

ORIGINAL  
NEW WESTMINSTER

JAN - 8 2007  
CIVIL REGISTRY

K. Maynes #1  
September 14, 2006

No. S97888  
New Westminster Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

BETWEEN:

SOCIETY OF THE DOUGLAS STUDENTS' UNION

PLAINTIFF

AND:

DOUGLAS COLLEGE

DEFENDANT

**AFFIDAVIT**

I, **KAREN MAYNES**, Vice President, Finance and Administration, Douglas College, of 700 Royal Avenue in the City of New Westminster in the Province of British Columbia, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am the Vice President, Finance and Administration for the Defendant, Douglas College, and as such have personal knowledge of the facts and matters deposed to herein.
2. I swear this Affidavit in support of an application to have a receiver appointed over Society of the Douglas Students' Union (hereinafter "Douglas Students' Union"), or alternatively to pay the student fees we are currently holding into Court.
3. We have not remitted to Douglas Students' Union student's fees collected since May, 2005, pursuant to a resolution of the College Board made pursuant to Section 21(4) of the *College and Institute Act*, which provides that the College Board may direct the institution to cease to collect

CELS

or remit student society fees if the student society fails to make available to its members annual audited financial statements and a report on those financial statements.

4. We had received correspondence from the Douglas Students' Union on April 3, 2002, April 9, 2003, March 17, 2004, and April 7, 2005 asserting that they were in compliance with Section 21 of the *College and Institute Act*. Now shown to me and marked as Exhibit "A" to this my Affidavit are true copies of the letters from Douglas Students' Union dated April 3, 2002, April 9, 2003, March 17, 2004 and April 7, 2005.
5. On April 29, 2005, I spoke with Mr. Charlie Miller of Tompkins, Wozny, Miller & Co., the auditor for Douglas Students' Union. During that conversation, Mr. Miller confirmed to me the last year of financial statements their office had completed was August 2001. He further advised me they had been engaged to complete the August 2002, 2003, and 2004 statements. Mr. Miller confirmed that to me in an email dated April 29, 2005. Now shown to me and marked as Exhibit "B" to this my Affidavit is a true copy of Mr. Miller's email of April 29, 2005.
6. On May 4, 2005, Blaine Jensen and I met with Douglas Students' Union executive members Jessica Gojevic, Treasurer, and Jeremy Gervan, Internal Relations Coordinator, as well as Douglas Students' Union staff Finance and Services Coordinator, Joey Hansen. Mr. Hansen advised us at that meeting that the financial statements had not been completed due to a disagreement between the Douglas Students' Union and their auditors concerning the handling of the administration fee on the Performing Arts Fee, that the Douglas Students' Union told their members of this issue at the AGM for the years 2002, 2003, 2004, and that the members at the AGM agreed to table the audit each year as well as re-tabling the prior ones for each year.

7. In my conversation with Mr. Miller of April 29, 2005, Mr. Miller had advised me there is no disagreement on accounting presentation; bookkeeping had simply not been done and submitted to them.
8. On May 4, 2005, Blaine Jensen wrote a letter to the Douglas Students' Union, advising them that the College had advised the College Board Chair of the lack of audited financial statements, and that the College is obliged to inform the Registrar for Corporate and Personal Properties Registry of what the College views as a contravention of the *Society Act* and the *College and Institute Act*. Now shown to me and marked as Exhibit "C" to this my Affidavit is Blaine Jensen's letter of May 4, 2005.
9. On May 18, 2005, I had a telephone conversation with Mr. Miller wherein he indicated they were making progress on the statements. There were no accounting disagreements yet, just a backlog of work needed to complete the statements.
10. In the meantime, the College Board was advised through their monthly board agenda package that the Douglas Students' Union does not have audited financial statements for the past 3 fiscal years (2002, 2003, and 2004); and therefore, Douglas Students' Union had not made these available to their members as required by the *College and Institute Act*. The College Board was further advised that the Douglas Students' Union had sent the College Board Chair a letter each year saying they were in compliance with the *College and Institute Act*. As a result, the college had continued to collect and remit the student fees. Members of the Douglas Students' Union executive were invited to attend the May 19<sup>th</sup> College Board Meeting to address that issue.
11. On May 19, 2005, the College Board met, and among other things discussed the issue of the collection and remission of student's fees notwithstanding the lack of audited financial statements.

Now shown to me and marked as Exhibit "D" to this my Affidavit is the excerpt of the minutes for the part of the meeting dealing with the collection and remission of Douglas Students' Union's fees.

12. The meeting then proceeded to *in camera* discussions on this issue. A motion was presented and approved by the College Board to direct administration to cease to remit all student society fees to the Douglas Students' Union until compliance with Section 21 of the *College and Institute Act* considering the August 2002, August 2003, and August 2004 annual financial statements has been satisfactorily demonstrated to the College Board.
13. On June 13, 2005, Blaine Jensen and I, along with June O'Connor, Chair of the Finance Committee of the College Board, met with the four executives of the Douglas Students' Union: Ryan Lam, Jeremy Gervan, Jessica Gojevic, and Heidi Taylor. At that meeting the executives agreed that for each year end:
  - i) Douglas Students' Union will direct their auditor to provide the auditors report and internal control letters directly to the College;
  - ii) Douglas Students' Union will post minutes of the Annual General Meeting and/or any Special General Meeting on the Douglas Students' Union's website;
  - iii) Douglas Students' Union will advise students (via a notice posted on the Douglas Students' Union website) that copies of financial statements will be available to students from the Douglas Students' Union during office hours; and
  - iv) Douglas Students' Union will provide confirmation to the College Board that they are in good standing as a Society, this confirmation is to be in the form of documentation from the Registrar of Companies; but

- v) The four executives of the Douglas Students' Union indicated that while they agreed to that protocol, nonetheless they would need approval from the full Douglas Students' Union Representative Committee.

14. On June 16, 2005, the College Board met. Jessica Gojevic attended that meeting and informed the College Board that the Douglas Students' Union executive had met, and agreed to instruct their auditor to provide an independent letter that the audit had been completed and that the Douglas Students' Union is in good financial standing with adequate financial management controls. That letter would be directed to the College Board each year. In addition, they would post Annual General Meeting and/or Special General Meeting minutes on their website. She indicated a Special General Meeting was going to be held in September 2005 to pass the outstanding audits. She indicated financial statements would not be posted on the website, but members could view the statements at any time by going to the Douglas Students' Union Office. She indicated that she was not able to complete her Treasurer's Report at the last Douglas Students' Union meeting, and was therefore unable to receive any firm commitments from the full Representative Committee.
15. During *in camera* discussion the College Board confirmed they will withhold fees until the outstanding audits are completed, and presented and at a special general meeting.
16. On August 18, 2005, M. Murray, College Board Secretary, received an email from Yasmin Irani, the Communications and Research Officer for Douglas Students' Union, advising that the Douglas Students' Union Representative Committee unanimously passed a motion that the Douglas Students' Union will provide the Douglas College Board with the annual Douglas Students' Union Section 21 compliance letter, and a letter, written after the Special General Meeting by the Douglas Students' Union auditor verifying that the audited financial statements have been presented and

accepted. Now shown to me and marked as Exhibit "E" to this my Affidavit is a true copy of that email.

17. On August 22, 2005, I met with June O'Connor to prepare draft procedures to ensure Douglas Students' Union compliance with Section 21 the *College and Institute Act*. These procedures were discussed at an August 25, 2005 College Board meeting, *in camera*, and it was decided Blaine Jensen would meet with the Douglas Students' Union and receive their feedback on the document. Now shown to me and marked as Exhibit "F" to this my Affidavit is a true copy of those procedures.
18. On September 22, 2005, I received an email from the Douglas Students' Union auditor, advising that he attended the Special General Meeting and presented some draft information. He indicated at that time he is completing "cut off" procedures between the years.
19. On September 22, 2005 the College Board met. Jessica Gojevic attended the meeting and reported that the auditor had not yet signed off on financial statements for 2001 through 2004, and also advised that the audits will be qualified. She indicated to the College Board one of the deficiencies was in internal controls around cash handling, and the inability to reconcile those cash amounts. She advised the College Board the Douglas Students' Union executive had discussed the procedures presented by the College Board to the Douglas Students' Union, and she believed they would comply with most but not all of those procedures (they were not prepared to provide the letter of internal controls). She also advised that the next general meeting would be held by January 2006, at which time the 2004/2005 audit will be presented, and that the College will receive a letter from the Douglas Students' Union auditor that the financial statements for 2001 through 2004 have been received and viewed by the Douglas Students' Union.

20. To the best of my knowledge, financial statements for the years 2001 through 2004 had not been presented at the September 22, 2005 Douglas Students' Union Special General Meeting, only a one page draft Statement of Operations.
21. At the September 22, 2005 College Board meeting, an *in camera* session was held where College Board members reviewed a copy of a draft Auditors Report and Post-audit Memorandum, provided by a concerned student in good standing at the Douglas Students' Union. Now shown to me and marked as Exhibit "G" are true copies of the draft Statement of Operations, the Auditor's Report, and the Post-Audit Memorandum. In the *in camera* session, the College Board passed a number of motions, including:
  - (a) Directing the administration to continue to cease to remit student's fees until the College Board is satisfied the Douglas Students' Union is in compliance with Section 21(4) of the *College and Institute Act*;
  - (b) The administration was authorized to pay Douglas Students' Union financial obligations only in cases where the administration confirms to its satisfaction that lack of such payment would have an adverse impact on individual student welfare;
  - (c) When making a decision to pay any such financial obligations the administration will give due consideration to the application of other Douglas Students' Union revenue sources in the first instance.
  - (d) Naming me responsible for administering these motions, and I was obligated to report to the Finance Committee at their monthly meetings;

- (e) Authorizing the College Board Chair to send a letter to the Ministry of Advanced Education on the Douglas Students' Union issue.

- 22. On September 23, 2005, the College Board Chair did in fact write to Honourable Murray Coell, Minister for the Ministry of Advanced Education, requesting ministerial intervention.
- 23. On September 28, 2005, Blaine Jensen and I, along with Chris Worsley, Director of Finance, met with Douglas Students' Union members regarding the interim payment of bills pursuant to the College Board motions of September 22, 2005. We also presented a memorandum outlining the type of bills that would be paid and the documentation that would be required from the Douglas Students' Union. Some of the members of the Douglas Students' Union executive declined the offer to pay the bills. Now shown to me and marked as Exhibit "H" to this my Affidavit is a true copy of the memorandum presented to the Douglas Students' Union Executive members.
- 24. On September 30, 2005, Blaine Jensen, Susan Witter, and I had a telephone conversation with Mr. Tom Vincent, who is the Assistant Deputy Minister for Student and Strategic Services Division in the Ministry of Advanced Education. He advised us that it was up to the College to seek a legal opinion, that the Minister does not have statutory authority to appoint a receiver.
- 25. On October 6, 2005, College Board Chair Diana Miles sent an email to all Douglas College students advising them of the current issues surrounding the Douglas Students' Union. Now shown to me and marked as Exhibit "T" to this my Affidavit is a true copy of that email.
- 26. On October 24, 2005, we received a letter from the Ministry of Advanced Education. Now shown to me and marked as Exhibit "J" to this my Affidavit is a true copy of that letter.



27. On October 26, 2005, Blaine Jensen and I met with the Douglas Students' Union to advise them that the procedures document had been passed by the College Board and to advise them what the College Board expected to satisfy itself that Section 21(4) of the *College and Institute Act* had been complied with. We were advised that the Douglas Students' Union was not prepared to share the internal control letter. We suggested to the Douglas Students' Union executives they should meet with the Finance Committee to discuss concerns with compliance. Two various options were discussed, but it was made clear to the members of the Douglas Students' Union that we were not able to bind the College Board, and they should meet with the Finance Committee of the College Board. The Douglas Students' Union members have not met with the Finance Committee at any time to discuss these issues.
28. On October 27, 2005, Blaine Jensen sent an email communication to all Douglas College students with an update on the Douglas Students' Union fees scenario. Now shown to me and marked as Exhibit "K" to this my affidavit is a true copy of Blaine Jensen's e-mail of October 27, 2005
29. On November 8, 2005, we received a demand letter from a lawyer on behalf of the Douglas Students' Union demanding the remission of the Students' Society Fees. Now shown to me and marked as Exhibit "L" to this my Affidavit is a true copy of that letter.
30. On November 17, 2005, the College remitted to the Douglas Students' Union's insurance agent premiums for the Students' Health and Dental Plan, in the sum of \$270,000.00. On November 21, 2005, Blaine Jansen emailed all Douglas College students to provide an update on the student medical/dental coverage. Now shown to me and marked as Exhibit "M" to this my Affidavit is a true copy of that email.

31. On November 21, 2005, I received a voice mail message from Jessica Gojevic indicating she would not be attending Finance Committee meetings as it was "the will of the Douglas Students' Union Board" that their legal counsel answer any further questions from administration.
32. On November 25, 2005, our solicitor responded to the demand letter presented by the Douglas Students' Union's solicitor.
33. In January 2006, we became aware of some internal disputes within the Douglas Students' Union, and a split within the Douglas Students' Union Executive. We had been receiving communications from a variety of concerned students surrounding the current state of affairs with their Students' Union.
34. On January 31, 2006, Blaine Jansen and I met with Yasmin Irani and Jessica Gojevic regarding payment of outstanding Douglas Students' Union bills. They were asked to put their request in writing itemizing the bills for which payment is being requested. At the meeting, Yasmin and Jessica were shown previous requests for bill payments from Joey and one Jeremy Gervan. Yasmin and Jessica indicated they had not seen those requests. Jessica indicated she was not aware that Blaine had been refused a meeting with the Douglas Students' Union representatives on student refund changes.
35. On March 9, 2006, we received a letter dated March 6, 2006 addressed to the College Board Chair indicating what DSU membership fees were after the adjustment for the consumer price index, and asserting that the union is now in full compliance with Section 21 of the *College and Institute Act*. Now shown to me and marked as Exhibit "N" is a true copy of that letter.

36. At this time, to the best of our knowledge financial statements for the years 2001 through 2004 had not been presented at an annual general meeting. Further, the audit for the year ended August 31, 2005 had also not been completed, presented, or accepted.
37. On March 14, 2006, I was interviewed by Mr. Ron Parks, an investigative and forensic accountant, who had been hired by the Douglas Students' Union to complete a forensic review of their records. I provided to him our procedures document passed on October 20, 2005, and advised him I understood that none of the four items listed were in place.
38. On March 16, 2006, at the *in camera* session of the College Board meeting the student representative on the College Board (Heidi Taylor) advised that the Douglas Students' Union wanted their withheld fees released immediately, and if they were not released they would be phoning their lawyers the next day. In response, I advised that none of the four items we required to consider the Douglas Students' Union in compliance had been complied with.
39. On March 17, 2006, I received a letter from Douglas Students' Union auditors dated March 16, 2006 confirming they had completed and released the financial statements for the fiscal years August 31, 2001, August 31, 2002, August 31, 2003, and August 31, 2004. Now shown to me and marked as Exhibit "O" to this my Affidavit is a true copy of that letter.
40. To the best of my knowledge, these statements were released to the Executive but have not been presented to the members as of March 17, 2006.
41. On March 31, 2006, Blaine Jensen and I attempted to attend the Douglas Students' Union Annual General Meeting. We observed that not all Representative Committee members were present. There was approximately 15 - 20 people in total, which was not a quorum. We observed that financial statements for the years August 31, 2001 through 2004 were available, and we were

invited by some representative committee members to help ourselves to those handouts. Those statements were all qualified. Heidi Taylor entered the meeting late, and asked Blaine and I to leave. We asked why, as it was an open meeting. She insisted that we leave and we left rather than creating a disturbance. Now shown to me and marked as Exhibit "P" to this my affidavit is a true copy of the financial statements for the years 2001 through 2004 presented at that meeting.

42. In the meantime, between March 28, 2006 and April 3, 2006, the Douglas Students' Union conducted their annual elections. These results have been disputed, and as of today the College was still unsure as who the duly elected representative committee members were.
43. In the meantime, on or about April 19, 2006, I understand that Douglas Students' Union had a representative committee meeting at which time the forensic review prepared by Ron Parks was presented. We were provided anonymously a copy of the forensic review. Now shown to me and marked as Exhibit "Q" is a true copy of the forensic review.
44. On May 25, 2006, I received a telephone call from one Detective Andrew Perry of the New Westminster Police Service. Detective Perry was inquiring as to whom he should contact to authorize access to Douglas Students' Union bank records. I referred him to Heidi Taylor, who is the current Treasurer for the Douglas Students's Union.
45. In order to protect the interests of the general student body, the College has made several payments, on behalf of the Douglas Students' Union, from funds held.
46. The first category of payments made on behalf of Douglas Students' Union is with respect to a mortgage on property located at 70 - 8<sup>th</sup> Street, in New Westminster. This property was purchased by the Douglas Students' Union, with a completion date of January 4, 2005. The mortgage rate is prime plus 3%, and the mortgage includes a clause for the acceleration of the

balance due on the mortgage should the mortgagor be in default of the payment for more than 15 days. The monthly mortgage is \$10,375.00, which is approximately \$684.00 more than the monthly rent accruing. We pay the monthly shortfall of \$684.00 from funds held. The balance is meant to be paid by the Douglas Students' Union from the rent proceeds. However, we have replaced cheques from the Douglas Students' Union returned for non-sufficient funds, for the May, June, and July mortgage payments for 2006. Additionally, we have paid the 2005 property taxes and a portion of the 2006 property taxes.

47. We have received our copy of a letter from the mortgagee, Kismet Holdings Inc., to the Douglas Students' Union dated June 17, 2006, that if matters related to mortgage payments are not attended to promptly, they will initiate foreclosure proceedings. Now shown to me and marked as Exhibit "R" to this my Affidavit is a true copy of the letter of June 17, 2006 from Kismet Holdings Inc.
48. Since early April, 2006, we have been paying 3 staff members of the Douglas Students' Union from funds held. We have also made required statutory remittances on the payroll to Canada Revenue Agency. There is apparently \$27,000.00 in statutory remittances outstanding for a period between September 2005 to March 31, 2006, which have not been paid by the College pending receipt of appropriate documentation.
49. In November 2005, the Douglas Students' Union requested the College to make payment for the Medical/Dental Plan premiums. As deposed to earlier, we made an initial payment in November of 2005, followed by quarterly payments in December 2005, and May and July of 2006. The College Board has also decided that it is in the best interests of students and the College that the administration of the plan, including payments, opting in/out, and optional enrollment be done by the College for the 2006/2007 year.

50. The College will be handling the purchase and distribution of the "fast trax" program for transit fares for the 2006/2007 school year.
51. We have also been replacing a variety of non-sufficient funds cheques issued by the Douglas Students' Union to individuals, and independent student groups who anticipate matching of their fundraising efforts from the Douglas Students' Union.
52. Now shown to me and marked as Exhibit "S" to this my Affidavit is a true copy of a summary of the Douglas Students' Union funds held by Douglas College, along with an accounting for payments deducted. This summary includes 4 schedules which detail the specific payments made.
53. We also made payments to Xerox on behalf of the Douglas Students' Union. They had purchased a second photocopier. The purchase agreement gave Xerox security, in the form of the photocopier, for the payments on the photocopier as well as payments on the service agreement. Payments were not made, and Xerox issued demand. We made payments to Xerox, on the agreement that they would not seek to repossess the photocopier again.

**SWORN BEFORE ME** at the City of New )  
Westminster, in the Province of British Columbia,) )  
this 19 day of September, 2006. )

A Commissioner for taking Affidavits within the  
Province of British Columbia

Karen Maynes  
KAREN MAYNES

**KENNETH ARMSTRONG**  
BARRISTER & SOLICITOR  
CASSADY & COMPANY  
330 - 522 Seventh Street  
New Westminster, B.C. V3M 5T8  
Tel.: (604) 523-7090

# Douglas Students' Union

CANADIAN FEDERATION OF STUDENTS - LOCAL 18

P.O. Box 2503, New Westminster, B.C., V3L 5B2

April 03, 2002

College Board  
Douglas College  
P.O. Box 2503  
New Westminster, BC  
V3L 5B2

Dear Board Members,

Please accept this letter as confirmation that the Union continues to comply with Section 21 of the College and Institute Act and, as a result, is entitled to have its membership dues collected by the college. In order to ensure the smooth collection of fees, a letter outlining the membership dues for the current fiscal year has been submitted to the College's finance department

If you require any further information, please do not hesitate to contact Joey Hansen, the Union's Financial Coordinator at Local 5573.

