
**Canadian Federation of Students and
Canadian Federation of Students -
Services**

Combined Financial Statements

June 30, 2007 and 2006

**Canadian Federation of Students
and Canadian Federation of Students - Services**

Financial Statements

June 30, 2007

	Page
Auditors' Report	3
Combined Statements of Operations	4
Combined Statements of Changes in Net Assets	5
Combined Statement of Financial Position	6
Combined Statements of Cash Flows	7
Notes to the Combined Financial Statements	8 - 16

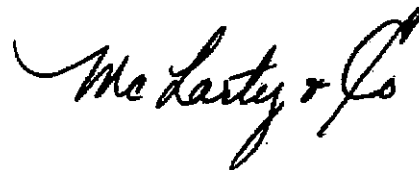
Auditors' Report

To the Members of Canadian Federation of Students and Canadian Federation of Students - Services

We have audited the combined statement of financial position of Canadian Federation of Students and Canadian Federation of Students - Services as at June 30, 2007 and 2006 and the combined statements of operations, changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Federation's management and its directors. Our responsibility is to express an opinion on these combined financial statements based on our audits.

Except as noted in the following paragraph, we conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Federation's management and its directors, as well as evaluating the overall combined financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the combined financial position of the Federation as at June 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles, except that they are prepared on a non-consolidated basis as explained in note 2 to the combined financial statements.



Ottawa
January 9, 2008

McLarty & Co Professional Corporation
(Authorized to practice public accounting by the
Institute of Chartered Accountants of Ontario)

**Canadian Federation of Students
and Canadian Federation of Students - Services**

Combined Statements of Operations

For the years ended June 30,	2007	2006
Revenue		
Membership fees	\$ 3,810,860	\$ 3,070,400
Referral fee from Canadian Universities Travel Service Limited (note 10)	294,419	822,194
Student Work Abroad Program, net (note 10)	126,982	116,724
Health Insurance Program, net (note 8)	112,641	(16,470)
Investment	99,409	288
The Student Traveller, net (note 7)	24,778	38,997
Other	7,276	41,225
	4,476,365	4,073,358
Expenses		
Caucus and component allocation (note 10)	724,161	699,646
Campaigns	376,824	196,984
Professional fees	248,878	461,213
Office rent	154,330	151,246
National general meetings	146,835	143,197
National executive salaries	146,094	130,545
Communications	124,910	135,800
Administration and office	118,964	146,044
Research	88,012	93,218
Bad debts	50,775	335,333
Amortization	47,341	34,034
National executive meetings	45,440	41,396
International Student Identity Card, net (note 10)	35,072	155,378
Constituency allocations - general	30,198	15,049
Constituency allocations - Aboriginal	24,850	24,182
Students' Union Directory	22,404	25,032
Translation	14,943	14,001
Coalition work	13,294	8,131
Miscellaneous	12,788	28,368
Membership drives - referenda	12,364	71,454
Membership development and outreach	10,079	20,041
Interest and bank charges	428	548
	2,448,984	2,930,840
Excess of revenue over expenses before other item	2,027,381	1,142,518
Other income (expense)		
Income (loss) of Canadian Universities Travel Service Limited (note 4)	(770,778)	46,168
Excess of revenue over expenses	\$ 1,256,603	\$ 1,188,686

**Canadian Federation of Students
and Canadian Federation of Students - Services**

Combined Statements of Changes in Net Assets

For the years ended June 30,

	Investment in Canadian Universities Travel Service Limited	Invested in Capital Assets	Designated Funds (note 6)	Non- designated Funds	Total 2007	Total 2006
Balance, beginning of years	\$ 8,634,002	\$ 103,528	\$ 1,648,782	\$ 2,798,834	\$ 13,185,146	\$ 11,996,460
Excess of revenue over expenses	-	-	-	1,256,603	1,256,603	1,188,686
Amortization of capital assets	-	(47,341)	-	47,341	-	-
Acquisition of capital assets	-	102,458	-	(102,458)	-	-
Loss of Canadian Universities Travel Service Limited	(770,778)	-	-	770,778	-	-
Purchase of preferred shares in Canadian Universities Travel Service Limited	250,256	-	-	(250,256)	-	-
Disbursements from Legal Defence Fund	-	-	(72,131)	72,131	-	-
Transfers to Designated Funds	-	-	225,000	(225,000)	-	-
Balance, end of years	\$ 8,113,480	\$ 158,645	\$ 1,801,651	\$ 4,367,973	\$ 14,441,749	\$ 13,185,146



