



Financial Statements of

**UNIVERSITY COLLEGE of the
FRASER VALLEY**

Year ended March 31, 2005



KPMG Enterprise

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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, 2005, and 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, 2005 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'. The letters are stylized and cursive.

Chartered Accountants

Abbotsford, British Columbia
May 13, 2005

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Financial Position


March 31, 2005, with comparative figures for 2004

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2005 Total	2004 Total
	\$	\$	\$	\$	\$	\$
Assets						
Current assets:						
Cash	20,822,983	-	-	841,181	21,664,164	19,997,545
Accounts receivable	1,419,743	63,533	-	4,066	1,487,342	945,708
Inventories	109,872	1,002,594	-	-	1,112,466	968,847
Prepaid expenses	118,960	-	-	-	118,960	65,974
	22,471,558	1,066,127	-	845,247	24,382,932	21,978,074
Interfund balance	-	-	1,827,597	702,741	2,530,338	4,862,799
Capital assets (Note 3)	-	-	66,585,642	-	66,585,642	65,400,468
	22,471,558	1,066,127	68,413,239	1,547,988	93,498,912	92,241,341
Liabilities, Deferred Contributions and Net Assets:						
Current liabilities:						
Accounts payable and accrued liabilities	8,043,725	-	215,780	27,500	8,287,005	7,073,786
Unearned revenue	5,306,183	-	-	-	5,306,183	5,064,321
Current portion of long-term loan payable (Note 4)	-	-	88,534	-	88,534	84,250
	13,349,908	-	304,314	27,500	13,681,722	12,222,357
Long-term liabilities:						
Long-term loan payable (Note 4)	-	-	727,614	-	727,614	816,148
Interfund balance	2,164,320	366,018	-	-	2,530,338	4,862,799
Deferred contributions (Note 5)	-	-	57,502,288	1,520,488	59,022,776	60,216,665
Net assets:						
Investment in capital assets (Note 6)	-	-	8,805,177	-	8,805,177	6,325,004
Internally restricted (Note 7)	6,426,349	-	1,073,846	-	7,500,195	6,913,933
Unrestricted	530,981	700,109	-	-	1,231,090	884,435
	6,957,330	700,109	9,879,023	-	17,536,462	14,123,372
Contingency (Note 11)	-	-	-	-	-	-
	22,471,558	1,066,127	68,413,239	1,547,988	93,498,912	92,241,341

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, 2005, with comparative figures for 2004

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2005 Total	2004 Total
	\$	\$	\$	\$	\$	\$
Revenue	64,667,865	4,559,074	4,630,318	724,149	74,581,406	69,566,146
Expenditures	60,760,516	3,938,595	5,745,056	724,149	71,168,316	64,758,691
Excess (deficiency) of revenue over expenditures	3,907,349	620,479	(1,114,738)	-	3,413,090	4,807,455
Net assets, beginning of year	4,122,827	450,304	9,550,241	-	14,123,372	9,315,917
Interfund transfers	(1,072,846)	(370,674)	1,443,520	-	-	-
	3,049,981	79,630	10,993,761	-	14,123,372	9,315,917
Net assets, end of year	6,957,330	700,109	9,879,023	-	17,536,462	14,123,372

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Revenue

Year ended March 31, 2005, with comparative figures for 2004

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2005 Total	2004 Total
	\$	\$	\$	\$	\$	\$
Ministry of Advanced Education Grants:						
Continuing programs	35,314,497	-	-	-	35,314,497	35,333,879
Special projects	903,004	-	-	-	903,004	920,502
Leases and property taxes	-	-	159,823	-	159,823	133,623
Total Ministry of Advanced Education Grants	36,217,501	-	159,823	-	36,377,324	36,388,004
Tuition fees:						
Continuing programs	16,761,926	-	-	-	16,761,926	13,945,547
Other income:						
Amortization of deferred contributions (Note 5)	-	-	4,443,701	724,149	5,167,850	4,822,241
Contract services	4,685,213	-	-	-	4,685,213	4,566,666
Ancillary services	-	4,559,074	-	-	4,559,074	4,131,208
Investment income	422,070	-	-	-	422,070	447,621
Special projects	6,164,778	-	-	-	6,164,778	4,857,323
Other	416,377	-	26,794	-	443,171	407,536
Total other income	11,688,438	4,559,074	4,470,495	724,149	21,442,156	19,232,595
Total revenue	64,667,865	4,559,074	4,630,318	724,149	74,581,406	69,566,146

