9,259)	(811,571)	-	-
Endowment contributions	-	345,057	-	-	345,057	268,434
Balance, end of year	4,611,946	1,613,170	687,600	(305,187)	6,607,529	5,483,140

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
		(as restated)
Cash provided by (used for):		
Operating activities:		
	\$	\$
Excess (deficiency) of revenue over expenditure	779,332	772,698
Change in deferred contributions for operating - net	(148,580)	7,421
Change in deferred contributions for capital - net	2,541,425	449,024
Amortization of capital assets	3,639,482	3,978,702
Net change in non-cash working capital	4,853,946	1,020,865
	<u>11,665,605</u>	<u>6,228,710</u>
Financing and investing activities:		
Purchase of capital assets	(5,875,983)	(2,799,810)
Change in deferred contributions for trust - net	(303,688)	57,534
Endowment contributions	345,057	268,434
	<u>(5,834,614)</u>	<u>(2,473,842)</u>
Net increase in cash and term deposits	<u>5,830,991</u>	<u>3,754,868</u>
Cash and term deposits, beginning of year	<u>6,754,071</u>	<u>2,999,203</u>
Cash and term deposits, end of year	<u>12,585,062</u>	<u>6,754,071</u>

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements

March 31, 2002

General:

University College of the Fraser Valley is a post-secondary educational institution funded by the provincial government and is incorporated under the College and Institutes Act of British Columbia. The University College is exempt from income tax under the Income Tax Act.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements of the University College have been prepared in accordance with accounting principles established by the British Columbia Ministry of Advanced Education for Colleges operating in the Province and conform in all material respects with Canadian generally accepted accounting principles.

(b) Fund accounting:

The University College follows fund accounting practices. Available resources and their related expenditures are recorded in separate funds in accordance with determinations made by the Board and limitations and restrictions imposed by sources outside the University College.

Funds consist of:

Operating - revenue and expenditures relating to general operations.

Capital - investment in capital assets as well as related financing activities.

Ancillary Services - revenue and expenditures relating to the bookstore and to the parking services.

Trust - receipts and disbursements for specific externally restricted purposes such as scholarships and bursaries.

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements

March 31, 2002

1. Significant accounting policies (continued):

(c) Revenue recognition:

The University College follows the deferral method of accounting for contributions which include donations and government grants.

Under the College and Institutes Act and regulations thereto, the University College is funded by the Province of British Columbia in accordance with budget arrangements established by the Ministry of Advanced Education. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2002.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue using rates consistent with the related amortization of the capital asset as per note 1 (f).

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income, specifically investment income earned by endowment funds, is recognized as revenue in the year in which the related expenses, specifically scholarships, bursaries and related costs, are recognized. Unrestricted investment income is recognized as revenue when earned.

(d) Interfund balances:

Interfund balances are without interest or specific terms of repayment.

(e) Inventories:

Inventories are valued at the lower of cost and net realizable value.

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements

March 31, 2002

1. Significant accounting policies (continued):

(f) Capital assets:

Buildings, furniture and equipment, and leasehold improvements are recorded at cost and amortized over the useful life of the asset using straight-line amortization as follows:

Buildings	20-40 years
Furniture and equipment	5 years
Vehicles	5 years
Computers	2-5 years
Software	2 years
Library books	10 years
Site improvements	10 years
Leasehold improvements	Life of the lease

Amortization begins in the second year of useful life and is taken in the year of disposal. Land is recorded at cost.

(g) Capital funding:

Capital funding from the Province of BC in the form of prepaid capital advances is recorded by post-secondary institutions as deferred capital contributions and amortized to revenue in order to match the expense generated through amortization of the capital assets acquired with the funds. Any debt obligations are the responsibility of the Province and reported at the Provincial level.

(h) Unearned revenue:

Unearned revenue represents tuition fees and contracted service fees received for specific courses or projects which were not completed at year end.

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements

March 31, 2002

1. Significant accounting policies (continued):

(i) Salaries and wages:

Operating expenditures relating to vacation pay entitlements are recorded as earned.