See accompanying notes to the combined financial statements

**Canadian Federation of Students
and Canadian Federation of Students - Services**

Combined Statement of Financial Position

June 30,	2007	2006
Assets		
Current		
Cash	\$ 853,214	\$ 1,047,355
Due from member campuses	1,802,867	1,511,604
Short-term investments (note 3)	3,098,541	2,494,693
Inventories	556,921	415,400
Prepaid expenses and deposits	295,829	223,024
Due from Canadian Universities Travel Service Limited (note 9)	563,542	-
Total current assets	7,170,914	5,692,076
Investment in Canadian Universities Travel Service Limited (note 4)	8,113,480	8,634,002
Capital assets (note 5)	158,645	103,528
	\$ 15,443,039	\$ 14,429,606
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 833,623	\$ 1,046,738
Program deposits	167,667	142,472
Due to Canadian Universities Travel Service Limited (note 9)	-	55,250
Total current liabilities	1,001,290	1,244,460
Net Assets		
Investment in Canadian Universities Travel Service Limited	8,113,480	8,634,002
Invested in capital assets	158,645	103,528
Designated Funds (note 6)	1,801,651	1,648,782
Non-designated Funds	4,367,973	2,798,834
Total net assets	14,441,749	13,185,146
	\$ 15,443,039	\$ 14,429,606

On behalf of the National Executive:

 Chairperson
 Treasurer

**Canadian Federation of Students
and Canadian Federation of Students - Services**

Combined Statements of Cash Flows

For the years ended June 30,	2007	2006
Operating activities		
Excess of revenue over expenses	\$ 1,256,603	\$ 1,188,686
Items not affecting cash		
Amortization	47,341	34,034
Loss (income) of Canadian Universities Travel Service Limited	770,778	(46,168)
	2,074,722	1,176,552
Change in non-cash working capital items		
Due from member campuses	(291,263)	19,069
Inventories	(141,521)	(415,400)
Prepaid expenses and deposits	(72,805)	(69,676)
Accounts payable and accrued liabilities	(213,115)	(198,151)
Program deposits	25,195	25,895
	1,381,213	538,289
Investing activities		
Purchase of capital assets	(102,458)	(19,591)
Purchase of preferred shares in Canadian Universities Travel Service Limited	(250,256)	(161,758)
Advances to Canadian Universities Travel Service Limited	(618,792)	(777)
Net (increase) decrease in short-term investments	(603,848)	10,292
	(1,575,354)	(171,834)
Increase (decrease) in cash	(194,141)	366,455
Cash, beginning of years	1,047,355	680,900
Cash, end of years	\$ 853,214	\$ 1,047,355

**Canadian Federation of Students
and Canadian Federation of Students - Services**

Notes to the Combined Financial Statements

June 30, 2007 and 2006

1. Nature of operations

Canadian Federation of Students and Canadian Federation of Students - Services ("CFS" and "CFS-S") were both incorporated under the Canada Corporations Act. These two entities are collectively referred to as "the Federation". They are tax-exempt, non-profit organizations providing national representation and services to its members who are comprised of post-secondary students in Canada. Emphasis is placed on improvements to the quality and affordability of post-secondary education and on providing cost saving services to individual students and students' unions.

The Federation's primary source of revenue is from membership fees paid by individual university and college students. Membership in the Federation is decided at each university and college campus through membership referendum.

During the year June 30, 1996, the Federation passed a resolution creating a Bylaw whereby CFS would be amalgamated with CFS-S. The Bylaw states that CFS is to surrender its charter and determine a date upon which it will be dissolved, and that on this date all debts, liabilities and obligations of CFS will be discharged and the property and assets of CFS will be transferred to CFS-S. Furthermore, on this date CFS-S will change its name to Canadian Federation of Students.