Thank you for your attention in this matter.

Sincerely,

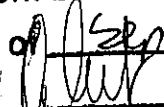


Mike Ouellet  
Treasurer



Joey Hansen  
Financial Coordinator

This is the Exhibit A  
referred to in the affidavit of  
Karen Maynes  
Sworn before me this 19  
day of September 2000

  
A Commissioner for taking Affidavits  
within British Columbia

David Lam Campus  
Coquitlam  
Phone: 604-777-6257  
Fax: 604-464-3586

New Westminster Campus  
New Westminster  
Phone: 604-527-5110  
Fax: 604-527-5364

Thomas Haney Campus  
Maple Ridge  
Phone: 604-467-9623  
Fax: 604-463-2081

# Douglas Students' Union

CANADIAN FEDERATION OF STUDENTS - LOCAL 18

P.O. Box 2503, New Westminster, B.C., V3L 5B2

Wednesday, April 9, 2003.

Karen Maynes, Vice-President Finance  
Douglas College  
P.O. Box 2503  
New Westminster, BC  
V3L 5B2

Dear Karen,

As you are no doubt aware, the majority of fees that the College collects on behalf of the Students' Union are adjusted each year by the rate of change in the Canadian Consumer Price Index. Based on the change in the Canadian Consumer Price Index for the 2002 calendar year, the Union's membership dues are as follows:

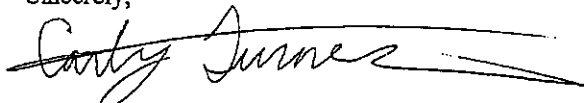
Base Membership Due	\$40.54
Activities and Intramural Fee	\$5.98
Performing Arts Fee	\$3.88
Students' Union Building Fee	\$9.00
Canadian Federation of Students Provincial Membership Fee	\$3.50
Canadian Federation of Students Provincial Membership Fee	\$3.50
Health Plan Fee	\$130.00
Dental Plan Fee	\$130.00
Total Membership Fee	\$326.40

With the exception of the health and dental plan fees, the Union's fees are pro-rated for part-time students. In the case of the health and dental plan fees, the full amount should be collected from all students in nine or more credits and students in less than nine credits would be exempt from these fees. Additionally, the full health and dental plan fees only need to be collected in September. For students whose first semester in the academic year is the Winter semester, please collect \$86.67 for the health plan and an additional \$86.67 for the dental plan. No money should be collected for the health and dental plan from students whose first semester during the academic year is the Summer semester.

The Union remains in compliance with Section 21 of the College and Institute Act and as such the College is obliged to collect and remit the Union's membership fees.

We trust that this proves satisfactory. If you have any questions, please direct them to Joey at Local 5573.

Sincerely,



Carly Turner  
Treasurer



Joey Hansen  
Finance and Services Coordinator

Copies: Chris Worsley, Director of Finance, Douglas College  
Mike Proud, Finance Department, Douglas College  
Michael Gardiner, BC Organiser, Canadian Federation of Students  
Jess Turk Browne, National Treasurer, Canadian Federation of Students  
Tom Rowles, Coordinator, National Student Health Network

David Lam Campus  
Coquitlam  
Phone: 604-777-6257  
Fax: 604-464-3586

New Westminster Campus  
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Phone: 604-467-9623  
Fax: 604-463-2081



# Douglas Students' Union

CANADIAN FEDERATION OF STUDENTS - LOCAL 18  
P.O. Box 2503, New Westminster, B.C., V3L 5B2

Wednesday, March 17, 2004

Diana Miles, Board Chair  
Douglas College  
P.O. Box 2503  
New Westminster, BC  
V3L 5B2

Dear Diana,

As you may be aware, the majority of fees that the College collects on behalf of the Students' Union are adjusted each year by the rate of change in the Canadian Consumer Price Index. Based on the change in the Canadian Consumer Price Index for the 2003 calendar year, the Union's membership dues are as follows:

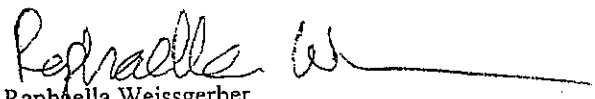
Base Membership Due	\$41.66
Activities and Intramural Fee	\$6.15
Performing Arts Fee	\$3.99
Students' Union Building Fee	\$9.00
Canadian Federation of Students Provincial Membership Fee	\$3.60
Canadian Federation of Students National Membership Fee	\$3.60
Health Plan Fee	\$130.00
Dental Plan Fee	\$130.00
Total Membership Fee	\$326.40

With the exception of the health and dental plan fees, the Union's fees are pro-rated for part-time students. In the case of the health and dental plan fees, the full amount should be collected from all students in nine or more credits and students in less than nine credits would be exempt from these fees.

The Union remains in compliance with Section 21 of the College and Institute Act and as such the College is obliged to collect and remit the Union's membership fees upon request from the Union. Please consider this letter the Union's request.

We trust that this proves satisfactory. If you have any questions, please direct them to Joey at Local 5573.

Sincerely,

  
Raphaella Weissgerber  
Treasurer

  
Joey Hansen  
Finance and Services Coordinator

Copies: Chris Worsley, Director of Finance, Douglas College  
Mike Proud, Finance Department, Douglas College  
Michael Gardiner, BC Organiser, Canadian Federation of Students  
Jess Turk Browne, National Treasurer, Canadian Federation of Students  
Tom Rowles, Coordinator, National Student Health Network

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Thomas Haney Campus  
Maple Ridge  
Phone: 604-467-9623  
Fax: 604-463-2081

**From:** "Charlie Miller" <cmliller@twmca.com>  
**To:** <maynesk@douglas.bc.ca>  
**Date:** 4/29/2005 10:56:35 AM  
**Subject:** Douglas College Students Society

Ms Maynes:

This email is to follow up our conversation this morning.

We confirm that we have been engaged to complete the audits of the financial statements of the Douglas College Students Society for their years ended August 31, 2002, 2003 and 2004.

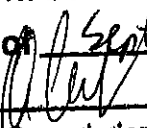
To date, draft statements have been prepared, but not finalized. The student society has indicated to us that it is their priority to have the statements finalized as soon as possible, and has, thus far, provided us with the information we have requested.

We anticipate completion of the audits in May. We will update you on our progress towards the middle of May.

If you have any questions, please do not hesitate to contact us.

Charlie Miller, CA  
Partner  
Tompkins, Wozny, Miller & Co.

(604) 681-7703

This is the Exhibit B  
referred to in the affidavit of  
Karen Maynes  
Sworn before me this 14  
day of September 2005  
  
A Commissioner for taking Affidavits  
within British Columbia

**Douglas College**

Mailing Address  
PO Box 2503  
New Westminster BC  
V3L 5B2 Canada

Tel 604 527 5400  
www.douglas.bc.ca

New Westminster Campus  
Fax 604 527 5095

David Lam Campus, Coquitlam  
Fax 604 777 6269

May 4, 2005

Jessica Gojevic  
Jeremy Gervan  
Joey Hansen  
Douglas College Student Union  
700 Royal Avenue  
New Westminster, BC

This is the Exhibit C  
referred to in the affidavit of  
Karen Maynes  
Sworn before me this 14  
day of September 2006  
[Signature]  
A Commissioner for taking Affidavits  
within British Columbia

I am following up on our discussion this afternoon about the lack of Audited Financial Statements for the DSU for the fiscal years ended August 31, 2002, 2003 and 2004. As Karen Maynes and I explained, we have informed the College Board Chair of the lack of Audited Statements and will have to wait to see how the Board wishes to proceed.

This is an issue the Board will need to deal with. I expect the Board will see this as an issue of confidence, in spite of the fact you feel that you have complied with the Act. I suspect it will be difficult for you to demonstrate that you complied with the Colleges and Institutes Act because your Membership at an AGM agreed to table the Financial Statement to a future date.

We are also obliged to inform the Registrar for Corporate and Personal Properties Registry of what we see as a contravention of the Societies Act and the Colleges and Institutes Act.

I will be contacting you when we are advised by the College Board how they want to deal with this situation. In the interim the Summer fees collected will be held by the College.

Sincerely,

[Signature]  
BJ Jensen  
V.P. Educational Services

Cc: Karen Maynes, V.P. Finance & Administration

DOUGLAS COLLEGE  
REGULAR MEETING

MAY 19, 2005  
NEW WESTMINSTER CAMPUS BOARDROOM

1. **CALL TO ORDER:** The meeting was called to order at 6:05 p.m.  
Present: D. Miles (Chair), C. Gibson\*, B. Kendall, A. Kitching, J. Koette, J. O'Connor, A. Peacock, B. Pickard, M. Russell, N. Steinmann\*, A. Taylor  
Ex-officio: S. Meshwork, S. Witter  
Administration: B. Jensen, J. Lindsay, K. Maynes, M. Exmann, B. Barber, C. Worsley, M. Murray  
Other: R. Wylie\* (DCFA); H. Taylor\* (DSU); D. McCormack (BCGEU)  
Other DSU: J. Gojevic\*, E. Helps\*, Y. Irani\*, R. Lam\*, M. Liebbrandt\*, M. Steinbach\*, L. Surjik\*  
Guest: P. Kisiel\*  
 \* attended portion of the meeting  
 \*\* for reporting purposes the minutes have been returned to agenda order

This is the Exhibit D  
 referred to in the affidavit of  
Karen Maynes  
 Sworn before me this 14  
 day of September 2005  
[Signature]  
 A Commissioner for taking Affidavits  
 within British Columbia

- .4 DSU Compliance with Section 21 of the College & Institute Act: Members of the Douglas Students' Union Executive were introduced: Jessica Gojevic, Treasurer; Ryan Lam, External Relations Coordinator; and Heidi Taylor, College Relations Coordinator. The fourth member of the Executive, Jeremy Gervan, Internal Relations Coordinator, was not in attendance, as he is a student representative to the College Board and felt this would place him in a conflict of interest situation.

Jessica apologized for the situation the DSU found itself in. They understood that it had put the Board in an awkward situation. She explained how the DSU got into this situation and what steps are being taken to remedy this. She reviewed the expansion of DSU services over the past few years which included the implementation of a Health and Dental Plan for students. During this time they did not ensure that there were sufficient administrative resources. As a result some things were not done. What was being specifically referred to was the audited financial statements for the fiscal periods 2002, 2003 and 2004. These were not completed and therefore were not available at the last three Annual General Meetings. In hindsight the DSU realize that this was unacceptable.

Jessica added that the DSU Auditor has now finished two of the three financial statements. It is anticipated that the third one will be finished in the next week. To ensure that this will not happen again the DSU are going to create a bookkeeper position so that a sufficient amount of time will be spent on accounting and administrative practices. They are commissioning an extensive post-audit report from their auditor to streamline their audit practices.

The DSU understood that the College was concerned that they were not in compliance with the Act, particularly since the Board was informed in writing each year that they were in compliance. In the College and Institute Act "compliance" means making available to its members annual audited financial statements and a report on those financial statements by an auditor who meets the requirements of section 42 of the Society Act; and informing the Board in writing that these requirements have been met.

The DSU now feels that this should have been explained in detail to the Board. They regretted that this happened, but realized that they cannot take back what has already been done.

Jessica added in closing that the DSU understand that trust may be an issue. The DSU did not come with any specific proposal, but are open to, and will consider, any proposal the Board puts forward. She thanked the Board for their time and was open to questions.

Ben indicated that he had found out about this at the Finance Committee the previous evening and was shocked. He indicated that compliance with the Act was more than lip service when you deal with something like this on any Board, including the College Board. He emphasized the liability issues incurred and how DSU Board and employees are responsible; and that they are liable to law suits individually for failing to comply. Given that this has run over a three year period, Ben was amazed that other actions have not been taken.

Ben suggested that a higher standard is needed than what was expected in the past. He asked the DSU to come back next month with a proposal as to what. The question is, how is the DSU going to satisfy this Board that they are in compliance, and that students have seen the financial statements. In other words assurance needs to be given that the DSU are going to comply and it has to be demonstrated to this Board that the DSU has complied.

Jessica responded that the DSU is open to suggestions from anyone on the College Board. The DSU will discuss this situation at their meeting and will present any recommendation(s) that come forward to the College Board. The DSU wants to cooperate to remedy this situation.

June acknowledged Ben's remarks indicating that they are supported by other members of the College Board. She added that the DSU has invited the College Board into their kitchen and the DSU will have to be creative in showing the Board that there is absoluton to the information we receive.

Andrew also echoed the sentiments already expressed. He added that apart from compliance with the College and Institute Act, there is compliance with the Societies Act. The DSU, in considering how to rectify areas and bring confidence back, might consider ensuring that all members are aware of their responsibilities under the Societies Act as well as the College and Institute Act.

Joel spoke as a student and stated that it was not something intentional that took place. He stated that it has been a huge wake-up call for many of the elected DSU members. The DSU will be making sure that this does not happen again and they have been working hard to bring the information up-to-date.

Ben suggested that the DSU try to take a look at the Board governance model. If they are having difficulty, there are members of staff, faculty, senior management and even Board members who could chat with them one-on-one on these types of issues and relay our experiences on how to handle these issues.

Joel indicated that the DSU is in the middle of constructing a new website for DSU and the DSU Minutes and Financial Statements will be available.

Mike acknowledged the forthright manner with which the DSU has addressed the issue. The fact remains, however, that by the DSU's admission and by writing the letters each year, the DSU is in breach of their obligation. The DSU has not come to the Board on how it proposes to remedy that breach. While the DSU remain in breach, the Board has to decide whether the fees will continue to be held.

The Board was informed that the DSU is waiting for the third set of financial statements to be prepared and audited. A Special General Meeting will then be held. That meeting cannot be held during the Summer months so the DSU will wait until September in accordance with their own By-Laws. This will be discussed at the next DSU Board meeting and brought back to the June College Board meeting. The DSU has had the same Auditor for a number of years and he is producing the financial statements in arrears. It was indicated at the last DSU AGM that they will be retaining a new Auditor for 2005/06.

June appreciated the process and that the DSU were required to hold a Special General Meeting, but added for clarity that the DSU is going to have to come up with a different way of describing what has to be done that would satisfy this Board as to compliance with the Act. At the present time the summer fees are being held by the College. In the following meeting it will be the Finance Committee's strong recommendation that these fees continue to be held until the Board is satisfied that there is compliance with the Act.

June indicated that the Finance Committee will be pleased to work with the students in resolving this matter and bringing forward a recommendation to the College Board. The DSU will be scheduled for the June Board meeting on this topic.



**From:** Yasmin Fara Irani <yirani@portal.douglas.bc.ca>  
**To:** <murraym@douglas.bc.ca>  
**Date:** 8/18/2005 1:27:33 PM  
**Subject:** August 10, 2005 Rep Committee motion

Hi Margaret,  
At its August 10, 2005 meeting, the Douglas Students' Union  
Representative Committee unanimously passed the following motion:

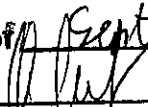
Be it resolved that the Douglas Students' Union provide the Douglas  
College Board with the following:

\*the annual Douglas Students' Union Section 21 compliance letter  
\* a letter, written after the Special General Meeting, by the Students'  
Union's auditor verifying that the audited financial statements have  
been presented and accepted.

As the majority of our signing officers are away at a conference until  
Monday, Jessica will be presenting a letter (with two signatures) at  
the August 25 College Board meeting. If you have any questions, feel  
free to contact me at local 5111, or Jessica at local 5112.

Thanks,  
Yasmin

**CC:** <yirani@portal.douglas.bc.ca>, <jessicagojevic@hotmail.com>

This is the Exhibit E  
referred to in the affidavit of  
Karen Maynes  
Sworn before me this 14  
day of September 2005  
  
A Commissioner for taking Affidavits  
within British Columbia

**PROCEDURES TO ENSURE DOUGLAS STUDENTS' UNION COMPLIANCE  
WITH SECTION 21 OF THE COLLEGE AND INSTITUTE ACT**

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**Introduction**

Section 21 of the College and Institute Act addresses the collection and remittance of student fees and assigns responsibility to the College Board. Per this section, evidence must be received from the Douglas Students' Union (DSU) each year that it:

- (i) has made available to its members the annual audited financial statements and a report on those financial statements by an auditor who meets the requirements of section 42 of the Society Act; and
- (ii) remains in good standing as a Society as prescribed by statute.

**Procedure**

To ensure the timely release of student fees by the College, the DSU will each year, **within four months of their fiscal year-end**:

- 1. direct their auditor to provide the auditor's report and internal control letter directly to the Chair of the College Board;
- 2. post the minutes of the AGM or SGM on the DSU website;
- 3. advise students (via a notice posted on the DSU website) that copies of the current audited financial statements are available in the DSU office during office hours; and
- 4. provide confirmation to the Chair of the College Board, from the Registrar of Companies, that they are in good standing as a Society.

Fulfillment of these conditions will constitute the annual notice mandated by Section 21 (3) of the College and Institute Act.

Student fees will be held by the College until all of the above conditions have been satisfied.

In the event of irregularities identified in the auditor's report and/or internal control letter, the College Board may direct the College to continue withholding student fees pending resolution.

THIS IS THE EXHIBIT F  
REFERRED TO IN THE AFFIDAVIT OF  
Karen Maynes  
SWORN BEFORE ME THIS 19  
DAY OF September 2006  
A COMMISSIONER FOR TAKING AFFIDAVITS  
WITHIN BRITISH COLUMBIA

- (10) The board must hold a minimum of 4 meetings each year and the intervals between meetings should be approximately equal.

13

Section Repealed

20 [Repealed 2002-25-7.]

#### Student society fees

21 (1) Subject to subsection (2), on annual notice from a student society, the board must direct the institution to collect student society fees and remit them to the student society if

(a) the institution collected fees on behalf of the student society between June 1, 1998 and June 1, 1999, or

(b) the student society has been designated by regulation and the amount of the student society fees has been approved by a majority of the members of the student society who voted in a referendum of that student society.

(2) If a student society referred to in subsection (1) (a) or (b) changes student society fees, the new amount or the rate of change must be approved, before a notice is issued under subsection (1), by a majority of the members of the student society who vote in a referendum of that student society.

(3) On annual notice from a student society, the board must direct the institution to collect fees on behalf of a provincial or national student organization and remit them to the student society or directly to the provincial or national student organization, as may be agreed by the board and the student society, if

(a) the institution collected fees on behalf of the provincial or national student organization between June 1, 1998 and June 1, 1999, or

(b) the student society has held a referendum and the majority of the members of the student society voting in that referendum voted in favour of joining the provincial or national student organization.

(4) The board may direct that the institution cease to collect or remit student society fees to a student society if one of the following applies:

(a) the student society fails to do one of the following in a timely manner:

(i) make available to its members annual audited financial statements and a report on those financial statements by an auditor who meets the requirements of section 42 of the *Society Act*;

(ii) inform the board in writing that the requirements set out in subparagraph (i) have been met;

(b) the student society is struck off the register in accordance with section 71 of the *Society Act*.

