



Financial Statements of

**UNIVERSITY COLLEGE of the
FRASER VALLEY**

Year ended March 31, 2006



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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, 2006, 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, 2006 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The letters are written in a cursive, flowing style.

Chartered Accountants

Abbotsford, British Columbia
May 5, 2006

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Financial Position

March 31, 2006, with comparative figures for 2005

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2006 Total	2005 Total
	\$	\$	\$	\$	\$	\$
Assets						
Current assets:						
Cash	24,329,282	-	-	1,858,256	26,187,538	21,664,164
Accounts receivable	4,452,144	9,990	-	9,798	4,471,932	1,487,342
Inventories	101,329	1,147,472	-	-	1,248,801	1,112,466
Prepaid expenses	56,097	-	-	-	56,097	118,960
	28,938,852	1,157,462	-	1,868,054	31,964,368	24,382,932
Interfund balance	-	-	5,349,653	-	5,349,653	2,530,338
Capital assets (Note 3)	-	-	67,108,950	-	67,108,950	66,585,642
	28,938,852	1,157,462	72,458,603	1,868,054	104,422,971	93,498,912
Liabilities, Deferred Contributions and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities	11,684,109	-	102,814	907	11,787,830	8,287,005
Unearned revenue	6,408,675	-	-	-	6,408,675	5,306,183
Current portion of long-term loan payable (Note 4)	-	-	93,034	-	93,034	88,534
	18,092,784	-	195,848	907	18,289,539	13,681,722
Long-term liabilities:						
Long-term loan payable (Note 4)	-	-	634,580	-	634,580	727,614
Interfund balance	3,797,119	202,217	-	1,350,317	5,349,653	2,530,338
Deferred contributions (Note 5)	-	-	58,348,586	516,830	58,865,416	59,022,776
Net assets:						
Investment in capital assets (Note 6)	-	-	8,730,910	-	8,730,910	8,805,177
Internally restricted (Note 7)	6,642,643	-	4,548,679	-	11,191,322	7,500,195
Unrestricted	406,306	955,245	-	-	1,361,551	1,231,090
	7,048,949	955,245	13,279,589	-	21,283,783	17,536,462
Contingency (Note 11)	-	-	-	-	-	-
	28,938,852	1,157,462	72,458,603	1,868,054	104,422,971	93,498,912

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, 2006, with comparative figures for 2005

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2006 Total	2005 Total
	\$	\$	\$	\$	\$	\$
Revenue	72,081,687	5,163,305	4,099,056	529,757	81,873,805	74,581,406
Expenditures	67,510,247	4,407,180	5,679,300	529,757	78,126,484	71,168,316
Excess (deficiency) of revenue over expenditures	4,571,440	756,125	(1,580,244)	-	3,747,321	3,413,090
Net assets, beginning of year	6,957,330	700,109	9,879,023	-	17,536,462	14,123,372
Interfund transfers	(4,479,821)	(500,989)	4,980,810	-	-	-
	2,477,509	199,120	14,859,833	-	17,536,462	14,123,372
Net assets, end of year	7,048,949	955,245	13,279,589	-	21,283,783	17,536,462

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Revenue

Year ended March 31, 2006, with comparative figures for 2005

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2006 Total	2005 Total
	\$	\$	\$	\$	\$	\$
Ministry of Advanced Education Grants:						
Continuing programs	36,553,892	-	-	-	36,553,892	35,314,497
Special projects	5,863,445	-	-	-	5,863,445	1,961,342
Leases and property taxes	-	-	174,456	-	174,456	159,823
Total Ministry of Advanced Education Grants	42,417,337	-	174,456	-	42,591,793	37,435,662
Tuition fees:						
Continuing programs	18,512,110	-	-	-	18,512,110	16,761,926
Other income:						
Amortization of deferred contributions (Note 5)	-	-	3,884,553	529,757	4,414,310	5,167,850
Contract services	5,139,307	-	-	-	5,139,307	4,685,213
Ancillary services	-	5,163,305	-	-	5,163,305	4,559,074
Investment income	626,051	-	-	-	626,051	422,070
Special projects	4,869,448	-	-	-	4,869,448	5,106,440
Other	517,434	-	40,047	-	557,481	443,171
Total other income	11,152,240	5,163,305	3,924,600	529,757	20,769,902	20,383,818
Total revenue	72,081,687	5,163,305	4,099,056	529,757	81,873,805	74,581,406