(j) Use of estimates:

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements

March 31, 2002

2. Capital assets:

	Total Cost 2001	Additions During Year	Disposals During Year	Total Cost 2002	Accumulated Amortization	Net Book Value 2002
Buildings	\$70,916,882	\$3,618,116	\$ -	\$74,534,998	\$20,541,627	\$53,993,371
Furniture and equipment	22,238,273	1,950,954	407,610	23,781,617	20,781,184	3,000,433
Library books	5,490,323	306,913	-	5,797,236	3,412,087	2,385,149
Land and improvements	4,983,315	-	-	4,983,315	-	4,983,315
Site improvements	479,046	-	-	479,046	91,482	387,564
Leasehold improvements	318,390	-	-	318,390	318,390	-
	\$104,426,229	\$5,875,983	\$407,610	\$109,894,602	\$45,144,770	\$64,749,832

Funding for the additions during the year consist of the following:

Add:	Capital grant	\$464,677
	Capital advances	5,431,585
	Start up grant and library grant	300,499
	Transfers from other funds	793,222
	Donations for capital assets	389,183
	Other revenue	212,718
Less:	Unspent deferred contributions	(437,082)
	Funding spent on minor renovations, equipment and repairs	(1,278,819)
		\$5,875,983

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements

March 31, 2002

3. Deferred contributions - Operating Fund:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for courses and projects.

	2002	2001 (as restated)
Balance, beginning of year	\$148,580	\$141,159
Less amount recognized as revenue in the year	(148,580)	(141,159)
Add amount received related to future periods	-	148,580
Balance, end of year	\$ -	\$148,580

Deferred contributions - Trust Fund:

Deferred contributions related to expenses of future periods represent unspent externally restricted donations for scholarships, bursaries and other purposes.

	2002	2001
Balance, beginning of year	\$797,315	\$739,781
Receipts and contributions:		
Donations	228,828	152,223
Interest income	83,192	118,135
Legacy reserve contributions	39,343	54,220
Disbursements:		
Amortized to revenue	(265,868)	(192,728)
Transfer to capital fund	(389,183)	(74,316)
Balance, end of year	\$493,627	\$797,315

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements

March 31, 2002

3. Deferred contributions (continued) - Capital Fund:

(b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants received for the purchase of capital assets.

	2002	2001
Balance, beginning of year	\$59,538,736	\$59,089,712
Contributions from Province (Capital Advances)	5,431,585	2,581,851
Contributions from Province (Start Up Grant)	300,499	221,254
Contributions from Province (Operating Capital)	464,677	1,563,574
Contributions from donations (Trust transfer)	389,183	74,316
Other revenue	147,536	-
Less amount amortized to revenue current year	(4,192,055)	(3,991,971)
Balance, end of year	\$62,080,161	\$59,538,736

The balance of unamortized capital contributions related to capital assets consists of the following:

	2002	2001
Unamortized capital contributions used to purchase assets	\$59,669,802	\$57,565,459
Unspent contributions	2,410,359	1,973,277
Balance, end of year	\$62,080,161	\$59,538,736

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements

March 31, 2002

4. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2002	2001
Capital assets, net of accumulated amortization	\$64,749,832	\$62,513,331
Amounts financed by:		
Deferred contributions	(62,080,161)	(59,538,736)
Unspent portion of deferred contributions	2,410,359	1,973,277
Loan from operating	(436,930)	(455,279)
Less:		
Internally restricted	(31,154)	(40,413)
Balance, end of year	\$4,611,946	\$4,452,180

(b) Change in net assets invested in capital assets is calculated as follows:

	2002	2001
Net change in investment in capital assets:		
Balance, beginning of year	\$4,452,180	\$4,901,160
Add:		
Amortization of deferred contributions	4,192,055	3,991,971
Interfund transfers	811,571	166,032
Other revenue	189,382	165,672
Transfer from internally restricted	40,413	-
Less:		
Amortization of capital assets	(3,639,482)	(3,978,702)
Items expensed	(1,403,019)	(753,540)
Internally restricted	(31,154)	(40,413)
	\$4,611,946	\$4,452,180

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements

March 31, 2002

5. Internally restricted net assets:

Internally restricted funds committed for specific purposes include research start-up, curriculum development, and commitments for the completion of special projects/programs.