#### Advisory committee

22 A board may

(a) determine the number of members on a committee,

(b) establish the terms of reference of and the procedures governing its committees, and

(c) enter into an agreement with a person, including, with the prior written approval of the minister, the

## STATEMENT OF OPERATIONS

Year ended August 31

This is the Exhibit

referred to in the affidavit of

Karen Meyers

Sworn before me this

day of September 2006

A Commissioner for taking Affidavits  
2002 within British Columbia

	2004 \$	2003 \$	2002 \$	2001 \$
<b>REVENUES</b>				
Membership fees	752,178	743,289	699,899	655,414
Athletic service fees	146,070	144,216	137,892	128,469
Performing arts fees funded from restricted fees	58,996	57,321	32,549	36,865
Other [note 8]	58,447	51,190	(21,938)	14,430
Building fees used to fund interest	49,651	56,028	63,638	72,272
Health and dental plan	1,639,543	—	—	—
Amortization of deferred levies	115,509	115,509	115,509	115,509
	2,820,394	1,167,553	1,027,549	1,022,959
<b>EXPENDITURES</b>				
Activities - pool	13,611	15,422	12,309	26,131
Amortization - building	115,509	115,509	115,509	115,509
- other	41,566	33,303	30,168	9,797
Athletic service fees	146,070	144,216	137,892	128,469
Building operating costs	(1.2%) 57,760	58,781	56,604	57,674
Clubs	17,477	21,902	30,156	15,525
Conferences	13,799	14,877	13,089	13,769
Donations	—	200	500	5,000
Handbooks	27,766	22,500	22,500	—
Health and dental plan	1,639,543	—	—	—
Honoraria	112,337	117,548	112,990	102,763
Insurance	19,518	16,123	11,863	11,331
Interest - building (net)	49,651	56,028	63,638	72,272
Janitorial	26,400	25,032	25,592	25,434
Office	59,595	97,572	36,697	35,826
Performing arts	58,996	57,321	32,549	36,865
Professional fees	(1.6%) 5,100	14,951	45,752	90,237
Society service	(1.6%) 61,519	47,554	61,381	55,250
Staff wages and benefits	(4.1%) 328,306	306,170	318,783	219,756
Telephone	6,658	6,599	6,953	6,863
	2,801,545	1,171,608	1,134,925	1,028,471
Excess of expenditures over revenues for the year	18,849	(4,055)	(107,376)	(5,512)
Net assets, beginning of year	(120,659)	(116,604)	(9,228)	(3,716)
Net assets, end of year	(101,810)	(120,659)	(116,604)	(9,228)

See accompanying notes

Given to DC by concerned student 15

## AUDITORS' REPORT

To the Members of  
Society of the Douglas Students' Union

We have audited the statement of financial position of Society of the Douglas Students' Union as at August 31, 200X and the statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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.

Our examination indicated serious deficiencies in internal controls over Kiosk Revenue and Other Revenue. As a consequence, we were unable to satisfy ourselves that all revenues and expenditures of the society had been recorded nor were we able to satisfy ourselves that the recorded transactions were proper. As a result, we were unable to determine whether adjustments were required in respect of recorded or unrecorded assets, recorded or unrecorded liabilities and the components making up the statements of operations, net assets and cash flows.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Union as at August 31, 200X 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 British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

**DRAFT**

Vancouver, Canada

Chartered Accountants

Given by  
concerned  
student

## POST AUDIT MEMORANDUM

Years Ended August 31, 2002 to 2004

### BACKGROUND

The Society of the Douglas Students' Union represents students at all campuses of Douglas College. The Society, through Douglas College, collects membership and other fees from its members pursuant to referendum. The fees include an Operating fee, a Building fee, an Athletics fee and a Performing arts fee. Commencing with its 2004 fiscal year, the Society also collected Health and Dental premiums. The Building and Athletic fees are retained by the College, and all other fees are dispersed, semesterly, to the Society.

In addition to membership fees, the Society derives revenue through the operation of a store, book consignment, sale of transit passes, special events, and sponsorship revenue.

The Society is managed by an elected Board which meets approximately twice monthly.

### ACCOUNTING SYSTEMS

The Society maintains a general ledger on Simply Accounting, recording and coding cheques as they are issued. In previous years, the Society maintained a separate general ledger for the store operations, but commencing in the 2002 fiscal year has consolidated all its operations to one general ledger.

The Society did not consistently record deposits and did not reconcile its bank accounts to the general ledger for the 2002 to 2004 fiscal year.

*We emphasize that bank reconciliations for all accounts must be prepared on a timely basis. Bank reconciliations should be completed no later than thirty days after the month and should be initialed by both the preparer and the treasurer (or other designate). A separate monthly file should be maintained to document all deposits. The file should contain remittance advises, letters outlining fee breakdowns, schedules of rent, and other documentation to support the amounts being deposited.*

### DISBURSEMENTS

All cheques require two signatures, and there were very few manual cheques issued during the period under review. Cheques are issued through the Simply Accounting program, and as such are coded and posted as issued. Cancelled cheques are returned with the bank statements and filed accordingly. Cheque requisition are completed and attached to the original invoice.

We noted that supplier invoices and cheque requisitions were not readily filed and accessible. We recommend the Society devote resources to developing and implementing an effective filing system.

## POST AUDIT MEMORANDUM

Years Ended August 31, 2002 to 2004

It appears that a significant number of disbursements, primarily relating to the store, consignment books and other ancillary activities were paid in cash. As cash payments circumvent the control process and may be poorly documented we recommend that the Society immediately cease making disbursements in cash. Should it be necessary, in rare circumstances, to make a cash purchase, the Society should ensure appropriate documentation is in place and promptly forwarded to the Finance department. We recommend payments for consignment books are made by cheque. It may be necessary to set up a separate bank account with temporary signing authorities and issue manual cheques for this purpose if it is desirable to issue these cheques immediately. The account would be funded by a 'float' and reconciled daily to the cheques issued.

### PAYROLL

The staff of the Society is covered by a collective agreement expiring July 2008. The collective agreement outlines hourly rates of pay and other entitlements. We noted that not all employees completed timesheets on a timely basis. There is currently no direct deposit of payroll.

We strongly recommend that timesheets be completed and initialed by both the employee and the employer. The timesheets should be completed and reviewed diligently to ensure hours of work, holiday, sick and overtime entitlements are appropriately authorized, documented and addressed. The approved timesheets should be filed in an orderly and accessible manner. Should the Society commence direct deposit for payroll, it should ensure appropriate controls are in place, including review and initialing of reports on a timely basis.

### HONORARIUMS

Executives, Representatives and Constituency liaisons are entitled to an honorarium dependant upon their elected positions and hours contributed to the Society. Pursuant to Administrative Policy E (last amended June 28, 2001) honorariums are contingent on attendance at meetings and/or hours of work.

In previous years, an Honorarium Committee Report was completed, and approved outlining the individuals entitled to an honorarium, and the approval of that honorarium by the committee. This report was not consistently completed towards the end of the period under review.

We recommend that the Honorarium Committee Report be reinstated, and that in addition to the report, individuals entitled to an honorarium complete an individual form documenting the meetings attended and hours worked. This report should be signed by the individual representatives. The individual reports should be attached to the Honorarium Committee Report and filed in an orderly manner.

## POST AUDIT MEMORANDUM

Years Ended August 31, 2002 to 2004

We also understand that Canada Revenue Agency T4's were not issued for all Honorariums. We recommend that T4's be issued for honorariums for 2005 and that, commencing immediately, appropriate income tax and Canada Pension deductions be made for Honorariums that are in excess of the minimum threshold amounts. Employment Insurance is not applicable to earnings from elected positions.

## REVENUES

Controls over revenues from Store sales, transit passes and ancillary services were extremely poor during the period. There was little breakdown of the source of revenue, and no reconciliation to cash register z totals or to cash on hand. As already noted, purchases were made directly from cash received as revenue. Cash was not deposited on a timely basis. The Society's sources of revenue are such that they should not ordinarily result in a qualification to our Audit Report. Due to the lack of controls, and documentation, however, we were unable to satisfy ourselves as to the completeness of sales for the period under review.

*We recommend you implement the following controls:*

*Adopt a policy of depositing all cash received on a timely basis. Cash should be deposited no less than weekly and more frequently if the volume of transactions warrants it.*

*No purchases should be made directly from cash received from sales.*

*All sales should be rung through the cash register.*

*Sales reports should be prepared daily at the store, and reconciled to cash on hand. A separate deposit should be compiled for each day (even if the actual deposit is made weekly). Sales reports should be reconciled to cash register 'z' tapes, 'z' tape continuity should be maintained, and documentation of all voids, and reconciling items should be attached to the sales reports. The sales reports should appropriately differentiate between types of sales, at minimum segregating transit, arcade, books, and store sales. We note that the General Ledger already includes separate accounts for Transit, Lockers, Bookstore, and Vending Etc. The General Ledger codes should be adjusted to be consistent with the sales report to facilitate postings. The person 'closing' the store should be responsible for reconciling the cash, completing the report, and forwarding it to the Finance Department. This person should initial the report. The Finance Department should double check the sales continuity and file the reports in an orderly manner.*

*Inventory of Transit Passes should be counted and reconciled at the close of each day. Total sold should be reconciled to the change in inventory. This could be documented on the Daily Sales Report.*



## Society of the Douglas Students' Union

## POST AUDIT MEMORANDUM

Years Ended August 31, 2002 to 2004

## REPORTING

Administrative Policy G notes that the Representative Committee should receive a year to date statement on the first of every month. As the Society's general ledger had not been reconciled, the reports that it did receive were based on compiling information from a variety of sources and were, thus, susceptible to error. If the bank is reconciled on a timely basis, the Society's accounting system is set up to produce an accurate financial statement on demand.

*We recommend the policy of a year-to-date statement being presented to the Representative Committee be reinstated as soon as possible. The Treasurer, or designate, should overview the statement with the Finance Department prior to it being presented to the Representative Committee.*

## BUDGETING

*The Society's budget line items should be coordinated with its General Ledger account codes to facilitate the budgeting process and so that the monthly financial statements can include a budget variance if desirable.*

## MINUTES

Minutes of the Representative Committee were kept in a folder, by date. We found the minutes to be generally well documented, identifying those present, discussions around motions, and the dates of minutes approved and of future minutes. Minutes appeared to be approved in a timely fashion.

We did note that there were frequently several copies of the minutes in the folder, and that some, but not all, were signed off. Also, attachments were included with only some of the minute packages.

*We recommend that a binder be established in the office to hold an official copy of the minutes. The copy should include all attachments, and be signed off by the Recording Secretary or other appropriate individual. We also recommend that each page of the minutes be initialed. If a meeting is cancelled, or fails to reach quorum, a note to that effect should be placed in the binder in place of the minutes for that meeting. The binder should not be removed from the office.*

## POST AUDIT MEMORANDUM

Years Ended August 31, 2002 to 2004

## PERFORMING ARTS AND HEALTH PLAN

The Society collects a Performing Arts fee and Health Plan premiums from its members. Terms of reference for the Performing Arts Fee have been drafted. There was discussion on updating the Terms of Reference for the Performing Arts Fee in April 2003. The Administrative Policy Manual as updated in June 2001 set out a variety of criteria for the disbursement of funds but is silent of administrative and other costs to be borne by the fund.

*We recommend that the terms of reference for the Performing Arts fee specifically address the types of costs to be borne by the fund and the process to authorize those costs. In addition, we recommend that the terms of reference for the Health Plan specifically address whether any administrative costs can be borne by that fund. There should be a distinct disbursement process for expenditures for those funds so that the coding of those disbursements is clear to the finance department. This could be accomplished through the use of different colored cheque requisitions, or a specific designation that the expenditures are to be charged against the funds.*

## OTHER

In April 2003 the Society passed a motion to adopt a clear and concise conflict of interest policy. The Society should adopt such a policy as soon as possible.

The Society should also ensure it complies with Privacy legislation and has appointed a privacy officer annually.

DRAFT FOR DISCUSSION

Presented at Mtg referred to in the affidavit of  
Sept 28 2005 Karen Hughes

## Interim Payment of Bills

September 28, 2005

Sworn before me this 19  
day of September 2005

A Commissioner for taking Affidavits  
within British Columbia

Consideration will be made to pay some bills that affect the health and welfare of the student body and the good image of Douglas College. The board specifically considered Medical/Dental coverage and properties when discussing this issue. The college will also consider what revenues the DSU has to meet their financial obligations for these bills.

To pay such bills the college will require:

1. For property mortgage, taxes and insurance on the SU building on 8<sup>th</sup> and Agnes Street:
  - Documentation for monthly rental income from property. This revenue must be applied to the mortgage, taxes, etc. before the college will consider paying any excess expenditures.
  - Monthly expenses for the property (taxes, utilities, etc.)
2. For Medical/Dental:
  - Authorization to make direct contact with carrier

### College Bill:

The College will deduct the outstanding bills due (\$76,404.90) from the funds that are held in trust.

### Other Bills

If there are other debts that the DSU would like the College to consider paying, original documentation, duly approved as per DSU bylaws and guidelines, must be provided to VP Finance and Administration of the College.

The College Board will not consider paying for salaries or honoraria of the DSU.

mtg  
Sept 28 2005  
Attendees: 5004  
Yasmin  
Margaret

Ryan L  
Jeremy  
Heidi  
Joel  
Indira  
Shaw  
• Branden

Blaine  
Chris W  
Karen M.

This is the Exhibit 1  
referred to in the affidavit of

Karen Maynes  
Sworn before me this 14  
day of September 2006

[Signature]  
A Commissioner for taking Affidavits  
within British Columbia

From: Brad Barber  
To: ALLGWusers  
Date: 10/6/2005 1:59 PM  
Subject: FYI: Students' Union issues

To Douglas College employees:

The following letter from the Chair of the College Board has been sent to all students to inform them about current issues regarding the Douglas Students' Union. This is to provide you with the information in case you are asked by students.

October 6, 2005

To all Douglas College students:

I am writing to address concerns of the College Administration, Board and growing numbers of students regarding the Douglas Student's Union (DSU).

The Douglas Students' Union is an autonomous society registered under the BC Societies Act. Its executive members are elected by Douglas College students.

The College and Institute Act requires the Students' Union to "make available to its members annual audited financial statements and a report on those financial statements by an auditor." Section 21 of the Act also requires that "the institution collect student society fees and remit them to the student society..." The Act further requires the board to direct the College to collect and remit fees in respect of provincial or national student organizations.

Each semester, in addition to tuition fees to pay for courses, a Douglas College student pays a Student Activity fee of \$25.90 and a Students' Union fee that ranges from \$19.65 to \$50.80 according to the total number of credits taken each semester. This fee is mandatory.

The amount of the student fee transfer to the DSU is approximately \$840,000 per year. In addition, approximately \$120,000 is transferred to the Canadian Federation of Students annually.

The DSU is required to have an independent financial audit and make the resulting financial statements available for all students to review. This requirement exists to protect students and to ensure that you know how your money is spent. The DSU has no obligation to share its audited financial statements with the College. The DSU does not have to disclose to the College how it spends your student society fees.

In May 2005, the Douglas College Administration discovered that for the past three years (2002, 2003, and 2004) the DSU has not had an external audit completed, and financial statements have not been available for students to examine. However, you have a right to examine the DSU's financial statements. This is an important right since the College has no access to these statements.

In each of the last three years, the Douglas Students' Union has sent a letter to the College Board stating that the DSU has complied with the Act by making audited financial statements available for examination by students. This was not true.

When the College Board became aware of this issue, as permitted under the Act, they instructed the College Administration to halt the transfer of student fees to the DSU and will continue to do so until the problem is resolved. The College has been meeting with the DSU executive since May and has offered support, resources and expertise to assist the DSU in meeting its obligations. The DSU reports that they are working with auditors. The College Board is still awaiting substantial proof that the audits have been completed and financial controls have been put into effect.

The Board is limited in its ability to influence the DSU and wanted to ensure that students understand why the College is withholding the transfer of student fees to the DSU. We remain hopeful that the DSU will soon comply with the Act and provide the transparency to the college community that demonstrates responsible handling of funds provided by students.

If you have more questions about how the College is working with the Students' Union you can contact Blaine Jensen, Vice President of Educational Services (see below for contact information). I also encourage you to talk to one of your elected Students' Union representatives for more details.

Sincerely,

Diana Miles  
Chair  
Douglas College Board

Contact Information:

Blaine Jensen, Vice President, Educational Services, Douglas College

e-mail: Phone: 604-527-5385

Office: 4900E New Westminster Campus or B3035 David Lam Campus (Mondays)



Our Ref. 55108

OCT 24 2005

CONFIDENTIAL

This is the Exhibit 7  
 referred to in the affidavit of  
Karen Murphy  
 Sworn before me this 14  
 day of September 2006

[Signature]  
 A Commissioner for taking Affidavits  
 within British Columbia

Ms. Diana Miles, Chair  
 Board of Governors  
 Douglas College  
 PO Box 2503  
 New Westminster BC V3L 5B2

Dear Ms. Miles:

Thank you for your letter of September 23, 2005, in which you outline the difficult situation that has arisen related to the financial management of the Douglas Students' Union (DSU).

I confirm your advice that DSU has not filed audited financial statements for three years, has provided the Douglas College Board Chair with a letter each year stating their compliance with the *College and Institute Act* when this is now in doubt, and that there may be evidence of financial discrepancies within the DSU. I also understand that the DSU is now in receipt of an auditor's report that expresses concern about internal financial controls within the DSU.

It would therefore appear that the Board of Governors has acted appropriately in ceasing to remit student society fees to the DSU until compliance with s.21 of the *College and Institute Act* has been demonstrated to the Board. However, as Douglas College is a legal entity distinct from the government of British Columbia and has its own legal rights and obligations, it is necessary that the Board of Governors continue to act on the basis of legal advice obtained from its own independent legal advisor. The Ministry of Advanced Education, and the government of British Columbia as a whole, are unable to advise any of the province's public educational institutions as to their rights or ongoing responsibilities under provincial legislation, or dealings with other parties such as their student societies.

Although you have requested that as Minister of Advanced Education, I appoint a receiver and forensic auditor to investigate the finances of the DSU, I regret to advise that I do not have the power to appoint either such officer under the authority of the *College and Institute Act* or any other provincial legislation.

... /2

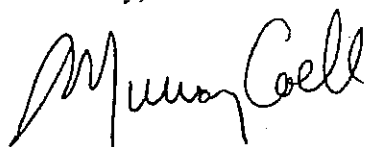
You also suggest that it may be advisable for the government to amend the *College and Institute Act* to provide college boards with copies of student societies' annual audited financial statements and internal control letters. In light of the difficulties you have highlighted, I will direct ministry staff to carefully consider whether to recommend the implementation of stricter controls over the relationship between institutions' boards and student societies, such as by requiring disclosure of the contents of financial statements and audit reports on the part of student societies to college boards.

I regret that any changes to the *College and Institute Act* that may result as a consequence of this review will be enacted in future legislative sessions and will not be of assistance in resolving the immediate difficulties your Board is facing.

While I am unable to offer assistance in these circumstances, I am confident that the Board of Governors will continue to manage this difficult and sensitive situation with sound and responsible judgment.

Thank you for taking the time to share your concerns with me.

Sincerely,



Murray Coell  
Minister

pc: Dr. Moura Quayle, Deputy Minister  
Ministry of Advanced Education

Mr. Tony Loughran, A/Director  
Governance, Legislation and Intergovernmental Relations Branch  
Ministry of Advanced Education

**From:** Blaine Jensen  
**To:** AllGWusers  
**Date:** 10/27/2005 10:06 AM  
**Subject:** Update on DSU Student Fees  
**CC:** Gojevic, Jessica

This is the Exhibit K  
 referred to in the affidavit of

Karen Maynes  
 Sworn before me this 14  
 day of September 2005

A Commissioner for taking Affidavits  
 within British Columbia

October 27, 2005

## Update

Several students have asked for more information about why the Douglas College Board is withholding Douglas Student Union (DSU) fees. I am writing to keep you informed and answer questions that have been put forward by students.

## The College Collects Student Union Fees

Each semester, the College must collect student fees from you and transfer them to the DSU. Every year, the DSU is required by law to have an independent financial audit and have the resulting audited financial statements available for students to look at. This is required under the College and Institute Act and is aimed at protecting students and ensuring that you know how your money is spent.

## Audited Financial Statements not Done

In May 2005, the Douglas College Administration found out that for the past three years the DSU has not had an external audit completed, so the financial statements have not been available for students to examine. In each of the last three years, however, the Douglas Students' Union has sent a letter to the College Board stating that the DSU had complied with the Act. This was not true.

## Questions and Answers

**Q: Why has the DSU not had audits for the last three years?**

**A:** The College is not sure why the audits were not done or why they waited until the spring (2005) to engage an auditor for 2002, 2003 and 2004.