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Expenditures

Year ended March 31, 2005, with comparative figures for 2004

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2005 Total	2004 Total
	\$	\$	\$	\$	\$	\$
Salaries and wages	38,978,101	470,841	-	-	39,448,942	37,304,523
Employee benefits	9,265,461	84,807	-	-	9,350,268	8,974,332
Supplies and books	2,307,952	38,523	-	938	2,347,413	2,179,504
Travel and conferences	1,602,968	2,771	-	-	1,605,739	1,393,276
Printing and advertising	609,773	2,206	-	-	611,979	421,158
Utilities	1,099,565	15,285	-	-	1,114,850	1,140,227
Rentals and leases	201,707	69,153	157,728	-	428,588	396,442
Contracted services	4,646,139	61,169	-	-	4,707,308	2,817,320
Other expenditures	2,048,850	109,946	-	-	2,158,796	1,872,734
Cost of sales	-	3,053,268	-	-	3,053,268	2,904,897
Amortization of capital assets	-	-	4,010,074	-	4,010,074	3,762,106
Minor equipment and supplies	-	30,626	-	135,130	165,756	56,215
Minor renovations and repairs	-	-	1,577,254	-	1,577,254	1,041,800
Scholarships and bursaries	-	-	-	588,081	588,081	494,157
Total expenditures	60,760,516	3,938,595	5,745,056	724,149	71,168,316	64,758,691

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Changes in Net Assets

Year ended March 31, 2005, with comparative figures for 2004

	Investment in Capital Assets	Internally Restricted	Unrestricted (Deficiency)	2005 Total	2004 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	6,325,004	6,913,933	884,435	14,123,372	9,315,917
Excess (deficiency) of revenue over expenditures	(1,114,738)	2,737,653	1,790,175	3,413,090	4,807,455
Interfund transfers	3,594,911	(2,151,391)	(1,443,520)	-	-
Balance, end of year	8,805,177	7,500,195	1,231,090	17,536,462	14,123,372

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Cash Flows

Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
	\$	\$
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenditures	3,413,090	4,807,455
Items not involving cash:		
Amortization of deferred capital contributions	(4,443,701)	(4,304,877)
Amortization of capital assets	4,010,074	3,762,106
Increase (decrease) in deferred contributions for trust	562,843	492,522
Net change in non-cash working capital	716,842	(230,489)
	4,259,148	4,526,717
Financing activities:		
Repayment of long-term loan	(84,250)	(76,381)
Deferred capital contributions received	2,686,969	3,804,296
	2,602,719	3,727,915
Investing activities:		
Purchase of capital assets	(5,195,248)	(4,304,895)
	(5,195,248)	(4,304,895)
Net increase in cash	1,666,619	3,949,737
Cash, beginning of year	19,997,545	16,047,808
Cash, end of year	21,664,164	19,997,545

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements

Year ended March 31, 2005

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, University Station property 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 (continued)

Year ended March 31, 2005

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 as unearned revenue and recognized in the subsequent period that the related expenditures are incurred. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2005.

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.

Deferred contributions represent externally restricted funds received for which the related expenditure has not yet been incurred. These contributions are recognized as revenue in the period in which the related expenditures are incurred.

Contributions received and utilized for the purchase of capital assets are recorded as deferred capital contributions and such amounts are amortized into revenue at a rate corresponding with the amortization rate for the related capital 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 (continued)

Year ended March 31, 2005

1. Significant accounting policies (continued):

(f) Capital assets:

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

Buildings	20-40 years
Furniture and equipment	2-5 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.

(i) Salaries and wages:

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

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2005

1. Significant accounting policies (continued):

(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.

2. Financial statement presentation:

These financial statements reflect the financial position, operations and cash flows of the University College.