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Expenditures

Year ended March 31, 2006, with comparative figures for 2005

	Operating Fund	Ancillary Services Fund	Capital Fund	Trust Fund	2006 Total	2005 Total
	\$	\$	\$	\$	\$	\$
Salaries and wages	45,404,699	476,192	-	-	45,880,891	39,448,942
Employee benefits	10,282,644	90,477	-	-	10,373,121	9,350,268
Supplies and books	2,360,132	42,014	-	25,303	2,427,449	2,347,413
Travel and conferences	1,915,353	3,936	-	-	1,919,289	1,605,739
Printing and advertising	573,209	1,790	-	-	574,999	611,979
Utilities	1,071,742	18,141	-	-	1,089,883	1,114,850
Rentals and leases	185,042	69,039	171,748	-	425,829	428,588
Contracted services	3,360,247	133,158	-	-	3,493,405	4,707,308
Other expenditures	2,357,179	82,288	32,710	-	2,472,177	2,158,796
Cost of sales	-	3,461,182	-	-	3,461,182	3,053,268
Amortization of capital assets	-	-	4,110,162	-	4,110,162	4,010,074
Minor equipment and supplies	-	28,963	-	128,032	156,995	165,756
Minor renovations and repairs	-	-	1,364,680	-	1,364,680	1,577,254
Scholarships and bursaries	-	-	-	376,422	376,422	588,081
Total expenditures	67,510,247	4,407,180	5,679,300	529,757	78,126,484	71,168,316

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Changes in Net Assets

Year ended March 31, 2006, with comparative figures for 2005

	Investment in Capital Assets	Internally Restricted	Unrestricted (Deficiency)	2006 Total	2,005 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	8,805,177	7,500,195	1,231,090	17,536,462	14,123,372
Excess (deficiency) of revenue over expenditures	(1,580,244)	216,294	5,111,271	3,747,321	3,413,090
Interfund transfers	1,505,977	3,474,833	(4,980,810)	-	-
Balance, end of year	8,730,910	11,191,322	1,361,551	21,283,783	17,536,462

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Statement of Cash Flows

Year ended March 31, 2006, with comparative figures for 2005

	2006	2005
	\$	\$
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenditures	3,747,321	3,413,090
Items not involving cash:		
Amortization of deferred capital contributions	(3,884,553)	(4,443,701)
Amortization of capital assets	4,110,162	4,010,074
Increase (decrease) in deferred contributions for trust	(1,003,658)	562,843
Net change in non-cash working capital	1,545,255	716,842
	4,514,527	4,259,148
Financing activities:		
Repayment of long-term loan	(88,534)	(84,250)
Deferred capital contributions received	4,730,851	2,686,969
	4,642,317	2,602,719
Investing activities:		
Purchase of capital assets	(4,666,180)	(5,195,248)
Proceeds of disposition of assets	32,710	-
	(4,633,470)	(5,195,248)
Net increase in cash	4,523,374	1,666,619
Cash, beginning of year	21,664,164	19,997,545
Cash, end of year	26,187,538	21,664,164

See accompanying notes to financial statements.

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements

Year ended March 31, 2006

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, 2006

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, 2006.

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, 2006

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, 2006

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, 2006

3. Capital assets:

	Total Cost 2005	Additions During Year	Disposals During Year	Total Cost 2006	Accumulated Amortization	Net Book Value 2006
Buildings	\$80,361,276	\$2,299,885	\$ -	\$82,661,161	\$28,097,215	\$54,563,946
Construction-in-progress	-	598,000	-	598,000	-	598,000
Furniture and equipment	26,809,749	1,401,345	485,172	27,725,922	24,812,572	2,913,350
Library books	7,150,890	366,950	-	7,517,840	5,348,564	2,169,276
Land and improvements	5,834,515	-	-	5,834,515	-	5,834,515
Site improvements	1,417,286	-	-	1,417,286	387,423	1,029,863
Leasehold improvements	318,390	-	-	318,390	318,390	-
	\$121,892,106	\$4,666,180	\$485,172	\$126,073,114	\$58,964,164	\$67,108,950

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

Add:	Transfer grant revenue from operating fund	\$523,680
	Capital projects grant	1,981,620
	Capital advances	-
	Start up grant and library grant	366,413
	Transfers from other funds	6,230,763
	Other revenue	484,719
Less:	Unspent deferred contributions	(3,556,335)
	Funding spent on minor renovations, equipment and repairs	(1,364,680)
		\$4,666,180

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2006

3. Capital assets (continued):

Construction-in-progress represents costs incurred to date in fiscal 2006 on two different construction projects, which are anticipated to complete in fiscal 2007 and fiscal 2008 at a total budgeted cost of \$21,700,000 as follows:

	New Gymnasium	Student Residences	Total
Construction costs incurred in fiscal 2006	\$176,000	\$422,000	\$598,000
Signed agreement for general contracting services	765,000	648,000	1,413,000
Estimated costs in fiscal 2007	6,759,000	10,900,000	17,659,000
Estimated costs in fiscal 2008	-	2,030,000	2,030,000
Total budgeted costs at completion	\$7,700,000	\$14,000,000	\$21,700,000

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2006

4. Long-term loan payable:

	2006	2005
Royal Bank loan, payable in monthly installments of \$10,593 including interest at 4.97% per annum, due December 13, 2007	\$727,614	\$816,148
Current portion of long-term loan payable	(93,034)	(88,534)
	<u>\$634,580</u>	<u>\$727,614</u>

Interest on long-term loan payable in the amount of \$38,366 is included in other expenditures.

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

2007	\$ 93,034
2008	\$634,580

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2006

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.

	2006	2005
Balance, beginning of year	\$1,520,488	\$957,645
Receipts and contributions:		
Donations	452,297	421,965
Tuition contribution - scholarships and bursaries	371,000	341,000
Interest & investment income	55,118	24,027
Legacy reserve contributions	500,004	500,000
Less:		
Amortized to revenue	(529,757)	(724,149)
Transfer to capital fund	(1,852,320)	-
Balance, end of year	\$516,830	\$1,520,488

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2006

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.

	2006	2005
Balance, beginning of year	\$57,502,288	\$59,259,020
Contributions from Province (Capital Projects)	1,981,620	2,213,638
Contributions from Province (Start Up Grant)	366,413	312,541
Contributions from Legacy Fund and donations (Trust transfer)	1,852,320	-
Other revenue	530,498	160,790
Less amount amortized to revenue current year	(3,884,553)	(4,443,701)
Balance, end of year	\$58,348,586	\$57,502,288

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

	2006	2005
Unamortized capital contributions used to purchase assets	\$51,994,037	\$54,704,074
Unspent contributions	6,354,549	2,798,214
Balance, end of year	\$58,348,586	\$57,502,288

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2006

6. Investment in capital assets:

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

	2006	2005
Capital assets, net of accumulated amortization	\$67,108,950	\$66,585,642
Unspent portion of deferred contributions	6,354,549	2,798,214
Amounts financed by:		
Deferred contributions	(58,348,586)	(57,502,288)
Student recreation centre loan	(727,614)	(816,148)
Loan from operating	(1,107,710)	(1,186,397)
Total investment in capital assets	13,279,589	9,879,023
Less internally restricted portion	(4,548,679)	(1,073,846)
Net investment in capital assets	\$8,730,910	\$8,805,177

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

	2006	2005
Excess of expenditures over revenues:		
Amortization of deferred capital contributions	3,884,553	4,443,701
Other revenue	214,503	186,617
Amortization expense of capital assets	(4,110,162)	(4,010,074)
Other items expensed	(1,569,138)	(1,734,982)
	(\$1,580,244)	(\$1,114,738)
Interfund transfers and other changes:		
Transfer of grant revenue from operating fund	523,680	523,680
Interfund transfers	4,457,130	919,840
Transfer from internally restricted	1,073,846	3,225,237
Transfer to internally restricted	(4,548,679)	(1,073,846)
	\$1,505,977	\$3,594,911

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements (continued)

Year ended March 31, 2006

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, 2006) 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 about 11,000 active members from college senior administration and instructional staff and approximately 2,900 retired members. The Municipal Pension Plan has about 130,000 active members, with approximately 4,900 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 \$855,616 for employer contributions to the Municipal plan and \$2,209,166 to the College plan in fiscal 2006.

UNIVERSITY COLLEGE of the FRASER VALLEY

Notes to Financial Statements

Year ended March 31, 2006

10. Commitments:

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

2007	314,017
2008	176,189
2009	51,129
2010	51,129
2011	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, 2006, 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, 2006

14. University College of the Fraser Valley Foundation:

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

	2006	2005
Assets	\$ 3,355,784	\$ 2,768,534
Net assets	\$ 3,355,784	\$ 2,768,534
Revenue	\$ 952,211	\$ 1,051,995
Expenditures	364,961	445,721
Excess of revenue over expenditures	\$587,250	\$606,274
Cash flows provided by:		
Operating activities	\$ 495,687	\$ 491,202
Financing and investments	\$ (600,000)	\$ -

During the year the University College provided management and administration services to the Foundation for nil consideration and received net donations of \$262,602 (2005 - \$438,287) from the Foundation.

15. Comparative figures:

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