**Q: What seems to be the problem?**

**A:** When the college administration asked the DSU why the audits were not completed they gave several verbal responses that indicated they had problems with how they were handling the Performing Arts fees and some other "minor" cash handling issues. Recently we have been given to know there are several issues. We believe there are many issues in regards to internal controls over cash handling, bill payments and procedural problems that the auditor has identified.

**Q: How are student fees spent? (Over \$840,000.00 each year)**

**A:** Annual financial statements describe what student fees are spent on. However, the DSU has not provided audited financial statements for at least three years. The College does not know where the DSU spends all their money. There are some obvious areas like staff wages, honoraria, building maintenance (heating, lights and maintenance), purchase of an off-campus building, medical/dental coverage, social events and political activities. This is a good question for the DSU.



Note: In addition to the funds mentioned above, approximately \$120,000 is transferred to the Canadian Federation of Students annually.

**Q: What about medical and dental health coverage? Are my medical and dental health care insurance policies valid?**

**A:** Medical and dental fees add up to over \$800,000 each year. The DSU has told us that it is in effect. The college is concerned about this coverage and has offered to pay the insurance premiums to the company that provides the insurance from the fees that are held. The DSU has declined any assistance. This is a question you should ask the DSU.

If you have more questions about how the College is working with the Student's Union you can contact me. We are committed to keep lines of communication open and provide information concerning this important issue.

Sincerely,

Blaine Jensen

Vice President, Educational Services

# RUSH CRANE GUENTHER

## BARRISTERS & SOLICITORS

STUART RUSH, \*Q.C. DONALD CRANE STAN GUENTHER  
JANET PATTERSON HEATHER D. NEUN

ASSOCIATE COUNSEL: CAROLYN ASKEW

SUITE 300 - 111 WATER ST.  
VANCOUVER, B.C. V6B 1A7  
TELEPHONE: (604) 687-5611  
FACSIMILE: (604) 681-0912  
INTERNET: info@rcga.com

WRITER'S DIRECT LINE: (604) 601-2429  
EMAIL: dcrane@rcga.com

November 4, 2005

Douglas College  
Box 2503  
NEW WESTMINSTER, B.C.  
V3L 5B2

Attention: Diana Miles  
Chair, College Board

Dear Sirs/Mesdames:

Re: Student Society Fees

This is the Exhibit L  
referred to in the affidavit of  
Karen Maynes  
Sworn before me this 14  
day of September 2005  
[Signature]  
A Commissioner for taking Affidavits  
within British Columbia

We represent the Douglas Students' Union. We are writing with respect to an issue which has arisen between the Douglas Students' Union and the College, in which the College is withholding the remission of student activity fees. We have been provided with a document which we understand was produced by an official of the College Board of Douglas College entitled, "Procedures to Ensure Douglas Students' Union Compliance with Section 21 of the *College and Institute Act*".

As you are aware, Section 21(1) of the *College and Institute Act* provides, in part, that:

"Subject to subsection (2), on annual notice from a student society, the board must direct the institution to collect student society fees and remit them to the student society if

- (a) the institution collected fees on behalf of the student society between June 1, 1998 and June 1, 1999 ..."  
(emphasis added)

Subsection 4 of Section 21 provides that the Board may direct that the institution cease to collect or remit student society fees to a student society if one of the following applies:

- (a) the student society fails to do one of the following in a timely manner:

- (i) make available to its members annual audited financial statements and a report on those financial statements by an auditor who meets the requirements of Section 42 of the *Society Act*;
  - (ii) inform the Board in writing that the requirements set out in subparagraph (i) have been met;
- (b) the student society is struck off the Registrar in accordance with Section 71 of the *Society Act*.

To summarize the effect of the legislation, subject to its right to cease to collect or remit student society fees if the circumstances set out in subparagraph 4 prevail, the Board must direct the institution to collect and remit the fees. In other words, where the student society is in good standing, it is only where the student society has failed to make its annual audited financial statements and a report on those statements available to its members, and to inform the Board in writing that this has been done, that the College is entitled to withhold fees.

We are instructed that the Douglas Students' Union has made the audited financial statements and a report on those financial statements available to its members, and has so informed the Board. Hence there is no lawful justification for continuing to withhold the student activity fees from the Douglas Students' Union.

The Douglas Students' Union, like all other college and university student unions in British Columbia, is an autonomous society, and is regulated by the *Society Act*. The legislative intent of Section 21 of the *College and Institute Act* is to ensure that the members of student societies are given access to the society's financial statements in order to effectively exercise their rights as members of the society. The College is given no general mandate to oversee the financial affairs of the student society as a condition of collecting and remitting student fees. Quite the opposite is the case. The institution is under a strict legal obligation to collect and remit those fees, provided that the requirements of Section 21 of the *College and Institute Act* have been met.

The Douglas Students' Union is not prepared to accept the terms and conditions set out in the "Procedures" document referred to above. It is, however, prepared, for this year only, to take the following steps, all of which go beyond the requirements of Section 21 of the *Act*:


1. provide copies of the 2003 – 2005 financial statements to the Chair of the College Board;
2. post the minutes of the most recent AGM on the Douglas Students' Union website, once the website has become reactivated;

3. advise students by use of the Douglas Students' Union website that copies of the current audited financial statements are available in the DSU office during office hours; and
4. provide confirmation to the Chair of the College Board, by way of documentation from the Registrar of Companies, that the Douglas Students' Union is in good standing.

We are instructed that Douglas College is currently holding approximately \$1 million of student society fees. The continued withholding of these fees is contrary to the *College and Institute Act*, and is capable of doing irreparable harm to the interests of the Douglas Students' Union. Unless a very early agreement can be reached by which the remission of fees is resumed, we are instructed to commence an immediate application for injunctive relief in the Supreme Court.

We look forward to hearing from you, or counsel on your behalf, at the very earliest possible moment.

Yours truly,  
RUSH CRANE GUENTHER  
PER:



DONALD G. CRANE  
dgc/dl

cc: Douglas Students' Union

This is the Exhibit h  
referred to in the affidavit of

Karen Maynes

**From:** Blaine Jensen  
**To:** AllGWusers  
**Date:** 11/23/2005 4:16 PM  
**Subject:** Student Medical Dental Coverage

Sworn before me this 14  
day of September 2005

A Commissioner for taking Affidavits  
within British Columbia

The following message has been sent to all students via MyDouglas.

## Medical Dental Insurance Coverage

Since the first of November there have been many calls and emails to my office asking about problems with the Student Medical/Dental coverage. Several students have had difficulty in claiming bills for medical/dental costs that are supposed to be covered by the DSU medical/dental plan. We hope this will be resolved soon.

### Outstanding Claims:

Medical/dental coverage will be effective from September 1, to December 31, 2005. The DSU insurance agent has confirmed that "Students should retain original receipts and submit the expenses to Green Shield for reimbursement." The agent also tells us that for "any claims that have been returned, the students should resubmit these claims to Green Shield for payment. All claims will be processed by Green Shield, once the data has been activated." We have been told by the DSU that this week Green Shield is activating the accounts and that some accounts are already active.

### Background:

The College has raised this issue with the DSU for the past 2 months. We have offered to pay the premiums on this coverage from the funds collected (and held) by the College. On November 8 the College received a verbal request from a member of the DSU Executive to pay the bill (\$270,000.00). To pay the bill the College requires appropriate documents and authorization (from the DSU) to work directly with the insurance agent. However the DSU was unable to make the appropriate arrangements for these approvals. As a result it has been difficult to work with the insurance agent to clarify what we are paying for and assure that the payment covers Douglas College Students for the current academic term. The Agent has done their best to work with us. On Thursday, November 17 the College couriered the premium payment to the DSU's insurance agent.

Now that the insurance agent has received the payment we expect they will send Green Shield the student information that is required to process claims.

When we have more information we will notify all students through MyDouglas.

We are working hard to make sure the current situation with the DSU does not impact services and support to all Douglas College Students. Thank you for your patience.

Blaine Jensen  
Vice President Educational Services  
Douglas College  
November 21, 2005

# Douglas Students' Union

CANADIAN FEDERATION OF STUDENTS - LOCAL 18  
P.O. Box 2503, New Westminster, B.C., V3L 5B2

March 6, 2006

Diana Miles, Board Chair  
Douglas College  
P.O. Box 2503  
New Westminster, BC  
V3L 5B2

MAR 09 2006  
Senior  
Administration  
Douglas College

Dear Ms. Miles,

As you are undoubtedly aware, the majority of fees that the college collects on behalf of the Students' Union are adjusted each year by the rate of change in the Canadian Consumer Price Index. Based on the change in the Canadian Consumer Price Index for the 2005 calendar year, the Union's membership dues are as follows:

Base Membership Due	\$42.30
Activities and Intramural Fee	\$6.40
Performing Arts Fee	\$4.00
Students' Union Building Fee	\$9.00
Canadian Federation of Students Provincial Membership Fee	\$3.27
Canadian Federation of Students National Membership Fee	\$3.27
Health and Dental Plan	\$260.00
Total Membership Fee	\$328.24

N  
is the Exhibit  
referred to in the affidavit of  
Karen Myles  
Sworn before me this 14  
day of September  
A Commissioner of Affidavits  
within the Province of B.C.

With the exception of the health and dental plan fees, the Union's fees are pro-rated for part-time students. In the case of the health and dental plan fees, the full amount should be collected for all students in line more credits and students in less than nine credits would be exempt for these fees.

The Union is now in full compliance with Section 21 of the College and Institutes Act, as confirmed by they one time confirmation letter sent from our auditors Tompkins, Wozny, Miller and Co. as such the college is obligated to collect and remit the union's membership fees upon request from the Union. Please consider this letter the Union's request for all outstanding fees owed.

We trust this proves satisfactory. If you have any questions please feel free to contact Jessica at local 5112, or Joey at local 5573.

Mar 15/06

Per Jessica  
this means  
the 2001 to  
2004 audits  
not the 2005  
she will  
clarify this at  
the Board mtg

Respectfully,

Jessica Gojevic

Treasurer

Joey Hansen

Finance and Services Coordinator

cc: Chris Worsley, Director of Finance, Douglas College  
David Lam Campus  
Columbia Road, Finance Department, Douglas College  
Phone: 604-777-6257  
Fax: 604-464-3586

New Westminster Campus  
Phone: 604-527-5110  
Fax: 604-527-5364

Thomas Haney Campus  
Maple Ridge  
Phone: 604-467-9623  
Fax: 604-463-2081

# TOMPKINS, WOZNY, MILLER & Co.

Chartered Accountants

■ #206-698 Seymour Street  
Vancouver, B.C. Canada  
V6B 3K6

■ Phone: (604) 681-7703  
Fax: (604) 681-7713  
Email: info@wmca.com

March 16, 2006

Ms Karen Maynes  
Douglas College  
700 Royal Avenue  
New Westminster, BC

Via Fax – (604) 527-5095

Dear Ms Maynes

Re: Douglas Student Union Association

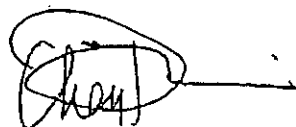
As request by the Douglas Student Union Association, we confirm that we have completed and released the financial statement audits of the following fiscal years:

August 31, 2001  
August 31, 2002  
August 31, 2003  
August 31, 2004.

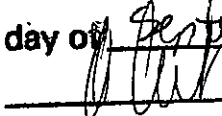
If you have any questions, please do not hesitate to contact us.

Sincerely,

Tompkins, Wozny, Miller & Co.



Charlie Miller, CA

This is the Exhibit 0  
referred to in the affidavit of  
Karen Maynes  
Sworn before me this 14  
day of September 2006  
  
A Commissioner for taking Affidavits  
within British Columbia

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**FINANCIAL STATEMENTS**

**SOCIETY OF THE  
DOUGLAS STUDENTS' UNION**

**August 31, 2001**

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

A partnership of incorporated professionals.



## INDEX TO THE FINANCIAL STATEMENTS

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As at August 31, 2001

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Statement 3 — Statement of Operations .....	4
Statement 4 — Statement of Cash Flows .....	5
Statement 5 — Building Fund ~ Statement of Receipts, Disbursements and Fund Balance .....	6
Statement 6 — Performing Arts Fund ~ Statement of Revenues, Expenditures and Externally Restricted Net Assets .....	7
Notes to Financial Statements .....	8 - 13

## AUDITORS' REPORT

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To the Members of  
**Society of the Douglas Students' Union**

We have audited the statement of financial position of **Society of the Douglas Students' Union** as at August 31, 2001 and the statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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.

The Union derives other revenue and kiosk revenue from sources over which it did not maintain adequate controls susceptible to satisfactory audit verification. Accordingly our verification of other revenues was limited to the amounts recorded. We were unable to determine whether any adjustments might be necessary to other revenue, excess of revenues over expenses, assets and equity.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Union as at August 31, 2001 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 British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Tompkins, Wozny, Miller & Co.*

Vancouver, Canada  
August 24, 2005

Chartered Accountants

## STATEMENT OF FINANCIAL POSITION

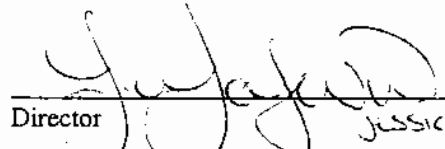
As at August 31

	2001 \$	2000 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	19,060	54,727
Term deposits	52,315	52,460
Inventory	—	7,821
Prepaid expenses	25,183	2,919
<b>Total current assets</b>	<b>96,558</b>	<b>117,927</b>
<b>Capital assets</b>		
Capital assets - furniture and equipment [note 4]	63,180	45,625
- building [note 4 and 5]	3,118,756	3,234,265
Sinking Fund and restricted cash [note 6]	433,223	301,138
	<b>3,711,717</b>	<b>3,698,955</b>
<b>LIABILITIES AND NET ASSETS (DEFICIENCY)</b>		
<b>Current liabilities</b>		
Accounts payable and accruals	58,506	102,290
Accrued interest payable	44,000	44,000
<b>Total current liabilities</b>	<b>102,506</b>	<b>146,290</b>
Debenture payable [note 6]	1,485,000	1,485,000
Deferred levies relating to capital assets [note 7]	2,022,979	2,006,403
Restricted funds - Performing Arts [statement 6]	110,460	64,978
<b>Total liabilities and deferred contributions</b>	<b>3,720,945</b>	<b>3,702,671</b>
<b>Net assets (deficiency)</b>		
Unrestricted	(72,408)	(49,341)
Invested in capital assets	63,180	45,625
<b>Total net assets (deficiency)</b>	<b>(9,228)</b>	<b>(3,716)</b>
	<b>3,711,717</b>	<b>3,698,955</b>
Commitments [note 11]		
Subsequent events [note 13]		

See accompanying notes

On behalf of the Board:

  
 Director **HEIDI TAYLOR**

  
 Director **JESSICA GRJUCK**

## STATEMENT OF CHANGES IN NET ASSETS

Year ended August 31

	Unrestricted \$	Invested in Capital Assets \$	Total \$
<b>2001</b>			
Excess of expenditures over revenues for the year	(5,512)	—	(5,512)
Amortization of capital assets	125,306	(125,306)	—
Amortization of deferred levies	(115,509)	115,509	—
Purchase of capital assets	(27,352)	27,352	—
Decrease in net assets, during the year	(23,067)	17,555	(5,512)
Balance, beginning of year	(49,341)	45,625	(3,716)
Balance, end of year	(72,408)	63,180	(9,228)
<b>2000</b>			
Excess of expenditures over revenues for the year	(55,635)	—	(55,635)
Amortization of capital assets	133,081	(133,081)	—
Amortization of deferred levies	(115,509)	115,509	—
Purchase of capital assets	(9,248)	9,248	—
Decrease in net assets, during the year	(47,311)	(8,324)	(55,635)
Balance, beginning of year	(2,030)	53,949	51,919
Balance, end of year	(49,341)	45,625	(3,716)

*See accompanying notes*

## STATEMENT OF OPERATIONS

Year ended August 31

	2001 \$	2000 \$
<b>REVENUES</b>		
Membership fees	655,414	631,227
Athletic service fees	128,469	123,063
Performing arts fees funded from restricted fees [statement 6]	36,865	13,335
Interest	14,804	4,262
Other	39,194	52,356
Kiosk revenue [note 8]	123,596	109,617
Building fees used to fund interest	72,272	79,343
Amortization of deferred levies	115,509	115,509
	<b>1,186,123</b>	<b>1,128,712</b>
<b>EXPENDITURES</b>		
Activities - pool	26,131	41,736
Activities - other	11,233	15,372
Amortization - building	115,509	115,509
- other	9,797	17,572
Athletic service fees	128,469	123,063
Building operating costs	57,674	58,323
Clubs	15,525	7,164
Conferences	13,769	15,376
Donations	5,000	538
Honoraria	102,763	104,881
Insurance	11,331	12,638
Interest - building (net of interest earned in sinking fund)	72,272	79,343
Janitorial	25,434	28,403
Kiosk [note 8]	163,164	130,324
Office	35,826	30,603
Performing arts	36,865	13,335
Professional fees	90,237	60,499
Society service	44,017	55,291
Staff wages and benefits	219,756	265,620
Telephone	6,863	8,757
	<b>1,191,635</b>	<b>1,184,347</b>
<b>Excess of expenditures over revenues for the year</b>	<b>(5,512)</b>	<b>(55,635)</b>
<b>Net assets, beginning of year</b>	<b>(3,716)</b>	<b>51,919</b>
<b>Net assets, end of year</b>	<b>(9,228)</b>	<b>(3,716)</b>

See accompanying notes

## STATEMENT OF CASH FLOWS

Year ended August 31

	2001 \$	2000 \$
<b>OPERATING ACTIVITIES</b>		
Excess of expenditures over revenues for the year	(5,512)	(55,635)
Items not involving cash		
Amortization of capital assets	125,306	133,081
Revenue from amortization of deferred capital contributions	(115,509)	(115,509)
Changes in non-cash working capital balances relating to operations		
Inventory	7,821	(4,071)
Prepaid expenses	(22,264)	965
Accounts payable and accruals	(43,784)	(71,152)
<b>Cash used in operating activities</b>	<b>(53,942)</b>	<b>(112,321)</b>
<b>FINANCING ACTIVITIES</b>		
Building Fund contributions	204,357	202,194
Interest earned in Sinking Fund	16,828	9,757
Loan interest paid through Building Fund	(89,100)	(89,100)
Performing Arts fees	82,347	78,313
Performing Arts expenses	(36,865)	(13,335)
<b>Cash provided by financing activities</b>	<b>177,567</b>	<b>187,829</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of capital assets	(27,352)	(9,248)
<b>Cash used in investing activities</b>	<b>(27,352)</b>	<b>(9,248)</b>
<b>Increase (decrease) in cash during year</b>	<b>96,273</b>	<b>66,260</b>
<b>Cash, beginning of year</b>	<b>408,325</b>	<b>342,065</b>
<b>Cash, end of year</b>	<b>504,598</b>	<b>408,325</b>
<b>Cash includes:</b>		
Cash	19,060	54,727
Term deposits	52,315	52,460
Sinking Fund and restricted cash	433,223	301,138
<b>Cash, end of year</b>	<b>504,598</b>	<b>408,325</b>

Interest of \$88,100 [2000 - \$88,100] was paid during the year.

See accompanying notes

**BUILDING FUND  
STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND FUND BALANCE**

Year ended August 31

	2001	2000
	\$	\$
<b>RECEIPTS</b>		
Member levy	204,357	202,194
<b>Total receipts</b>	<b>204,357</b>	<b>202,194</b>
<b>DISBURSEMENTS</b>		
Sinking Fund contributions	102,508	102,508
Restricted cash contributions	29,577	20,343
Loan interest paid (net of interest earned in Sinking Fund)	72,272	79,343
<b>Total disbursements</b>	<b>204,357</b>	<b>202,194</b>

*See accompanying notes*

**PERFORMING ARTS FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND EXTERNALLY RESTRICTED NET ASSETS**

---

Year ended August 31

	2001 \$	2000 \$
<b>REVENUES</b>	<b>82,347</b>	<b>78,313</b>
<b>EXPENDITURES</b>	<b>36,865</b>	<b>13,335</b>
Excess of revenues for the year	45,482	64,978
Net assets – restricted, beginning of year	64,978	—
Net assets – restricted, end of year	110,460	64,978

*See accompanying notes*



## NOTES TO FINANCIAL STATEMENTS

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August 31, 2001

### 1. NATURE OF THE ORGANIZATION

The Society of the Douglas Students' Union (the "Union") is an incorporated non-profit organization under the Society Act of British Columbia and is exempt from corporate income taxes. Its main purposes are to organize students on a democratic co-operative basis for advancing students' interests and the interests of the students' community.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of the financial statements:

#### Revenue Recognition

The Union follows the deferral method of revenue recognition and reports revenues on the accrual basis. Restricted contributions are recognized as revenue as the related expenditures are incurred. Activity fees are taken into income in the period to which they relate. Other items are recognized as revenue as received or earned and when collection is reasonably assured.