Financial information relating to the University College of the Fraser Valley Foundation (the "Foundation") is presented in Note 14. The Foundation is incorporated under the Society Act of B.C. and is a registered charity under the Income Tax Act. The Foundation is dependant on the University College for management and administration services. According to the Foundation's bylaws all resources of the Foundation must be provided for the benefit of the University College and its students, and the Foundation has certain Directors in common with the University College. The financial position, results of operations and cash flows of the Foundation are not consolidated with those of the University College.

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2005

3. Capital assets:

	Total Cost 2004	Additions During Year	Disposals During Year	Total Cost 2005	Accumulated Amortization	Net Book Value 2005
Buildings	\$78,281,339	\$2,079,937	\$ -	\$80,361,276	\$26,097,844	\$54,263,432
Furniture and equipment	26,380,797	1,117,900	688,948	26,809,749	23,749,125	3,060,624
Library books	6,837,964	312,926	-	7,150,890	4,895,412	2,255,478
Land and improvements	4,983,315	851,200	-	5,834,515	-	5,834,515
Site improvements	584,001	833,285	-	1,417,286	245,693	1,171,593
Leasehold improvements	318,390	-	-	318,390	318,390	-
	\$117,385,806	\$5,195,248	\$688,948	\$121,892,106	\$55,306,464	\$66,585,642

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

Add:	Transfer grant revenue from operating fund	\$523,680
	Capital projects grant	1,410,370
	Capital advances	803,268
	Start up grant and library grant	312,541
	Transfers from other funds	868,865
	Loan from operating	854,819
	Donations for capital assets	-
	Other revenue	108,163
Less:	Unspent deferred contributions	1,890,796
	Funding spent on minor renovations, equipment and repairs	(1,577,254)
		\$5,195,248

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2005

4. Long-term loan payable:

	2005	2004
Royal Bank loan, payable in monthly installments of \$10,593 including interest at 4.97% per annum, due December 13, 2007	\$816,148	\$900,398
Current portion of long-term loan payable	(88,534)	(84,250)
	<u>\$727,614</u>	<u>\$816,148</u>

Interest on long-term loan payable in the amount of \$42,588 is included in other expenditures.

Principal repayments required on the long-term loan payable over the next three years are approximately as follows:

2006	\$ 88,534
2007	\$ 93,034
2008	\$634,580

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2005

5. Deferred contributions - Trust Fund:

Deferred contributions related to expenditures of future periods represent unspent externally restricted funds received for which the related expenditures such as scholarships, bursaries and other items have not yet been incurred.

	2005	2004
Balance, beginning of year	\$957,645	\$465,123
Receipts and contributions:		
Donations	421,965	200,467
Tuition contribution - scholarships and bursaries	341,000	339,685
Interest & investment income	24,027	18,861
Legacy reserve contributions	500,000	500,000
Less:		
Amortized to revenue	(724,149)	(517,364)
Transfer to capital fund	-	(49,127)
Balance, end of year	\$1,520,488	\$957,645

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2005

5. Deferred contributions (continued) - Capital Fund:

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

	2005	2004
Balance, beginning of year	\$59,259,020	\$59,759,601
Contributions from Province (Capital Projects)	2,213,638	3,024,845
Contributions from Province (Start Up Grant)	312,541	346,254
Contributions from donations (Trust transfer)	-	49,127
Other revenue	160,790	384,070
Less amount amortized to revenue current year	(4,443,701)	(4,304,877)
Balance, end of year	\$57,502,288	\$59,259,020

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

	2005	2004
Unamortized capital contributions used to purchase assets	\$54,704,074	\$54,570,010
Unspent contributions	2,798,214	4,689,010
Balance, end of year	\$57,502,288	\$59,259,020

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2005

6. Investment in capital assets:

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

	2005	2004
Capital assets, net of accumulated amortization	\$66,585,642	\$65,400,468
Unspent portion of deferred contributions	2,798,214	4,689,010
Amounts financed by:		
Deferred contributions	(57,502,288)	(59,259,020)
Student recreation centre loan	(816,148)	(900,398)
Loan from operating	(1,186,397)	(379,819)
Total investment in capital assets	9,879,023	9,550,241
Less internally restricted portion	(1,073,846)	(3,225,237)
Net investment in capital assets	\$8,805,177	\$6,325,004