As at January 9, 2008, the amalgamation has not occurred and, as a result, CFS and CFS-S continue to operate as separate entities. The accompanying statements reflect the Federation's combined operations of the CFS and the CFS-S.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

(a) Non-consolidation

These combined financial statements are in accordance with Canadian generally accepted accounting principles except they are prepared on a non-consolidated basis. The members of the Federation have access to all pertinent information concerning the results and operations of the subsidiary and have unanimously consented to the preparation of non-consolidated financial statements.

**Canadian Federation of Students
and Canadian Federation of Students - Services**

Notes to the Combined Financial Statements

June 30, 2007 and 2006

2. Significant accounting policies (continued)

(b) Revenue recognition

Membership fees are based on the number of students in the members' student union. These revenues are earned and recorded on a basis consistent with the members' semesters, which are generally fall, winter and summer.

Referral fee revenue charged to Canadian Universities Travel Service Limited (CUTS) is recorded based on an agreed percentage of CUTS' gross domestic student travel sales. The sales are recorded when the travel service is provided.

Student Work Abroad Program (SWAP) revenue and expenses are recorded when the related travel services have been provided. Unearned SWAP receipts are recorded as program deposits on the non-consolidated statement of financial position.

Other revenues are recognized when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Contributed services

Volunteers contributed time to assist the Federation in carrying out its mandate. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(d) Short-term investments

Investments classified as current assets are carried at the lower of cost and market value. Other investments are carried at cost less a write-down, if necessary, for any impairment in value which is other than temporary.

(e) Inventories

Inventories consist of student discount cards and are valued at the lower of cost and net realizable value. The cost of inventories is determined substantially according to the weighted average method.

(f) Investments

The Federation accounts for investments in companies over which it has significant influence using the equity method.

**Canadian Federation of Students
and Canadian Federation of Students - Services**

Notes to the Combined Financial Statements

June 30, 2007 and 2006

2. Significant accounting policies (continued)

(g) Capital assets

Capital assets are recorded at cost. The Federation provides for amortization using the following methods at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Buildings	5% Declining balance
Furniture and equipment	25% Declining balance and 3 years Straight-line

(h) Use of estimates

The preparation of combined 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 combined statement of financial position date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Short-term investments

	2007	2006
Guaranteed Investment Certificates	\$ 1,156,296	\$ 605,503
Bonds:		
Government of Canada	587,881	335,578
Provincial	24,367	95,210
Mutual Funds (market value \$1,322,807; \$1,455,628 in 2006)	1,322,807	1,455,628
Accrued interest	7,190	2,774
Total short-term investments	\$ 3,098,541	\$ 2,494,693

Market values of the Guaranteed Investment Certificates and bonds are approximately equal to cost plus accrued interest.

The market value of mutual funds are based on the market values of the underlying securities held by the funds.

4. Investment in Canadian Universities Travel Service Limited

These combined financial statements exclude the consolidated financial statements of Canadian Universities Travel Service Limited (CUTS). CUTS was incorporated on February 6, 1974 and is licensed by the International Air Transport Association as a travel agency and operates branches across Canada. Operations are also governed by the various financial travel industry acts. Separate audited consolidated financial statements are prepared for CUTS and are available upon request. Accordingly the investment in CUTS is accounted for using the equity method as follows:

**Canadian Federation of Students
and Canadian Federation of Students - Services**

Notes to the Combined Financial Statements

June 30, 2007 and 2006

4. Investment in Canadian Universities Travel Service Limited (continued)

	2007	2006
Investment in shares, at cost beginning of the year	\$ 6,720,409	\$ 8,629,803
Transfer of shares	-	(2,071,152)
Purchase of preferred shares	250,256	161,758
	6,970,665	6,720,409
Retained earnings of CUTS, beginning of year	2,517,885	2,457,138
Income (loss) of CUTS	(1,014,181)	60,747
	1,503,704	2,517,885
Less: Minority shareholder portion	(360,889)	(604,292)
	1,142,815	1,913,593
	\$ 8,113,480	\$ 8,634,002