#### Capital Expenditures

Capital assets are recorded at cost, less accumulated amortization. Amortization is calculated using the following methods and rates:

▪ Office equipment	5 years straight line
▪ Computer equipment	5 years straight line
▪ Computer software	1 year straight line
▪ Leasehold improvements	5 years straight line
▪ Arcade equipment	5 years straight line
▪ Student Union Building	30 years straight line

#### Inventory

Inventory is valued at the lower of cost, determined on a first in first out basis, and net realizable value.

#### 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 expenditures during the reported period. Actual results could differ from the estimates.

## **NOTES TO FINANCIAL STATEMENTS**

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August 31, 2001

### **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **Restricted Funds**

The Union records levies approved for specific purposes, as a liability ("restricted funds") of the Union until the funds are expended.

Fund liabilities are reduced as approved expenditures are incurred. Restricted funds used for non-capital expenses are recognized as revenue in the year the related expenses are incurred.

#### **Deferred Levies Relating to Capital Assets**

As levies specified for capital purposes (and related investment income) are expended on building, renovation and equipment costs, they are transferred to deferred contributions relating to capital assets. These deferred contributions are taken into income as the related building, renovation and equipment costs are amortized. The portion that is applied to interest on the loan which was used to fund the building renovation and related costs is taken into income as the related interest is paid.

The deferred levies relating to capital assets are increased by sinking fund or loan principal payments made from restricted levies.

### **3. RESTRICTED FUNDS**

The Union has established the following restricted funds:

#### **Externally Restricted - Building Fund**

The Building Fund was established for the construction of additional space for student activities and renovation of existing Union space, and related costs. The capital fee levy portion of student activity fees is designated for the Building Fund. The fund was originally used to pay for construction of additional space. It is currently used to pay the interest and sinking fund payments on the loan that financed the additional space and related costs.

#### **Externally Restricted - Performing Arts Fund**

The Performing Arts Fund was established to fund performing arts performances produced by the students of Douglas College and its associated branch campuses. The expenditures are funded by a special levy included in the Student Union fee applied to all students.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2001

## 4. CAPITAL ASSETS

	2001		2000	
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Office equipment	31,865	17,890	13,975	19,660
Computer equipment	81,750	68,941	12,809	9,124
Computer software	5,770	5,770	—	134
Arcade equipment	19,690	—	19,690	—
Leasehold improvements	21,791	5,085	16,706	16,707
	160,866	97,686	63,180	45,625
Student Union Building	3,465,283	346,527	3,118,756	3,234,265
	3,626,149	444,213	3,181,936	3,279,890

## 5. STUDENT UNION BUILDING

In September of 1998, construction of the Student Union Building (the "Building"), located at the New Westminster Campus of Douglas College was completed. The Building is to be leased to the Union pursuant to a long-term renewable lease with a nominal annual rent.

Total cost of the Building (including construction, furniture and fixtures, financing, and a contingency available for future building costs) amounted to \$3,465,283. Of this total, \$1,980,283 was paid by student building fees, interest thereon, and miscellaneous other revenues. The remainder of the building costs, \$1,485,000, has been financed by debenture (issued to Douglas College), which provides for annual interest and sinking fund payments of \$191,600 [note 6].

## 6. DEBENTURE PAYABLE - DOUGLAS COLLEGE

The Union's contribution towards the construction of the Student Union Building was funded, in part, through a loan arranged by the College.

The debenture matures on June 9, 2008 and bears interest at 6% per annum, which is payable on a semi-annual basis in December and June of each year. The Union contributes \$102,508 annually to a sinking fund maintained by the College.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2001

### 6. DEBENTURE PAYABLE – DOUGLAS COLLEGE (CONT'D)

Capital fees received from members in excess of amounts required for interest and sinking fund payments are maintained in a separate, restricted account by the College. At August 31, amounts held in restricted accounts for the repayment of debt were as follows:

	2001 \$	2000 \$
Sinking Fund	441,029	321,693
Other	(7,806)	(20,555)
	433,223	301,138

A capital fee levy of \$9 per full time student per semester is used to finance the Union's obligations under this agreement.

### 7. DEFERRED CONTRIBUTIONS RELATING TO CAPITAL ASSETS

	2001 \$	2000 \$
Balance, beginning of year	2,006,403	1,999,061
Restricted levies used to fund Sinking Fund	102,508	102,508
Contribution to other restricted cash (net of interest earned)	29,577	20,343
Amortized to income	(115,509)	(115,509)
Balance, end of year	2,022,979	2,006,403

### 8. KIOSK SALES

	2001 \$	2000 \$
Gross Sales	123,596	109,617
Cost of goods sold	118,748	104,116
	4,848	5,501
Wages and benefits	44,416	26,208
	(39,568)	(20,707)

## **NOTES TO FINANCIAL STATEMENTS**

August 31, 2001

### **9. ECONOMIC DEPENDENCE**

The Union's primary source of revenue is membership fees collected from students by Douglas College pursuant to the provisions of the College and Institute Act (British Columbia). This collection activity can be terminated if the Union fails to fulfill its requirements under the Act. The Society's ability to continue viable operations is dependent upon maintaining its right to have these fees collected. Commencing June 2005, the College began withholding membership fees collected on behalf of the Union pending the filing all required annual reports and financial statements, and the resolution of other matters. The Union is actively working towards meeting these requirements.

### **10. FINANCIAL INSTRUMENTS**

The Union's financial instruments consist of cash, term deposits, accounts payable and debenture payable. It is the board's opinion that the Union is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying value.

### **11. COMMITMENTS**

#### **Athletic Services Fee**

The Union is committed to collecting an athletics service fee to fund athletic and intramural activities of the Douglas College.

#### **Equipment leases**

The Union is committed to two photocopier lease and maintenance contracts of approximately \$11,400 per year to 2003 and \$5,700 per year to 2004.

The Union is required to pay operating costs to the College for maintenance of the Student Union Building. These costs are estimated at approximately \$60,000 per year.

#### **Canadian Federation of Students**

The members of the Union are also members of the Canadian Federation of Students ("CFS"). The Union, under its fee collection agreement with the College, collects membership fees for the CFS and remits the amounts directly to CFS. Membership fees for the CFS are not included in these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

August 31, 2001

### **12. COMPARATIVE FIGURES**

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

### **13. SUBSEQUENT EVENTS**

Subsequent to the year, the Union purchased a building in New Westminster for approximately \$1.2 million. \$800,000 of this purchase price was financed through a vendor take-back mortgage requiring monthly payments of \$7,146 at prime plus 3%.

Commencing in June 2005, the College has begun to withhold all membership fees collected on behalf of the Union pending the Union's compliance with the College and Institute Act by filing all required annual reports and financial statements, and the resolution of other matters. The Union is actively working towards meeting these requirements.

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**FINANCIAL STATEMENTS**

**SOCIETY OF THE  
DOUGLAS STUDENTS' UNION**

**August 31, 2002**

***TOMPKINS, WOZNY, MILLER & Co.***  
Chartered Accountants

A partnership of incorporated professionals.

## INDEX TO THE FINANCIAL STATEMENTS

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As at August 31, 2002

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## AUDITORS' REPORT

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To the Members of  
**Society of the Douglas Students' Union**

We have audited the statement of financial position of **Society of the Douglas Students' Union** as at August 31, 2002 and the statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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.

Our examination indicated serious deficiencies in internal controls over Other Revenue. As a consequence, we were unable to satisfy ourselves that all revenues and expenditures of the union had been recorded nor were we able to satisfy ourselves that the recorded transactions were proper. As a result, we were unable to determine whether adjustments were required in respect of recorded or unrecorded assets, recorded or unrecorded liabilities and the components making up the statements of operations, net assets and cash flows.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Union as at August 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Tompkins, Wozni, Miller & Co.*

Vancouver, Canada  
August 24, 2005

Chartered Accountants

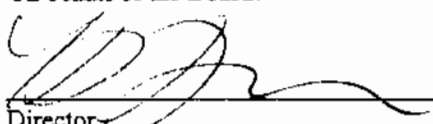
## STATEMENT OF FINANCIAL POSITION

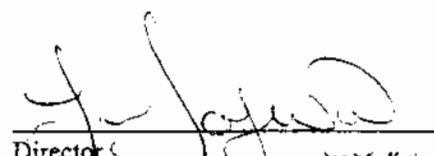
As at August 31

	2002 \$	2001 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	4,119	19,060
Term deposits	—	52,315
Prepaid expenses	25,183	25,183
<b>Total current assets</b>	<b>29,302</b>	<b>96,558</b>
<b>Capital assets</b>		
Capital assets - furniture and equipment [note 4]	71,112	63,180
- building [note 4 and 5]	3,003,247	3,118,756
Sinking Fund and restricted cash [note 6]	583,559	433,435
	<b>3,687,220</b>	<b>3,711,929</b>
<b>LIABILITIES AND NET ASSETS (DEFICIENCY)</b>		
<b>Current liabilities</b>		
Accounts payable and accruals	92,111	58,506
Accrued interest payable	44,000	44,000
<b>Total current liabilities</b>	<b>136,151</b>	<b>102,506</b>
Debenture payable [note 6]	1,485,000	1,485,000
Deferred levies relating to capital assets [note 7]	2,057,806	2,023,191
Restricted funds - Performing Arts [statement 6]	165,877	110,460
<b>Total liabilities and deferred contributions</b>	<b>3,844,834</b>	<b>3,721,157</b>
<b>Net assets (deficiency)</b>		
Unrestricted	(228,726)	(72,408)
Invested in capital assets	71,112	63,180
<b>Total net assets (deficiency)</b>	<b>(157,614)</b>	<b>(9,228)</b>
	<b>3,687,220</b>	<b>3,711,929</b>
Commitments [note 11]		
Subsequent events [note 13]		

See accompanying notes

On behalf of the Board:

  
 Director  
 HEIDI TAYLOR

  
 Director  
 JESSICA C. JENKINS

## STATEMENT OF CHANGES IN NET ASSETS

Year ended August 31

	Unrestricted \$	Invested in Capital Assets \$	Total \$
<b>2002</b>			
Excess of expenditures over revenues for the year	(148,386)	—	(148,386)
Amortization of capital assets	145,677	(145,677)	—
Amortization of deferred levies	(115,509)	115,509	—
Purchase of capital assets	(38,100)	38,100	—
Decrease in net assets, during the year	(156,318)	7,932	(146,386)
Balance, beginning of year	(72,408)	63,180	(9,228)
Balance, end of year	(228,726)	71,112	(157,614)
<b>2001</b>			
Excess of expenditures over revenues for the year	(5,512)	—	(5,512)
Amortization of capital assets	125,306	(125,306)	—
Amortization of deferred levies	(115,509)	115,509	—
Purchase of capital assets	(27,352)	27,352	—
Decrease in net assets, during the year	(23,067)	17,555	(5,512)
Balance, beginning of year	(49,341)	45,625	(3,716)
Balance, end of year	(72,408)	63,180	(9,228)

*See accompanying notes*

## STATEMENT OF OPERATIONS

Year ended August 31

	2002 \$	2001 \$
<b>REVENUES</b>		
Membership fees	699,899	655,414
Athletic service fees	137,892	128,469
Performing arts fees funded from restricted fees	32,549	36,865
Other [note 8]	(21,938)	14,430
Building fees used to fund interest	63,638	72,272
Amortization of deferred levies	115,509	115,509
	<b>1,027,549</b>	<b>1,022,959</b>
<b>EXPENDITURES</b>		
Activities - pool	12,309	26,131
Amortization - building	115,509	115,509
- other	30,168	9,797
Athletic service fees	137,892	128,469
Building operating costs and repairs	79,520	57,674
Clubs	26,145	15,525
Conferences	13,089	13,769
Donations	500	5,000
Handbooks	22,500	—
Honoraria	112,990	102,763
Insurance	11,863	11,331
Interest - building (net)	63,638	72,272
Janitorial	25,592	25,434
Office	39,697	35,826
Performing arts	32,549	36,865
Professional fees	45,752	90,237
Society service	61,381	55,250
Staff wages and benefits	337,888	219,756
Telephone	6,953	6,863
	<b>1,175,935</b>	<b>1,028,471</b>
Excess of expenditures over revenues for the year	(148,386)	(5,512)
Net assets, beginning of year	(9,228)	(3,716)
Net assets, end of year	(157,614)	(9,228)

See accompanying notes

## STATEMENT OF CASH FLOWS

Year ended August 31

	2002 \$	2001 \$
<b>OPERATING ACTIVITIES</b>		
Excess of expenditures over revenues for the year	(148,386)	(5,512)
Items not involving cash		
Amortization of capital assets	145,677	125,306
Revenue from amortization of deferred capital contributions	(115,509)	(115,509)
Changes in non-cash working capital balances relating to operations		
Inventory	—	7,821
Prepaid expenses	—	(22,264)
Accounts payable and accruals	33,645	(43,784)
<b>Cash used in operating activities</b>	<b>(84,573)</b>	<b>(53,942)</b>
<b>FINANCING ACTIVITIES</b>		
Building Fund contributions	213,974	204,357
Interest earned in Sinking Fund	25,462	16,828
Loan interest paid through Building Fund	(89,100)	(89,100)
Performing Arts fees	87,966	82,347
Performing Arts expenses	(32,549)	(36,865)
<b>Cash provided by financing activities</b>	<b>205,753</b>	<b>177,567</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of capital assets	(38,100)	(27,352)
<b>Cash used in investing activities</b>	<b>(38,100)</b>	<b>(27,352)</b>
<b>Increase (decrease) in cash during year</b>	<b>83,080</b>	<b>96,273</b>
<b>Cash, beginning of year</b>	<b>504,598</b>	<b>408,325</b>
<b>Cash, end of year</b>	<b>587,678</b>	<b>504,598</b>
<b>Cash includes:</b>		
Cash	4,119	19,060
Term deposits	—	52,315
Sinking Fund and restricted cash	583,559	433,223
<b>Cash, end of year</b>	<b>587,678</b>	<b>504,598</b>

See accompanying notes

**BUILDING FUND  
STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND FUND BALANCE**

---

Year ended August 31

	2002 \$	2001 \$
<hr/>		
<b>RECEIPTS</b>		
Member levy	213,974	204,357
<b>Total receipts</b>	<b>213,974</b>	<b>204,357</b>
<hr/>		
<b>DISBURSEMENTS</b>		
Sinking Fund contributions	102,508	102,508
Restricted cash contributions	47,828	29,577
Loan interest paid (net of interest earned in Sinking Fund)	63,638	72,272
<b>Total disbursements</b>	<b>213,974</b>	<b>204,357</b>

*See accompanying notes*

**PERFORMING ARTS FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND EXTERNALLY RESTRICTED NET ASSETS**

---

Year ended August 31

	2002 \$	2001 \$
<b>REVENUES</b>	<b>87,966</b>	<b>82,347</b>
<b>EXPENDITURES</b>	<b>32,549</b>	<b>36,865</b>
Excess of revenues for the year	55,417	45,482
Net assets – restricted, beginning of year	110,460	64,978
Net assets – restricted, end of year	165,877	110,460

*See accompanying notes*

## NOTES TO FINANCIAL STATEMENTS

---

August 31, 2002

### 1. NATURE OF THE ORGANIZATION

The Society of the Douglas Students' Union (the "Union") is an incorporated non-profit organization under the Society Act of British Columbia and is exempt from corporate income taxes. Its main purposes are to organize students on a democratic co-operative basis for advancing students' interests and the interests of the students' community.

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Capital assets are recorded at cost, less accumulated amortization. Amortization is calculated using the following methods and rates:

▪ Office equipment	5 years straight line
▪ Computer equipment	5 years straight line
▪ Computer software	1 year straight line
▪ Leasehold improvements	5 years straight line
▪ Arcade equipment	5 years straight line
▪ Student Union Building	30 years straight line

#### 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 expenditures during the reported period. Actual results could differ from the estimates.



## NOTES TO FINANCIAL STATEMENTS

---

August 31, 2002

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### **Restricted Funds**

The Union records levies approved for specific purposes, as a liability ("restricted funds") of the Union until the funds are expended.

Fund liabilities are reduced as approved expenditures are incurred. Restricted funds used for non-capital expenses are recognized as revenue in the year the related expenses are incurred.

#### **Deferred Levies Relating to Capital Assets**

As levies specified for capital purposes (and related investment income) are expended on building, renovation and equipment costs, they are transferred to deferred contributions relating to capital assets. These deferred contributions are taken into income as the related building, renovation and equipment costs are amortized. The portion that is applied to interest on the loan which was used to fund the building renovation and related costs is taken into income as the related interest is paid.

The deferred levies relating to capital assets are increased by sinking fund or loan principal payments made from restricted levies.

### 3. RESTRICTED FUNDS

The Union has established the following restricted funds:

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The Building Fund was established for the construction of additional space for student activities and renovation of existing Union space, and related costs. The capital fee levy portion of student activity fees is designated for the Building Fund. The fund was originally used to pay for construction of additional space. It is currently used to pay the interest and sinking fund payments on the loan that financed the additional space and related costs.

#### **Externally Restricted - Performing Arts Fund**

The Performing Arts Fund was established to fund performing arts performances produced by the students of Douglas College and its associated branch campuses. The expenditures are funded by a special levy included in the Student Union fee applied to all students.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2002

## 4. CAPITAL ASSETS

	2002		2001	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Office equipment	68,466	27,585	40,881	13,975
Computer equipment	81,750	75,367	6,383	12,809
Computer software	5,770	5,770	—	—
Arcade equipment	21,188	6,057	15,131	19,690
Leasehold improvements	21,791	13,074	8,717	16,706
	198,965	127,853	71,112	63,180
Student Union Building	3,465,283	462,036	3,003,247	3,118,756
	3,664,248	589,889	3,074,359	3,181,936

## 5. STUDENT UNION BUILDING

In September of 1998, construction of the Student Union Building (the "Building"), located at the New Westminster Campus of Douglas College was completed. The Building is to be leased to the Union pursuant to a long-term renewable lease with a nominal annual rent.

Total cost of the Building (including construction, furniture and fixtures, financing, and a contingency available for future building costs) amounted to \$3,465,283. Of this total, \$1,980,283 was paid by student building fees, interest thereon, and miscellaneous other revenues. The remainder of the building costs, \$1,485,000, has been financed by debenture (issued to Douglas College), which provides for annual interest and sinking fund payments of \$191,600 [note 6].

## 6. DEBENTURE PAYABLE – DOUGLAS COLLEGE

The Union's contribution towards the construction of the Student Union Building was funded, in part, through a loan arranged by the College.

The debenture matures on June 9, 2008 and bears interest at 6% per annum, which is payable on a semi-annual basis in December and June of each year. The Union contributes \$102,508 annually to a sinking fund maintained by the College.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2002

### 6. DEBENTURE PAYABLE – DOUGLAS COLLEGE (CONT'D)

Capital fees received from members in excess of amounts required for interest and sinking fund payments are maintained in a separate, restricted account by the College. At August 31, amounts held in restricted accounts for the repayment of debt were as follows:

	2002 \$	2001 \$
Sinking Fund	568,999	433,851
Other	14,560	(416)
	<b>583,559</b>	<b>433,435</b>

A capital fee levy of \$9 per full time student per semester is used to finance the Union's obligations under this agreement.