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

	2005	2004
Excess of expenditures over revenues:		
Amortization of deferred capital contributions	4,443,701	4,304,877
Other revenue	186,617	190,977
Amortization expense of capital assets	(4,010,074)	(3,762,106)
Other items expensed	(1,734,982)	(1,166,000)
	(\$1,114,738)	(\$432,252)
Interfund transfers and other changes:		
Transfer of grant revenue from operating fund	523,680	523,680
Interfund transfers	919,840	2,663,721
Transfer from internally restricted	3,225,237	1,848,168
Transfer to internally restricted	(1,073,846)	(3,225,237)
	\$3,594,911	\$1,810,332

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2005

7. Internally restricted net assets:

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

8. 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 cost as at March 31, 2005) 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.

9. Pension plans:

The University College and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. 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 benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has over 10,000 active contributors from college senior administration and instructional staff and approximately 2,600 retired members. The Municipal Pension Plan has about 130,000 active members, with approximately 5,000 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, 2003 indicated an unfunded liability of \$50 million for basic pension benefits. The next valuation will be as at August 31, 2006 with results available in 2007. The most recent valuation for the Municipal Pension Plan as at December 31, 2003 indicated an unfunded liability of \$789 million for basic pension benefits. The next valuation will be as at December 31, 2006 with results available in 2007. The actuary does not attribute portions of the unfunded liability to individual employers. The University College of the Fraser Valley paid \$708,389 for employer contributions to the Municipal plan and \$1,893,381 to the College plan in fiscal 2005.

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements

Year ended March 31, 2005

10. Commitments:

The University College has long-term facility lease commitments, including estimated triple net costs, which are approximately as follows:

2006	270,955
2007	126,055
2008	101,080
2009	51,129
2010	51,129

11. Contingency:

The University College has issued a letter of guarantee to the City of Abbotsford in the amount of \$222,335 pertaining to future building development.

12. 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, 2005, there was no amount drawn down on this line of credit.

13. Fair value of financial assets and financial liabilities:

The carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

The carrying value of the long-term loan payable approximates its fair value, because the interest rate on the debt approximates rates currently available.

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2005

14. University College of the Fraser Valley Foundation:

A summary of the Foundation's financial position, operations and cash flows are as follows:

	2005	2004
Assets	\$ 2,768,534	\$ 2,162,260
Net assets	\$ 2,768,534	\$ 2,162,260
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	2005	2004
Revenue	\$ 1,051,995	\$ 424,633
Expenditures	445,721	194,387
Excess of revenue over expenditures	\$606,274	\$230,246
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Cash flows provided by:		
Operating activities	\$ 491,202	\$ 195,787
Financing and investments	\$ -	\$ -

During the year the University College provided management and administration services to the Foundation for nil consideration and received donations of \$438,287 (2004 - \$178,844) from the Foundation.

15. Comparative figures:

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

UNIVERSITY COLLEGE of the FRASER VALLEY

Schedule of Operating Fund Expenditures by Division

Year ended March 31, 2005, with budget comparative figures

	Actual	Budget (Unaudited)
Instruction:		
Faculty of Arts and Applied Arts	\$9,125,720	\$8,993,864
Faculty of Science, Health and Human Services	10,930,735	11,012,535
Faculty of Community Access, Business & Info Tech	5,385,588	5,442,230
Academic	4,061,748	4,151,094
Part Time Program Administration	1,798,545	1,052,808
International Education	3,934,531	2,968,167
Learning & student success	8,981,937	8,748,374
Administration	4,386,914	4,416,317
Institutional	4,382,067	3,349,146
Facilities	3,573,448	3,331,432
	56,561,233	53,465,967
Special Projects:		
Ministry funded	1,893,261	-
Work study and youth employment	137,774	-
Other projects	2,168,248	-
Total expenditures	\$60,760,516	\$53,465,967