6. Scholarship and bursaries trust fund:

In October, 1984, an endowment fund in the name of the University College was established with the Vancouver Foundation. Capital of this endowment fund (\$160,000 as at March 31, 2002) is held by the Vancouver Foundation and its use is restricted. Income earned by the fund is paid semi-annually to the University College.

The fund balance is made up of various endowments as well as funds yet to be awarded for bursaries and scholarships. The disbursement of these funds is restricted to the criteria set out in each of the endowment, bursary or scholarship awards.

7. Pension plans:

The University College and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. Joint trusteeship was established effective April 1, 2000 for the College Pension Plan and April 5, 2001 for the Municipal Pension Plan. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of the plans. The pension plans are multi-employer contributory defined benefit pension plans. The College Pension Plan has over 8,600 active contributors from college senior administration and instructional staff. The Municipal Pension Plan has about 125,000 active contributors, with approximately 4,500 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2000 indicated a funding surplus of \$120 million. The most recent valuation for the Municipal Pension Plan as at December 31, 2000 indicated a funding surplus of \$436 million. The Joint Trust Agreements specify how surplus assets can be used. The actuary does not attribute portions of the surplus to individual employers. Each employer expenses contributions to the plan in the year in which payments are made.

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements

March 31, 2002

8. Commitments:

The University College has the following long-term lease agreements:

<u>Lessor</u>	<u>Location</u>	<u>Beginning</u>	<u>Term</u>	<u>Ending</u>
City of Abbotsford	Marshall Road	April, 2000		April, 2005
Coast Form Rentals Ltd.	Union Station	November, 2001		November, 2006

9. Contingency:

The University College has one letter of credit outstanding with the City of Abbotsford in the amount of \$391,000 related to a capital project not yet completed at the year end.

10. Bank credit facility:

The University College has a credit facility with the Royal Bank of Canada for the maximum amount of \$2,000,000. Any amounts borrowed through this facility incur interest costs at the Bank Prime Lending Rate. As at March 31, 2002, there was no amount drawn down on this line of credit.

11. Subsequent event:

The UCFV Foundation was incorporated in April 2001. The purpose of the Foundation is to raise funds for scholarships, bursaries and learning resources for UCFV students. There will be a proposal to transfer the endowment funds from the Trust Fund to the Foundation, which will be sent to the UCFV Board of Governors for approval.

12. Retroactive restatement:

The fiscal 2001 figures have been restated to account for certain funds, previously reported as unearned revenue, as internally restricted net assets.

The effect of the retroactive restatement on fiscal 2001 was to increase the operating fund special project revenue by \$286,128, decrease the beginning operating fund deficiency by \$334,476 and increase the ending operating fund internally restricted net assets by \$620,604. Fiscal 2001 operating fund unearned revenue was decreased by \$525,557 and operating fund deferred contributions - expenses of future periods was decreased by \$95,047.

The effect of the retroactive restatement on fiscal 2002 was to decrease the beginning operating fund deficiency by \$620,604 and increase the beginning operating fund internally restricted net assets by \$620,604.

UNIVERSITY COLLEGE of the FRASER VALLEY**Schedule of Operating Fund Expenditures by Division**

Year ended March 31, 2002, with budget comparative figures

	Actual	Budget (Unaudited)
Instruction:		
Faculty of Arts and Applied Arts	\$6,709,408	\$6,764,351
Faculty of Science, Health and Human Services	7,904,877	8,198,450
Faculty of Community Access, Business & Info Tech	4,608,538	4,857,514
Academic	3,208,068	2,743,267
Adult Basic Education	1,695,188	1,731,323
International Education	2,558,797	1,311,990
Academic Development	436,334	527,047
Employee and Student Services	3,298,889	3,301,497
Learning Resource Centre	1,336,700	1,350,887
Administration	4,997,674	5,182,996
Institutional	3,197,430	2,002,985
Facilities	2,853,665	2,911,775
Start-up Program	24,403	-
Vacation pay	516,048	-
	43,346,019	40,884,082
Special Projects:		
Ministry funded	1,691,808	-
Work study and youth employment	148,084	-
Other projects	1,915,323	559,500
Total Expenditure	\$47,101,234	\$41,443,582