### 7. DEFERRED CONTRIBUTIONS RELATING TO CAPITAL ASSETS

	2002 \$	2001 \$
Balance, beginning of year	2,022,979	2,006,403
Restricted levies used to fund Sinking Fund	102,508	102,508
Contribution to other restricted cash (net of interest earned)	47,828	29,577
Amortized to income	(115,509)	(115,509)
Balance, end of year	<b>2,057,806</b>	<b>2,022,979</b>

### 8. OTHER INCOME

Other income includes Kiosk sales, sponsorships, events, interest and other amounts received by the union net of the corresponding expenses. The union did not maintain adequate records over receipts and disbursements over these activities and therefore the amounts have been recorded on the basis of cash received, net of the corresponding expenses.

## **NOTES TO FINANCIAL STATEMENTS**

---

August 31, 2002

### **9. ECONOMIC DEPENDENCE**

The Union's primary source of revenue is membership fees collected from students by Douglas College pursuant to the provisions of the College and Institute Act (British Columbia). This collection activity can be terminated if the Union fails to fulfill its requirements under the Act. The Society's ability to continue viable operations is dependent upon maintaining its right to have these fees collected. Commencing June 2005, the College began withholding membership fees collected on behalf of the Union pending the filing all required annual reports and financial statements, and the resolution of other matters. The Union is actively working towards meeting these requirements.

### **10. FINANCIAL INSTRUMENTS**

The Union's financial instruments consist of cash, term deposits, accounts payable and debenture payable. It is the board's opinion that the Union is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying value.

### **11. COMMITMENTS**

#### **Athletic Services Fee**

The Union is committed to collecting an athletics service fee to fund athletic and intramural activities of the Douglas College.

#### **Equipment leases**

The Union is committed to two photocopier lease and maintenance contracts of approximately \$11,400 per year to 2003 and \$5,700 per year to 2004.

The Union is required to pay operating costs to the College for maintenance of the Student Union Building. These costs are estimated at approximately \$60,000 per year.

#### **Canadian Federation of Students**

The members of the Union are also members of the Canadian Federation of Students ("CFS"). The Union, under its fee collection agreement with the College, collects membership fees for the CFS and remits the amounts directly to CFS. Membership fees for the CFS are not included in these financial statements.

## NOTES TO FINANCIAL STATEMENTS

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August 31, 2002

### 12. COMPARATIVE FIGURES

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

### 13. SUBSEQUENT EVENTS

Subsequent to the year, the Union purchased a building in New Westminster for approximately \$1.2 million. \$800,000 of this purchase price was financed through a vendor take-back mortgage requiring monthly payments of \$7,146 at prime plus 3%.

Commencing in June 2005, the College has begun to withhold all membership fees collected on behalf of the Union pending the Union's compliance with the College and Institute Act by filing all required annual reports and financial statements, and the resolution of other matters. The Union is actively working towards meeting these requirements.

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**FINANCIAL STATEMENTS**

**SOCIETY OF THE  
DOUGLAS STUDENTS' UNION**

**August 31, 2003**

***TOMPKINS, WOZNY, MILLER & Co.***  
Chartered Accountants

A partnership of incorporated professionals.

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## AUDITORS' REPORT

To the Members of  
Society of the Douglas Students' Union

We have audited the statement of financial position of **Society of the Douglas Students' Union** as at August 31, 2003 and the statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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.

Our examination indicated serious deficiencies in internal controls over Other Revenue. As a consequence, we were unable to satisfy ourselves that all revenues and expenditures of the union had been recorded nor were we able to satisfy ourselves that the recorded transactions were proper. As a result, we were unable to determine whether adjustments were required in respect of recorded or unrecorded assets, recorded or unrecorded liabilities and the components making up the statements of operations, net assets and cash flows.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Union as at August 31, 2003 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 British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Tompkins, Wozny, Miller & Co.*

Vancouver, Canada  
August 24, 2005

Chartered Accountants




## STATEMENT OF FINANCIAL POSITION

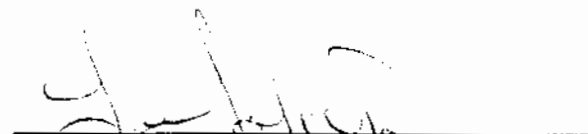
As at August 31

	2003 \$	2002 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	—	4,119
Prepaid expenses	12,979	25,183
<b>Total current assets</b>	<b>12,979</b>	<b>29,302</b>
<b>Capital assets</b>		
Capital assets - furniture and equipment [note 4]	143,958	71,112
- building [note 4 and 5]	2,887,738	3,003,247
Sinking Fund and restricted cash [note 6]	745,678	583,559
	<b>3,790,353</b>	<b>3,687,220</b>
<b>LIABILITIES AND NET ASSETS (DEFICIENCY)</b>		
<b>Current liabilities</b>		
Cheques issued in excess of funds on deposit	31,407	—
Accounts payable and accruals	104,857	91,151
Accrued interest payable	44,000	44,000
<b>Total current liabilities</b>	<b>180,264</b>	<b>136,151</b>
Debenture payable [note 6]	1,485,000	1,485,000
Deferred levies relating to capital assets [note 7]	2,104,416	2,057,806
Restricted funds - Performing Arts [statement 6]	200,660	165,877
<b>Total liabilities and deferred contributions</b>	<b>3,970,340</b>	<b>3,844,834</b>
<b>Net assets (deficiency)</b>		
Unrestricted	(323,945)	(228,726)
Invested in capital assets	143,958	71,112
<b>Total net assets (deficiency)</b>	<b>(179,987)</b>	<b>(157,614)</b>
	<b>3,790,353</b>	<b>3,687,220</b>
Commitments [note 11]		
Subsequent events [note 13]		

See accompanying notes

On behalf of the Board:

  
Director Heidi Taylor

  
Director JESSICA GOGGIN

## STATEMENT OF CHANGES IN NET ASSETS

Year ended August 31

	Unrestricted \$	Invested in Capital Assets \$	Total \$
<b>2003</b>			
Excess of expenditures over revenues for the year	(22,373)	—	(22,373)
Amortization of capital assets	148,812	(148,812)	—
Amortization of deferred levies	(115,509)	115,509	—
Purchase of capital assets	(106,149)	106,149	—
Decrease in net assets, during the year	(95,219)	72,846	(22,373)
Balance, beginning of year	(228,786)	71,112	(157,614)
Balance, end of year	(323,9458)	143,958	(179,987)
<b>2002</b>			
Excess of expenditures over revenues for the year	(148,386)	—	(148,386)
Amortization of capital assets	145,677	(145,677)	—
Amortization of deferred levies	(115,509)	115,509	—
Purchase of capital assets	(38,100)	38,100	—
Decrease in net assets, during the year	(156,318)	7,932	(148,386)
Balance, beginning of year	(72,408)	63,180	(9,228)
Balance, end of year	(228,726)	71,112	(157,614)

*See accompanying notes*

## STATEMENT OF OPERATIONS

Year ended August 31

	2003 \$	2002 \$
<b>REVENUES</b>		
Membership fees	743,289	699,899
Athletic service fees	144,216	137,892
Performing arts fees funded from restricted fees	57,321	32,549
Other [note 8]	51,190	(21,938)
Building fees used to fund interest	56,028	63,638
Amortization of deferred levies	115,509	115,509
	<b>1,167,553</b>	<b>1,027,549</b>
<b>EXPENDITURES</b>		
Activities - pool	15,422	12,309
Amortization - building	115,509	115,509
- other	33,303	30,168
Athletic service fees	144,216	137,892
Building operating costs	58,781	79,520
Clubs	24,437	26,145
Conferences	14,877	13,089
Donations	200	500
Handbooks	22,500	22,500
Honoraria	117,548	112,990
Insurance	15,404	11,863
Interest - building (net of interest earned in sinking fund)	56,028	63,638
Janitorial	25,032	25,592
Office	98,655	39,697
Performing arts	57,321	32,549
Professional fees	14,951	45,752
Society service	58,870	61,381
Staff wages and benefits	310,273	337,888
Telephone	6,599	6,953
	<b>1,189,926</b>	<b>1,175,935</b>
Excess of expenditures over revenues for the year	(22,373)	(148,386)
Net assets, beginning of year	(157,614)	(9,228)
Net assets, end of year	(179,987)	(157,614)

See accompanying notes

## STATEMENT OF CASH FLOWS

Year ended August 31

	2003 \$	2002 \$
<b>OPERATING ACTIVITIES</b>		
Excess of expenditures over revenues for the year	(22,373)	(148,386)
Items not involving cash		
Amortization of capital assets	148,812	145,677
Revenue from amortization of deferred capital contributions	(115,509)	(115,509)
Changes in non-cash working capital balances relating to operations		
Prepaid expenses	12,204	—
Accounts payable and accruals	(12,706)	(33,645)
<b>Cash used in operating activities</b>	<b>35,840</b>	<b>(84,573)</b>
<b>FINANCING ACTIVITIES</b>		
Building Fund contributions	218,147	213,974
Interest earned in Sinking Fund	33,072	25,462
Loan interest paid through Building Fund	(89,100)	(89,100)
Performing Arts fees	92,104	87,966
Performing Arts expenses	(57,321)	(32,549)
<b>Cash provided by financing activities</b>	<b>196,902</b>	<b>205,753</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of capital assets	(106,149)	(38,100)
<b>Cash used in investing activities</b>	<b>(106,149)</b>	<b>(38,100)</b>
<b>Increase (decrease) in cash during year</b>	<b>126,593</b>	<b>83,080</b>
<b>Cash, beginning of year</b>	<b>587,678</b>	<b>504,598</b>
<b>Cash, end of year</b>	<b>714,271</b>	<b>587,678</b>
<b>Cash includes:</b>		
Cash (cheques issued in excess of deposits)	(31,407)	4,119
Sinking Fund and restricted cash	745,678	583,559
<b>Cash, end of year</b>	<b>714,271</b>	<b>587,678</b>

Interest of \$89,100 [2004 - \$89,100] was paid during the year.

See accompanying notes

**BUILDING FUND  
STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND FUND BALANCE**

Year ended August 31

	2003 \$	2002 \$
<b>RECEIPTS</b>		
Member levy	218,147	213,974
<b>Total receipts</b>	<b>218,147</b>	<b>213,974</b>
<b>DISBURSEMENTS</b>		
Sinking Fund contributions	102,508	102,508
Restricted cash contributions	59,611	47,828
Loan interest paid (net of interest earned in Sinking Fund)	56,028	63,638
<b>Total disbursements</b>	<b>218,147</b>	<b>213,974</b>

*See accompanying notes*

**PERFORMING ARTS FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND EXTERNALLY RESTRICTED NET ASSETS**

Year ended August 31

	2003 \$	2002 \$
<b>REVENUES</b>	<b>92,104</b>	<b>87,966</b>
<b>EXPENDITURES</b>	<b>57,321</b>	<b>32,549</b>
<b>Excess of revenues for the year</b>	<b>34,783</b>	<b>55,417</b>
<b>Net assets – restricted, beginning of year</b>	<b>165,877</b>	<b>110,460</b>
<b>Net assets – restricted, end of year</b>	<b>200,660</b>	<b>165,877</b>

*See accompanying notes*

## NOTES TO FINANCIAL STATEMENTS

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August 31, 2003

### 1. NATURE OF THE ORGANIZATION

The Society of the Douglas Students' Union (the "Union") is an incorporated non-profit organization under the Society Act of British Columbia and is exempt from corporate income taxes. Its main purposes are to organize students on a democratic co-operative basis for advancing students' interests and the interests of the students' community.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of the financial statements:

#### Revenue Recognition

The Union follows the deferral method of revenue recognition and reports revenues on the accrual basis. Restricted contributions are recognized as revenue as the related expenditures are incurred. Activity fees are taken into income in the period to which they relate. Other items are recognized as revenue as received or earned and when collection is reasonably assured.

#### Capital Expenditures

Capital assets are recorded at cost, less accumulated amortization. Amortization is calculated using the following methods and rates:

▪ Office equipment	5 years straight line
▪ Computer equipment	5 years straight line
▪ Computer software	1 year straight line
▪ Leasehold improvements	5 years straight line
▪ Arcade equipment	5 years straight line
▪ Student Union Building	30 years straight line

#### 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 expenditures during the reported period. Actual results could differ from the estimates.

## **NOTES TO FINANCIAL STATEMENTS**

---

August 31, 2003

### **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **Restricted Funds**

The Union records levies approved for specific purposes, as a liability ("restricted funds") of the Union until the funds are expended.

Fund liabilities are reduced as approved expenditures are incurred. Restricted funds used for non-capital expenses are recognized as revenue in the year the related expenses are incurred.

#### **Deferred Levies Relating to Capital Assets**

As levies specified for capital purposes (and related investment income) are expended on building, renovation and equipment costs, they are transferred to deferred contributions relating to capital assets. These deferred contributions are taken into income as the related building, renovation and equipment costs are amortized. The portion that is applied to interest on the loan which was used to fund the building renovation and related costs is taken into income as the related interest is paid.

The deferred levies relating to capital assets are increased by sinking fund or loan principal payments made from restricted levies.

### **3. RESTRICTED FUNDS**

The Union has established the following restricted funds:

#### **Externally Restricted - Building Fund**

The Building Fund was established for the construction of additional space for student activities and renovation of existing Union space, and related costs. The capital fee levy portion of student activity fees is designated for the Building Fund. The fund was originally used to pay for construction of additional space. It is currently used to pay the interest and sinking fund payments on the loan that financed the additional space and related costs.

#### **Externally Restricted - Performing Arts Fund**

The Performing Arts Fund was established to fund performing arts performances produced by the students of Douglas College and its associated branch campuses. The expenditures are funded by a special levy included in the Student Union fee applied to all students.



## NOTES TO FINANCIAL STATEMENTS

August 31, 2003

## 4. CAPITAL ASSETS

	2003		2002	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Office equipment	137,774	46,305	91,469	40,881
Computer equipment	118,591	81,353	37,238	6,383
Computer software	5,770	5,770	—	—
Arcade equipment	21,188	10,294	10,894	15,131
Leasehold improvements	21,791	17,434	4,357	8,717
	305,114	161,156	143,958	71,112
Student Union Building	3,465,283	577,545	2,887,738	3,003,247
	3,770,397	738,701	3,031,696	3,074,359

## 5. STUDENT UNION BUILDING

In September of 1998, construction of the Student Union Building (the "Building"), located at the New Westminster Campus of Douglas College was completed. The Building is to be leased to the Union pursuant to a long-term renewable lease with a nominal annual rent.

Total cost of the Building (including construction, furniture and fixtures, financing, and a contingency available for future building costs) amounted to \$3,465,283. Of this total, \$1,980,283 was paid by student building fees, interest thereon, and miscellaneous other revenues. The remainder of the building costs, \$1,485,000, has been financed by debenture (issued to Douglas College), which provides for annual interest and sinking fund payments of \$191,600 [note 6].

## 6. DEBENTURE PAYABLE – DOUGLAS COLLEGE

The Union's contribution towards the construction of the Student Union Building was funded, in part, through a loan arranged by the College.

The debenture matures on June 9, 2008 and bears interest at 6% per annum, which is payable on a semi-annual basis in December and June of each year. The Union contributes \$102,508 annually to a sinking fund maintained by the College.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2003

### 6. DEBENTURE PAYABLE – DOUGLAS COLLEGE (CONT'D)

Capital fees received from members in excess of amounts required for interest and sinking fund payments are maintained in a separate, restricted account by the College. At August 31, amounts held in restricted accounts for the repayment of debt were as follows:

	2003 \$	2002 \$
Sinking Fund	704,579	568,999
Other	41,099	14,560
	<u>745,678</u>	<u>583,559</u>

A capital fee levy of \$9 per full time student per semester is used to finance the Union's obligations under this agreement.

### 7. DEFERRED CONTRIBUTIONS RELATING TO CAPITAL ASSETS

	2003 \$	2002 \$
Balance, beginning of year	2,057,806	2,022,979
Restricted levies used to fund Sinking Fund	102,508	102,508
Contribution to other restricted cash (net of interest earned)	59,611	47,828
Amortized to income	(115,509)	(115,509)
Balance, end of year	<u>2,104,416</u>	<u>2,057,806</u>

### 8. OTHER INCOME

Other income includes Kiosk sales, sponsorships, events, interest and other amounts received by the union net of the corresponding expenses. As the union did not maintain adequate records over receipts and disbursements over these activities, therefore the amounts have been recorded on the basis of cash received, net of the corresponding expenses.

## **NOTES TO FINANCIAL STATEMENTS**

---

August 31, 2003

### **9. ECONOMIC DEPENDENCE**

The Union's primary source of revenue is membership fees collected from students by Douglas College pursuant to the provisions of the College and Institute Act (British Columbia). This collection activity can be terminated if the Union fails to fulfill its requirements under the Act. The Society's ability to continue viable operations is dependent upon maintaining its right to have these fees collected. Commencing June 2005, the College began withholding membership fees collected on behalf of the Union pending the filing all required annual reports and financial statements, and the resolution of other matters. The Union is actively working towards meeting these requirements.

### **10. FINANCIAL INSTRUMENTS**

The Union's financial instruments consist of cash, accounts payable and debenture payable. It is the board's opinion that the Union is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value.

### **11. COMMITMENTS**

#### **Athletic Services Fee**

The Union is committed to collecting an athletics service fee to fund athletic and intramural activities of the Douglas College.

#### **Equipment leases**

The Union is committed to two photocopier lease and maintenance contracts of approximately \$11,400 per year to 2003 and \$5,700 per year to 2004.

The Union is required to pay operating costs to the College for maintenance of the Student Union Building. These costs are estimated at approximately \$60,000 per year.

#### **Canadian Federation of Students**

The members of the Union are also members of the Canadian Federation of Students ("CFS"). The Union, under its fee collection agreement with the College, collects membership fees for the CFS and remits the amounts directly to CFS. Membership fees for the CFS are not included in these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

---

August 31, 2003

### **12. COMPARATIVE FIGURES**

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

### **13. SUBSEQUENT EVENTS**

Subsequent to the year, the Union purchased a building in New Westminster for approximately \$1.2 million. \$800,000 of this purchase price was financed through a vendor take-back mortgage requiring monthly payments of \$7,146 at prime plus 3%.

Commencing in June 2005, the College has begun to withhold all membership fees collected on behalf of the Union pending the Union's compliance with the College and Institute Act by filing all required annual reports and financial statements, and the resolution of other matters. The Union is actively working towards meeting these requirements.

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**FINANCIAL STATEMENTS**

**SOCIETY OF THE  
DOUGLAS STUDENTS' UNION**

**August 31, 2004**

***TW* TOMPKINS, WOZNY, MILLER & Co.**  
Chartered Accountants

A partnership of incorporated professionals

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## AUDITORS' REPORT

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To the Members of  
**Society of the Douglas Students' Union**

We have audited the statement of financial position of **Society of the Douglas Students' Union** as at August 31, 2004 and the statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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.

Our examination indicated serious deficiencies in internal controls over Other Revenue. As a consequence, we were unable to satisfy ourselves that all revenues and expenditures of the union had been recorded nor were we able to satisfy ourselves that the recorded transactions were proper. As a result, we were unable to determine whether adjustments were required in respect of recorded or unrecorded assets, recorded or unrecorded liabilities and the components making up the statements of operations, net assets and cash flows.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Union as at August 31, 2004 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 British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Tompkins, Wozny, Miller & Co.*

Vancouver, Canada  
August 24, 2005

Chartered Accountants

## STATEMENT OF FINANCIAL POSITION

As at August 31

	2004 \$	2003 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	50,084	—
Prepaid expenses and deposits	12,994	12,979
<b>Total current assets</b>	<b>63,028</b>	<b>12,979</b>
<b>Capital assets</b>		
Capital assets - furniture and equipment [note 4]	103,326	143,958
- building [note 4 and 5]	2,772,229	2,887,738
Sinking Fund and restricted cash [note 6]	911,560	745,678
	<b>3,850,143</b>	<b>3,790,353</b>
<b>LIABILITIES AND NET ASSETS (DEFICIENCY)</b>		
<b>Current liabilities</b>		
Cheques issued in excess of funds on deposit	—	31,407
Accounts payable and accruals	116,206	104,857
Accrued interest payable	44,000	44,000
<b>Total current liabilities</b>	<b>160,206</b>	<b>180,264</b>
Debenture payable [note 6]	1,485,000	1,485,000
Deferred levies relating to capital assets [note 7]	2,154,789	2,104,416
Restricted funds - Performing Arts [statement 6]	233,854	200,600
Restricted funds - Health and Dental Plan [statement 6]	13,017	—
<b>Total liabilities and deferred contributions</b>	<b>4,046,866</b>	<b>3,970,340</b>
<b>Net assets (deficiency)</b>		
Unrestricted	(300,049)	(323,945)
Invested in capital assets	103,326	143,958
<b>Total net assets (deficiency)</b>	<b>(196,723)</b>	<b>(179,987)</b>
	<b>3,850,143</b>	<b>3,790,353</b>
Commitments [note 11]		
Subsequent events [note 13]		

See accompanying notes

On behalf of the Board:

Director

JESSICA COJEN

Director

JESSICA COJEN



## STATEMENT OF CHANGES IN NET ASSETS

Year ended August 31

	Unrestricted \$	Invested in Capital Assets \$	Total \$
<b>2004</b>			
Excess of revenues for the year	18,849	—	18,849
Amortization of capital assets	157,075	(157,075)	—
Amortization of deferred levies	(115,509)	115,509	—
Purchase of capital assets	(934)	934	—
<b>Increase (decrease) in net assets, during the year</b>	<b>59,481</b>	<b>(40,632)</b>	<b>18,849</b>
Balance, beginning of year	(323,945)	143,958	(157,614)
<b>Balance, end of year</b>	<b>(205,136)</b>	<b>103,326</b>	<b>(101,810)</b>
<b>2003</b>			
Excess of expenditures for the year	(22,373)	—	(22,373)
Amortization of capital assets	148,812	(148,812)	—
Amortization of deferred levies	(115,509)	115,509	—
Purchase of capital assets	(106,149)	106,149	—
<b>Decrease in net assets, during the year</b>	<b>(95,219)</b>	<b>72,846</b>	<b>(22,373)</b>
Balance, beginning of year	(278,726)	71,112	(157,614)
<b>Balance, end of year</b>	<b>(323,945)</b>	<b>143,958</b>	<b>(179,987)</b>

See accompanying notes

## STATEMENT OF OPERATIONS

Year ended August 31

	2004 \$	2003 \$
<b>REVENUES</b>		
Membership fees	752,178	743,289
Athletic service fees	146,070	144,216
Performing arts fees funded from restricted fees	58,996	57,321
Other [note 8]	58,447	51,190
Building fees used to fund interest	49,651	56,028
Health and dental plan	1,639,543	—
Amortization of deferred levies	115,509	115,509
	<b>2,820,394</b>	<b>1,167,553</b>
<b>EXPENDITURES</b>		
Activities - pool	13,611	15,422
Amortization - building	115,509	115,509
- other	41,566	33,303
Athletic service fees	146,070	144,216
Building operating costs	57,760	58,781
Clubs	21,981	24,437
Conferences	13,799	14,877
Donations	—	200
Handbooks	27,766	22,500
Health and dental plan	1,639,543	—
Honoraria	112,337	117,548
Insurance	18,893	15,404
Interest - building (net)	49,651	56,028
Janitorial	26,400	25,032
Office	59,959	98,655
Performing arts	58,996	57,321
Professional fees	5,100	14,951
Society service	66,586	58,870
Staff wages and benefits	354,948	310,273
Telephone	6,658	6,599
	<b>2,837,130</b>	<b>1,189,926</b>
<b>Excess of revenues (expenditures) for the year</b>	<b>(16,736)</b>	<b>(22,373)</b>
<b>Net assets, beginning of year</b>	<b>(179,987)</b>	<b>(157,614)</b>
<b>Net assets, end of year</b>	<b>(196,723)</b>	<b>(179,987)</b>

See accompanying notes

## STATEMENT OF CASH FLOWS

Year ended August 31

	2004 \$	2003 \$
<b>OPERATING ACTIVITIES</b>		
Excess of expenditures over revenues for the year	16,736	(22,393)
Items not involving cash		
Amortization of capital assets	157,075	148,812
Revenue from amortization of deferred capital contributions	(115,509)	(115,509)
Changes in non-cash working capital balances relating to operations		
Prepaid expenses	35	12,204
Accounts payable and accruals	11,349	12,706
<b>Cash used in operating activities</b>	<b>36,214</b>	<b>35,840</b>
<b>FINANCING ACTIVITIES</b>		
Building Fund contributions	215,533	218,147
Interest earned in Sinking Fund	39,449	33,072
Loan interest paid through Building Fund	(89,100)	(89,100)
Performing Arts fees	92,190	92,104
Performing Arts expenses	(58,996)	(57,321)
Health Plan Fund	13,017	—
<b>Cash provided by financing activities</b>	<b>212,093</b>	<b>196,902</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of capital assets	(934)	(106,149)
<b>Cash used in investing activities</b>	<b>(934)</b>	<b>(106,149)</b>
<b>Increase (decrease) in cash during year</b>	<b>247,373</b>	<b>126,593</b>
<b>Cash, beginning of year</b>	<b>714,271</b>	<b>587,678</b>
<b>Cash, end of year</b>	<b>961,644</b>	<b>714,271</b>
<b>Cash includes:</b>		
Cash	50,084	(31,407)
Sinking Fund and restricted cash	911,560	745,678
<b>Cash, end of year</b>	<b>961,644</b>	<b>714,271</b>

Interest of \$89,100 [2004 - \$89,100] was paid during the year.

See accompanying notes

**BUILDING FUND  
STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND FUND BALANCE**

Year ended August 31

	2004 \$	2003 \$
<b>RECEIPTS</b>		
Member levy	215,533	218,147
<b>Total receipts</b>	<b>215,533</b>	<b>218,147</b>
<b>DISBURSEMENTS</b>		
Sinking Fund contributions	102,508	102,508
Restricted cash contributions	63,374	59,611
Loan interest paid (net of interest earned in Sinking Fund)	49,651	56,028
<b>Total disbursements</b>	<b>215,533</b>	<b>218,147</b>

*See accompanying notes*

**PERFORMING ARTS FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND EXTERNALLY RESTRICTED NET ASSETS**

Year ended August 31

	2004 \$	2003 \$
<b>REVENUES</b>	<b>92,190</b>	<b>92,104</b>
<b>EXPENDITURES</b>	<b>58,996</b>	<b>57,321</b>
Excess of revenues for the year	33,194	34,783
Net assets – restricted, beginning of year	200,660	165,877
Net assets – restricted, end of year	233,854	200,660

**HEALTH AND DENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND EXTERNALLY RESTRICTED NET ASSETS**

	2004 \$	2003 \$
<b>REVENUES</b>	<b>1,652,560</b>	<b>—</b>
<b>EXPENDITURES</b>	<b>1,639,543</b>	<b>—</b>
Excess of revenues and balance end of year	13,017	—

*See accompanying notes*

## NOTES TO FINANCIAL STATEMENTS

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August 31, 2004

### 1. NATURE OF THE ORGANIZATION

The Society of the Douglas Students' Union (the "Union") is an incorporated non-profit organization under the Society Act of British Columbia and is exempt from corporate income taxes. Its main purposes are to organize students on a democratic co-operative basis for advancing students' interests and the interests of the students' community.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of the financial statements:

#### Revenue Recognition

The Union follows the deferral method of revenue recognition and reports revenues on the accrual basis. Restricted contributions are recognized as revenue as the related expenditures are incurred. Activity fees are taken into income in the period to which they relate. Other items are recognized as revenue as received or earned and when collection is reasonably assured.

#### Capital Expenditures

Capital assets are recorded at cost, less accumulated amortization. Amortization is calculated using the following methods and rates:

▪ Office equipment	5 years straight line
▪ Computer equipment	5 years straight line
▪ Computer software	1 year straight line
▪ Leasehold improvements	5 years straight line
▪ Arcade equipment	5 years straight line
▪ Student Union Building	30 years straight line

#### 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 expenditures during the reported period. Actual results could differ from the estimates.

## **NOTES TO FINANCIAL STATEMENTS**

---

August 31, 2004

### **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **Restricted Funds**

The Union records levies approved for specific purposes, as a liability ("restricted funds") of the Union until the funds are expended.

Fund liabilities are reduced as approved expenditures are incurred. Restricted funds used for non-capital expenses are recognized as revenue in the year the related expenses are incurred.

#### **Deferred Levies Relating to Capital Assets**

As levies specified for capital purposes (and related investment income) are expended on building, renovation and equipment costs, they are transferred to deferred contributions relating to capital assets. These deferred contributions are taken into income as the related building, renovation and equipment costs are amortized. The portion that is applied to interest on the loan which was used to fund the building renovation and related costs is taken into income as the related interest is paid.

The deferred levies relating to capital assets are increased by sinking fund or loan principal payments made from restricted levies.

### **3. RESTRICTED FUNDS**

The Union has established the following restricted funds:

#### **Externally Restricted - Building Fund**

The Building Fund was established for the construction of additional space for student activities and renovation of existing Union space, and related costs. The capital fee levy portion of student activity fees is designated for the Building Fund. The fund was originally used to pay for construction of additional space. It is currently used to pay the interest and sinking fund payments on the loan that financed the additional space and related costs.

#### **Externally Restricted - Performing Arts Fund**

The Performing Arts Fund was established to fund performing arts performances produced by the students of Douglas College and its associated branch campuses. The expenditures are funded by a special levy in addition to the Student Union fee applied to all students.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2004

## 3. RESTRICTED FUNDS (CONT'D)

## Externally Restricted – Health and Dental Fund

The Health and Dental Fund was established to provide a health and dental plan for members and their families. the expenditures are funded by a special levy in addition to the Student Union Fee applied to all students.

## 4. CAPITAL ASSETS

	2004		2003	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Office equipment	137,774	69,193	68,581	91,469
Computer equipment	119,534	91,445	28,089	37,238
Computer software	5,770	5,770	—	—
Arcade equipment	21,188	14,532	6,656	10,894
Leasehold improvements	21,791	21,791	—	4,357
	306,057	202,731	103,326	143,958
Student Union Building	3,465,283	693,054	2,772,229	2,887,738
	3,771,340	895,785	2,875,555	3,031,696

## 5. STUDENT UNION BUILDING

In September of 1998, construction of the Student Union Building (the "Building"), located at the New Westminster Campus of Douglas College was completed. The Building is to be leased to the Union pursuant to a long-term renewable lease with a nominal annual rent.

Total cost of the Building (including construction, furniture and fixtures, financing, and a contingency available for future building costs) amounted to \$3,465,283. Of this total, \$1,980,283 was paid by student building fees, interest thereon, and miscellaneous other revenues. The remainder of the building costs, \$1,485,000, has been financed by debenture (issued to Douglas College), which provides for annual interest and sinking fund payments of \$191,600 [note 6].



## NOTES TO FINANCIAL STATEMENTS

August 31, 2004

### 6. DEBENTURE PAYABLE – DOUGLAS COLLEGE

The Union's contribution towards the construction of the Student Union Building was funded, in part, through a loan arranged by the College.

The debenture matures on June 9, 2008 and bears interest at 6% per annum, which is payable on a semi-annual basis in December and June of each year. The Union contributes \$102,508 annually to a sinking fund maintained by the College.

Capital fees received from members in excess of amounts required for interest and sinking fund payments are maintained in a separate, restricted account by the College. At August 31, amounts held in restricted accounts for the repayment of debt were as follows:

	2004 \$	2003 \$
Sinking Fund	846,536	704,579
Other	65,024	41,099
	<b>911,560</b>	<b>745,678</b>

A capital fee levy of \$9 per full time student per semester is used to finance the Union's obligations under this agreement.

### 7. DEFERRED CONTRIBUTIONS RELATING TO CAPITAL ASSETS

	2004 \$	2003 \$
Balance, beginning of year	2,104,416	2,057,806
Restricted levies used to fund Sinking Fund	102,508	102,508
Contribution to other restricted cash (net of interest earned)	63,374	59,611
Amortized to income	(115,509)	(115,509)
Balance, end of year	<b>2,154,789</b>	<b>2,104,416</b>

### 8. OTHER INCOME

Other income includes Kiosk sales, sponsorships, events, interest and other amounts received by the union net of the corresponding expenses. As the union did not maintain adequate records over receipts and disbursements over these activities, therefore the amounts have been recorded on the basis of cash received, net of the corresponding expenses.

## **NOTES TO FINANCIAL STATEMENTS**

---

August 31, 2004

### **9. ECONOMIC DEPENDENCE**

The Union's primary source of revenue is membership fees collected from students by Douglas College pursuant to the provisions of the College and Institute Act (British Columbia). This collection activity can be terminated if the Union fails to fulfill its requirements under the Act. The Society's ability to continue viable operations is dependent upon maintaining its right to have these fees collected. Commencing June 2005, the College began withholding membership fees collected on behalf of the Union pending the filing all required annual reports and financial statements, and the resolution of other matters. The Union is actively working towards meeting these requirements.

### **10. FINANCIAL INSTRUMENTS**

The Union's financial instruments consist of cash, accounts payable and debenture payable. It is the board's opinion that the Union is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value.

### **11. COMMITMENTS**

#### **Athletic Services Fee**

The Union is committed to collecting an athletics service fee to fund athletic and intramural activities of the Douglas College.

#### **Operating Costs**

The Union is required to pay operating costs to the College for maintenance of the Student Union Building. These costs are estimated at approximately \$60,000 per year.

#### **Canadian Federation of Students**

The members of the Union are also members of the Canadian Federation of Students ("CFS"). The Union, under its fee collection agreement with the College, collects membership fees for the CFS and remits the amounts directly to CFS. Membership fees for the CFS are not included in these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

---

August 31, 2004

### **12. COMPARATIVE FIGURES**

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

### **13. SUBSEQUENT EVENTS**

Subsequent to the year, the Union purchased a building in New Westminster for approximately \$1.2 million. \$800,000 of this purchase price was financed through a vendor take-back mortgage requiring monthly payments of \$7,146 at prime plus 3%.

Commencing in June 2005, the College has begun to withhold all membership fees collected on behalf of the Union pending the Union's compliance with the College and Institute Act by filing all required annual reports and financial statements, and the resolution of other matters. The Union is actively working towards meeting these requirements.

PRIVATE & CONFIDENTIAL

April 18, 2006

Society of the Douglas Students' Union  
P.O. Box 2503  
New Westminster, BC  
V3L 5B2

Dear Sirs/Mesdames:

Re: Report on Forensic Review

This is the Exhibit Q  
referred to in the affidavit of  
Karen Mynnes  
Sworn before me this 14  
day of September 2006  
[Signature]  
A Commissioner for taking Affidavits  
within British Columbia

Introduction

Blair Mackay Mynett Valuations Inc. was retained by the Society of the Douglas Students' Union ("DSU") to conduct a forensic review with respect to certain financial transactions and other issues related in part to significant deficiencies in internal controls and accountability. We were also asked to provide our recommendations to correct any deficiencies in internal controls and accountability that we encountered.

Scope of Review

We conducted our review simultaneously with the work being performed by your financial statement auditors, Tompkins, Wozny, Miller & Co., and accordingly attempted to avoid duplicating the examination they were undertaking for the year ended August 31, 2005. We therefore concentrated our efforts on the current fiscal year, events and transactions that took place after August 31, 2005 or that have ongoing implications, and the issue of internal controls and accountability.

In the course of our work, we reviewed the following documents:

- Post Audit Memorandum prepared by Tompkins, Wozny, Miller & Co. for the years ended August 31, 2002 to 2004.
- Audited financial statements for DSU for the years ended August 31, 2001 to 2004.
- Copies of bank statements and cancelled cheques for DSU's account at Westminster Savings Credit Union for the months of September to December 2005 and January 2006.
- Schedule of Rents for DSU's income property, prepared by Mr. Joey Hansen.

- Unsigned and undated Agreement between DSU and The Canadian Federation of Students for a \$200,000 loan to DSU.
- Schedule of deposits made from David Lam Campus for the period September 1, 2005 to March 6, 2006, prepared by Ms. Margaret Leibbrandt.
- Copy of Z-tape from Unions Market for the year to date as at March 16, 2006.
- Listing of outstanding withholding taxes payable to Canada Revenue Agency dating from September 2005.
- Incomplete set of cash-out sheets for Unions Market for the current year.
- Bank deposit books for the current year.
- Agreement between Kismet Holdings Inc. and DSU for purchase of building and land.
- Buyer Statement of Adjustments for purchase of building and land.
- Collective Agreement between Canadian Union of Public Employees Local 2396 and Douglas Students' Union.
- Procedures to ensure DSU's compliance with Section 21 of the College and Institute Act, provided by Douglas College administration.
- DSU letters to Douglas College regarding membership dues and Section 21 compliance, dated April 9, 2003, March 17, 2004 and March 6, 2006.

We interviewed the following individuals:

- Jessica Gojevic, Treasurer, DSU
- Karen Maynes, Vice President Finance and Administration, Douglas College
- Joey Hansen, Finance & Services Coordinator, DSU
- Yasmin Irani, Research and Communications Coordinator, DSU
- Margaret Leibbrandt, David Lam Organizer, DSU
- Peter Grin, Unions Market storekeeper
- Doug Morris, Kismet Holdings Inc.

In addition, we had numerous discussions with Mr. Calvin Tompkins of Tompkins, Wozny, Miller & Co., particularly in regard to difficulties they were experiencing in the conduct of their audit work and various documentation that was or was not being provided.

## Our Findings

### *Douglas College*

Douglas College has been withholding funds collected from members, primarily due to issues raised in the Post Audit Memorandum for the years ended August 31, 2002-2004, and the resulting qualified Auditors' Reports. We understand Douglas College also has concerns that representations were made in three letters dated April 9, 2003, March 17, 2004, and March 6, 2006 to the effect that DSU "remains in compliance with Section 21 of the College and Institute Act ...", representations that were not true at those times.

Section 21(4) of the Act states:

"The board may direct that the institution cease to collect or remit student society fees to a student society if one of the following applies:

- (a) the student society fails to do one of the following in a timely manner:
  - [i] make available to its members annual audited financial statements and a report on those financial statements by an auditor who meets the requirements of section 42 of the Society Act;
  - [ii] inform the board in writing that the requirements set out in subparagraph [i] have been met;
- (b) the student society is struck off the register in accordance with section 71 of the Society Act.

As at March 6, 2006, DSU was clearly not in compliance as audits had been completed only to the end of the 2004 fiscal year. We understand these letters were prepared by Mr. Hansen, who in our view was in a position to clearly understand that the representations were not true, but he attempted to justify them by stating that he thought the audits were underway at the time.

We understand that DSU has recently sued Douglas College over this issue, and that the Statement of Claim states that DSU is in compliance with Section 21, a statement which is not true at the present time.

### *Purchase of Building*

The land and building at 70 Eighth Street, New Westminster, was purchased with a completion date of January 4, 2005 for \$1,200,000 with a vendor take-back mortgage of \$800,000. The total cash payments related to the purchase were as follows:

	\$
Deposit paid to Re/Max Central	300,000.00
Adjustments for rent, taxes, and utilities	8,695.76
Payment on completion	100,312.24
Property Transfer Tax	22,000.00
Environmental Assessment	3,589.75
Architect	26,602.42
	<u>461,200.17</u>

The audited financial statements for DSU indicate an excess of expenditures over revenues in every year from 2001 to 2004, and an accompanying deterioration of DSU's financial position over these periods. It is clear to us that the operations of DSU would not have supported payments of \$461,200 on the building; therefore these funds had to have come from moneys designated for other purposes (see Section of this report on Restricted Funds).

The tenants in the building pay a total of \$9,691 in monthly rent, and the monthly mortgage payments are \$7,146. Estimated annual taxes are \$32,850, or \$2,738 per month. The incremental insurance premium is \$3,159 per annum. The annual cash flow position for the building could be approximated as follows:

	\$
Rental income	116,292
Mortgage payments	85,752
Property taxes	32,850
Insurance	3,159
	<u>121,761</u>
Cash flows before repairs and maintenance, and other miscellaneous expenses	<u>(5,469)</u>

Given the difficulty in collecting rent from at least one tenant, and the state of disrepair of the building, this negative cash flow should not provide any level of comfort for DSU members.

We noted that payments to the mortgagee, Kismet Holdings Inc., increased from \$7,146 to \$9,885 starting in September 2005. We discussed the change with Mr. Doug Morris, President

of Kismet Holdings Inc., who informed us that he asked for the increase in payment in order to pay outstanding property taxes for 2005, in the amount of approximately \$40,000. The payment of taxes is the responsibility of DSU pursuant to the mortgage agreement; however, DSU had not made the payments as required and Mr. Morris had to take action to ensure the taxes were brought up-to-date. Mr. Morris also indicated to us that his many calls and letters to Mr. Hansen regarding this issue were mostly unanswered.

We confirmed with the City of New Westminster that total taxes owing for 2005 as of April 18, 2006, including interest, are \$37,909.

There is another significant concern that arises out of this purchase. DSU's Bylaw 14 Section 4 deals with purchases over \$10,000 and states explicitly that for such contemplated purchases, the general membership must be informed at least two weeks in advance of the transaction. The Purchase Agreement was executed on September 23, 2004, yet the "Broadsheet" posting for the general membership was not done until after October 27, 2004. The failure to inform the general membership deprived them of an opportunity to oppose the transaction and constitutes a breach of the Bylaw.

We understand that although offers were made on the property at amounts less than asking price, they were rejected by the vendor. We would have expected an appraisal to be conducted to support the successive offers yet this was not done, indicating a lack of proper due diligence on the part of those involved in the transaction.

#### *Payroll Concerns*

We were provided with a list of employee income tax, CPP and EI withholdings which remain payable as of March 31, 2006 to Canada Revenue Agency in the amount of approximately \$27,000. We understand these outstanding remittances date back to September 2005, which creates exposure on the part of DSU to audits, interest and penalties imposed by Canada Revenue Agency.

We also understand from our discussions with the auditors that the recording of payroll in the general ledger is not yet up-to-date.

#### *Accounting Concerns*

We identified the following problems related to accounting and reporting.

- Accounting records, particularly the general ledger, are not kept up-to-date.
- No bank reconciliations have been done since August 2004.
- The filing system for financial documents and accounting records is almost non-existent.
- No budgets have been prepared since 2001.



- No financial statements have been prepared and presented to the Representative Committee for many years.
- No cash deposits have been recorded in the general ledger since August 2004.

The results of these serious deficiencies have been and continue to be as follows:

- Inefficiencies and resulting increased costs for annual audits.
- Lack of up-to-date information for the Representative Committee with regard to financial results of operations and financial position required for informed decision making.
- Lack of up-to-date information on cash flows and cash position.

### *Cash and Revenue Handling Concerns*

We have a number of observations which we believe are indicative of a system which is not functioning properly.

- We understand a cheque from Douglas College in the amount of \$15,354.60, dated December 1, 2004, was issued to DSU but never cashed or deposited. This cheque was a distribution of Coca-Cola Bottling funds. These funds are now held by Douglas College.
- We discovered an envelope with a Unions Market cash-out sheet attached in the bottom of the drop-safe. The cash-out sheet indicated the contents of \$735.65 and it was dated in September 2004.
- Deposits of cash receipts from Unions Market and other sources are not deposited on a timely basis; for example, there were no such deposits in the year ended August 31, 2005, and \$38,820 was deposited September 8, 2005.
- Many payments to suppliers are made in cash, without proper records being kept of such payments.
- A cheque from Douglas College in the amount of \$250,000, dated January 5, 2005, was not deposited to DSU's account until March 15, 2005. A second cheque for \$67,733.72, dated February 9, 2005, was not deposited until March 16, 2005.

These findings are indicative of the level of dysfunction and disorganization on the part of the individual responsible for dealing with cash and revenue handling.

### *Restricted Funds*

There are two restricted funds maintained by DSU: the Performing Arts Fund, and the Health and Dental Plan Fund. We note from the 2004 financial statements that the liabilities under these funds are \$233,854 and \$13,017, respectively. These are currently unfunded liabilities;

that is, there is no cash fund, term deposit or other monetary asset to offset the liabilities. Whatever moneys were provided for these purposes appear to have been used in operations or for other purposes, a breach of the conditions of trust placed in these funds.

The Health and Dental Plan Fund ("H&D Plan") poses an additional problem. Douglas College turned over \$855,400 for the H&D Plan on October 5, 2004, the last such payment until Douglas College took over payment of H&D Plan premiums late in 2005. Of the \$855,400 received by DSU, it appears only \$343,184 was used for H&D Plan premiums. The remainder was used primarily for the building purchase discussed earlier, and for other purposes. The result was an inability on the part of DSU to make the H&D Plan premium payments as they became due in early 2005. We understand that the Canadian Federation of Students paid the premiums on DSU's behalf, but to date we have been unable to determine the exact amount, timing, or the terms of the arrangement. We have made repeated requests to Mr. Hansen but he is either unable or unwilling to provide the information.

### *Canadian Federation of Students*

We found that in addition to the funding of DSU H&D Plan premiums discussed above, DSU borrowed \$100,000 in October 2005, \$50,000 in December 2005, and \$50,000 in January 2006 from the Canadian Federation of Students ("CFS"). These loans were pursuant to an agreement between the parties purportedly signed by Jeremy Gervan on behalf of DSU. We have requested a copy of the signed and executed agreement, but to date have not received it.

We understand that none of these loans was approved by the Representative Committee and therefore they were entered into without proper authorization.

### *Internal Controls*

We reviewed the Post Audit Memorandum for the years ended August 31, 2002 to 2004 in order to gain some understanding of the known deficiencies in internal controls and accountability, and the auditors' recommendations for remedying the deficiencies. We assume the Post Audit Memorandum was received by DSU shortly after the date of completion of the related audits, August 24, 2005.

As a result of our observations, interviews of DSU staff, and discussions with the auditors, we conclude that there has been no discernible improvement in internal controls and accountability since the issue of the Post Audit Memorandum. In fact, we believe that internal controls and accountability have further deteriorated to the point where a revamping of the entire system may be necessary to ensure that DSU members, and the Representative Committee receive up-to-date and accurate financial information for the purposes of critical decision making.

We indicated earlier in this report that the current level of deficiencies is causing inefficiencies and unnecessary higher costs for the audit process. We also reiterate that critical decisions, such as the purchase of the building, were made without the benefit of up-to-date and accurate

information on the financial position of DSU at the time. Even at the current date, the information on loans from CFS is not being provided, meaning that the financial statements for August 31, 2005 and any interim period cannot be completed.

### *Specific Accountability Concerns*

We note that over one hundred cheques, in addition to payroll cheques, were issued payable to Joey Hansen in the year ended August 31, 2005. We understand the auditors have requested from him documentation adequate to support these expenditures, but he has not yet provided same. We have not quantified the amounts involved, as your auditors are working on this, but regardless of the amounts, we regard this as a serious breach of internal control and accountability, and if Mr. Hansen is unable to produce adequate documentation, a misappropriation of funds.

We found a cheque payable to Christa Peters in the amount of \$20,000 dated December 6, 2004. The amount was repaid to DSU on December 22, 2004. We understand Christa Peters is the partner of Mr. Hansen, who confirmed that to us and stated that it was intended to be a temporary loan for the purpose of making a down-payment on a house. The cheque was signed by Mr. Hansen and Jeremy Gervan, who Mr. Hansen said "approved" the loan. In our view, Mr. Hansen and Mr. Gervan exceeded their authority, and the loan should have been approved, if at all, by the Representative Committee. Notwithstanding the repayment, this is an example of blatant misuse of DSU member funds.

### *Collective Agreement Job Description*

We reviewed the Finance and Services Coordinator Job Description in the Collective Agreement and found that approximately fifty percent of the position is related to the bookkeeping and accounting function. We discussed the job description with the incumbent, Mr. Hansen, and he agreed with us that he has failed to satisfactorily fulfill the bookkeeping and accounting functions as set out in the job description. He blamed this in part on the demands of administering the Health and Dental Plan; however, we understand from our discussions with other staff that except for peak periods near the beginning of semesters, such demands should not be so onerous as to prevent Mr. Hansen from keeping up the bookkeeping and accounting function.

### **Recommendations**

As we indicated earlier in this report, a revamping of the entire system may be necessary to ensure that DSU members, and the Representative Committee receive up-to-date and accurate financial information. In addition, instituting a reasonable and cost-effective system of internal controls and accountability will reduce DSU's exposure to potential fraud and misappropriation of funds.

In our view, the incumbent Finance and Services Coordinator does not possess the appropriate skill set and competency for the job. Accordingly, our first recommendation is that he be replaced by a qualified accountant with the requisite "superior accounting and administrative aptitude", as set out in the Collective Agreement Job Description. We believe such action on the part of DSU would, within a reasonably short timeframe, begin to solve most of the problems and concerns we have set out in this report. We also believe such a step would help to instill in Douglas College a higher level of confidence in the fiscal responsibility of DSU, allowing some negotiation to begin regarding the release of student fees.

Your auditors have previously set out, in the Post Audit Memorandum, a number of internal control and accountability improvements. We expect that again this year, they will make similar and further recommendations; accordingly, we will not address these recommendations in detail. We do, however, recommend that segregation of duties be of foremost importance in order to minimize DSU's exposure to potential fraud, misappropriation of funds, and error. Practical examples of segregation of duties follow:

- separate handling of cash and cash deposits from the accounting function;
- separate bank reconciliations from handling of cash and preparation of cheques; and
- separate cheque signing authority from the preparation of cheques.

Please do not hesitate to contact us should you require further clarification of our report or further assistance in this matter.

Yours truly,

BLAIR MACKAY MYNETT VALUATIONS INC.



Ronald H. Parks, FCA, CA•IFA  
604-697-5242

RHP/bca

Kismet Holdings Inc.  
P.O. Box 183  
Summerland, B.C.  
V0H 1Z0

Society of Douglas Students Union  
P.O. Box 2503  
New Westminster, B.C.  
V3L 5B2

June 17, 2006

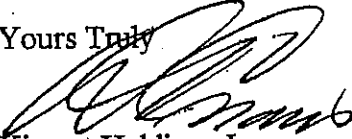
Attention: Ms. Heidi Taylor

Dear Ms. Taylor;

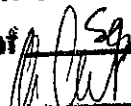
We bring to your attention that your tax account, regarding 70 - 8<sup>th</sup> Street, New Westminster, B.C., as of June 15, 2006, is \$24,651.00. We have paid this amount and advise you that the balance of 2006 taxes, being \$35,999.30, is \$11,348.30, and is your responsibility.

We are, to date, not yet in receipt of your June, 2006 mortgage payment, nor the twelve post dated cheques, as required according to your mortgage contract. If these matters are not attended to promptly, we shall have no alternative but to initiate foreclosure proceedings.

Yours Truly

  
Kismet Holdings Inc  
Douglas G. Morris / Pres.

c: Karen Maynes, V.P., F & A / Douglas College

This is the Exhibit R  
referred to in the affidavit of  
Karen Maynes  
Sworn before me this 17  
day of September 2006  
  
A Commissioner for taking Affidavits  
within British Columbia

**Douglas Student Union Fees**  
**Amounts Held by Douglas College - Breakdown**  
**At July 31, 2006**

**1 General Student Fee (based on number of credits):**

Summer 2005	105,078
Fall 2005	306,403
Winter 2006	295,084
Summer 2006	109,918
	<u>816,483</u>

**Less:**

Suppliers paid to date (Schedule 1)	(196,238)
Douglas College invoices paid to date (Schedule 2)	(150,494)
DSU employees paid to date (Schedule 3)	(27,087)
	<u>442,664</u>

**2 Canadian Federation of Students Levy (based on number of credits)**

Summer 2005	18,352
Fall 2005	52,388
Winter 2006	49,299
Summer 2006	20,358
	<u>140,397</u>

**3 Performing Arts Fee (\$3.95/student summer 05, \$4.00/student fall 05)**

Summer 2005	15,926
Fall 2005	35,508
Winter 2006	38,196
Summer 2006	14,010
	<u>103,640</u>

Suppliers paid to date (Schedule 4a)	(492)
	<u>103,148</u>

**4 Medical Dental Fees collected at September, 2005**

Payments made to Heath Benefits Consulting (Sept/05 to August/06) (Schedule 4b)	788,060
Refunds/re-imbursements paid to students (Schedule 4c)	(662,451)
	(1,443)
	<u>124,166</u>

**Net Fees held by Douglas College at July 31/06**

**810,375**

This is the Exhibit S  
 referred to in the affidavit of  
Karen Maynes  
 Sworn before me this 14  
 day of September 2006

[Signature]  
 A Commissioner for taking Affidavits  
 within British Columbia

**DSU Suppliers Paid to Date  
as at July 31, 2006**

**Schedule 1**

105

<b>Cheque #</b>	<b>Date</b>	<b>Supplier</b>	<b>Amount To Date</b>
<b>2005/06:</b>			
43373	Feb 8/06	Tompkins, Wozney, Miller	24,556.50
43375	Feb 8/06	Weeks Insurance.	27,301.00
		<b>at February 28, 2006</b>	<b>51,857.50</b>
46399	Mar 15/06	Paula Butler	2,023.26
		<b>at March 31, 2006</b>	<b>53,880.76</b>
<b>2006/07:</b>			
47949	Apr 13/06	Blair Mackay Mynett Valuations	11,407.27
47955	Apr 13/06	Tompkins, Wozney, Miller	8,506.50
48135	Apr 26/06	Blair Mackay Mynett Valuations	7,544.45
48267	Apr 26/06	Althea Rae Megas-student	3,739.50
		<b>at April 30, 2006</b>	<b>85,078.48</b>
48621	May 9/06	City of New Westminster	38,093.07
48624	May 14/06	Kismet Holdings Inc	9,885.00
49792	May 30/06	Ideal Door Ltd.	629.96
49793	May 30/06	Mainland Door Controls Inc.	127.34
		<b>at May 31, 2006</b>	<b>133,813.85</b>
50036	Jun 6/06	City of New Westminster	858.15
50037	Jun 6/06	Vincent Yim-print futures	153.00
50038	Jun 6/06	Accurate Lock & Safe	2,097.80
50994	Jun 26/06	City of New Westminster	11,348.30
50658	Jun 16/06	Terasen Gas Inc	3,915.23
50654	Jun 16/06	Kismet Holdings Inc	684.00
50652	Jun 16/06	City of New Westminster	319.10
50653	Jun 16/06	City of New Westminster	211.16
50657	Jun 16/06	Stauffer, Tracy-ESL bbq	192.32
50656	Jun 16/06	Paladin Security Systems	243.96
50655	Jun 16/06	Magic Star Music Systems	449.40
		<b>at June 30, 2006</b>	<b>154,286.27</b>

**DSU Suppliers Paid to Date  
as at July 31, 2006**

**Schedule 1**

**100**

<b>Cheque #</b>	<b>Date</b>	<b>Supplier</b>	<b>Amount To Date</b>
<b>July/06 Invoices</b>			
51411	Jul 05/06	Megas, Althea Rae-child care club	217.44
51410	Jul 05/06	Kismet Holdings Inc	684.00
51406	Jul 05/06	Compass Group - Chartwell	1,324.13
51407	Jul 05/06	Douglas College Foundation	601.07
51408	Jul 05/06	Dulat, Rick-book sales	115.00
51413	Jul 05/06	Receiver General - May-Jun/06	6,066.91
41432	Jul 10/06	Kismet Holdings Inc	9,691.00
51770	Jul 14/06	Kismet Holdings Inc	9,691.00
51771	Jul 14/06	Receiver General	108.35
52009	Jul 25/06	Kismet Holdings Inc	684.00
52008	Jul 25/06	Ideal Door Ltd	105.21
52006	Jul 25/06	City of New Westminster	58.64
52010	Jul 25/06	Receiver General - July/06	2,689.43
52012	Jul 25/06	Terasen Gas Inc	2,043.75
52013	Jul 25/06	The Takeover Group	107.00
50364	Jul 25/06	Accurate Lock	5,726.09
50364	Jul 25/06	Accurate Lock	220.75
47543	Jul 25/06	Purcell	224.70
47262	Jul 25/06	Benton & Overbury	47.03
47262	Jul 25/06	Benton & Overbury	47.03
47530	Jul 25/06	Mott Electric	1,072.07
49808	Jul 25/06	Benton & Overbury	141.08
49808	Jul 25/06	Benton & Overbury	94.05
47776	Jul 25/06	Compass Group - Chartwell	191.36
<b>at July 31, 2006</b>			<b><u>196,237.36</u></b>



**Douglas College Invoices Paid to Date  
as at July 31, 2006**

**Schedule 2**

<b>Invoice #</b>	<b>Date</b>	<b>Particulars</b>	<b>Amount</b>
<b>2005/06:</b>			
04-162		Mar-05 Medical Dental reconciliation	2,080.00
04-429		Mar-05 Programing/Implementation of On-line Opt-out	9,251.00
04-463		Mar-05 Locker Rental	3,000.00
04-478		Apr-05 DSU Building Operating Costs (security, utilities)	59,362.93
05-183		Sep-05 Theatre & Tech re: Performing Arts function	125.00
05-191		Sep-05 Catering re: Performing Arts function	2,585.97
05-203		Sep-05 PA Theatre Rental	350.00
<b>at March 31, 2006</b>			<u><b>76,754.90</b></u>
<b>2006/07:</b>			
05-497	Mar 31/06	2005/06 Operating Costs	70,739.27
06-061	May 23/06	Locker rental	3,000.00
<b>at May 31, 2006</b>			<u><b>73,739.27</b></u>
<b>Total to Date</b>			<u><u><b>150,494.17</b></u></u>

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DSU Employees Paid to Date - Net  
as at July 24, 2006

Schedule 3

Employee	Pay Periods										Total
	Apr. 2 Apr. 15	Apr. 16 Apr. 29	Apr. 30 May. 13	May. 14 May. 27	May 28 to Jun. 10	Jun. 11 to Jun. 24	Jun. 25 to Jul. 8	Jul. 9 to Jul. 22			
2006/07											
Delorme, Bobbie-Joe		1,119.11	282.26							1,401.37	
Grin, Peter	986.27	142.34	759.31	703.48	652.70	723.77	723.62	708.71		5,400.20	
Irani, Yasmin	1,318.90	1,408.25	1,286.68	1,408.25	1,408.25	1,408.25	1,383.46	1,345.12		10,967.16	
Leibbrandt, Margaret	1,384.99		1,176.35	1,387.25	1,292.37	1,324.02	1,388.95	1,363.96		9,317.89	
	3,690.16	2,669.70	3,504.60	3,498.98	3,353.32	3,456.04	3,496.03	3,417.79		27,086.62	

**Douglas Student Union Fees**  
**Amounts paid as at July 31, 2006**

**Schedule 4**

**4a. Performing Arts Fund:**

<b>Cheque #</b>	<b>Date</b>	<b>Supplier</b>	<b>Amount</b>
52011	Jul 25/06	Rocky Mtn Prod. Serv.	492.48
			<u>492.48</u>

**4b. Heath Benefits Consulting (Morneau Sobeco):**

<b>Cheque #</b>	<b>Date</b>	<b>Particulars</b>	<b>Amount</b>
41268	Nov 17/05	Fall 2005 deposit	270,000.00
42543	Dec 23/05	January to March 2006 period	164,672.64
48607	May 5/06	April to June 2006 period	117,165.12
52265	Jul 31/06	July to August 2006 period	110,613.44
			<u>662,451.20</u>

**4c. Medical Plan - student refunds/re-imbursements**

<b>Cheque #</b>	<b>Date</b>	<b>Particulars</b>	<b>Amount</b>
51415	Jul 05/06	Varatharajan, Tanya - refund	240.00
51414	Jul 05/06	Scrigner, Karley - refund	260.00
51405	Jul 05/06	Cho, Euna - re-imbursement	162.90
51412	Jul 05/06	Nair, Klaudyna - refund	260.00
51409	Jul 05/06	Inkster, Beth - refund	260.00
51404	Jul 05/06	Chan, Trisha - refund	260.00
			<u>1,442.90</u>