Financial summaries of this consolidated entity as at June 30, 2007 and 2006 and for the years then ended are as follows (certain of the comparative figures have been reclassified to conform to the current year's financial statement presentation):

	2007	2006
Financial position		
Total assets	\$ 19,252,387	\$ 22,414,153
Total liabilities	8,605,545	11,001,479
Shareholders' equity	10,675,631	11,360,528
Cumulative translation adjustment	(28,789)	52,146
Results of operations		
Total revenues	25,498,838	28,693,304
Total expenses	26,513,019	28,632,557
Net income (loss)	(1,014,181)	60,747
Cashflows		
Cash used in operations	(2,265,706)	(1,477,458)
Cash from financing activities	329,284	212,840
Cash from (used in) investing activities	3,729,322	(651,480)
Increase (decrease) in cash	1,792,900	(1,916,098)

**Canadian Federation of Students
and Canadian Federation of Students - Services**

Notes to the Combined Financial Statements

June 30, 2007 and 2006

5. Capital assets

2007			
	Cost	Accumulated amortization	Net book value
Land	\$ 16,898	\$ -	\$ 16,898
Buildings	88,390	55,859	32,531
Furniture and equipment	666,135	556,919	109,216
	\$ 771,423	\$ 612,778	\$ 158,645
2006			
	Cost	Accumulated amortization	Net book value
Land	\$ 16,898	\$ -	\$ 16,898
Buildings	88,390	54,147	34,243
Furniture and equipment	562,939	510,552	52,387
	\$ 668,227	\$ 564,699	\$ 103,528

**Canadian Federation of Students
and Canadian Federation of Students - Services**

Notes to the Combined Financial Statements

June 30, 2007 and 2006

6. Designated Funds

Legal Defence Fund: In 2000, the Federation established a fund to stabilize legal spending from year to year related to a legal claim that was settled in 2006.

Bilingualism Fund: In 1990, the Federation established a fund to provide bilingual services after the expiration of a government grant in 1999.

Constitutional Challenge Fund: In 1987, the Federation established a fund to be used for constitutional challenge.

Capital Fund: In 2000, the Federation established a fund to provide for the potential purchase of office space.

Federal Election Campaign Fund: In 2006, the Federation established a fund to stabilize spending from year to year on activities related to federal elections.

National General Meeting Students with Disabilities Access Fund (formerly: General Meeting Disabled Access Fund): In 2002, the Federation established a fund to cover the costs of additional requirements for students with disabilities to participate in general meetings.

Kevin Coleman Students Rights Defence Fund: in 1988, the Federation established a fund to aid members involved in student rights litigation.

Membership Drives and Referenda Fund: In 2004, the Federation established a fund to stabilize the cost of membership drives and referenda from year to year.

During the year, the Board of Directors internally restricted resources amounting to \$225,000 (2006 - \$225,000) to some of the above funds.

	Opening balance	Transfer from Non- Designated Funds	Disbursements	Ending Balance
Legal Defense Fund	\$ 181,227	\$ -	\$ 72,131	\$ 109,096
Bilingualism Fund	19,670	-	-	19,670
Constitutional Challenge Fund	15,000	-	-	15,000
Capital Fund	1,200,000	175,000	-	1,375,000
Federal Election Campaign Fund	75,000	25,000	-	100,000
National General Meeting Students with Disabilities Access Fund	55,000	5,000	-	60,000
Kevin Coleman Student Rights Defence Fund	22,885	5,000	-	27,885
Membership Drives and Referenda Fund	80,000	15,000	-	95,000
	\$ 1,648,782	\$ 225,000	\$ 72,131	\$ 1,801,651

**Canadian Federation of Students
and Canadian Federation of Students - Services**

Notes to the Combined Financial Statements

June 30, 2007 and 2006

7. The Student Traveller

The Federation publishes The Student Traveller magazine and distributes it free of charge. The net income related to this activity as reported in the combined statement of revenue and expenses consists of:

	2007	2006
Advertising revenue	\$ 115,810	\$ 137,604
Less: direct production costs	(91,032)	(98,607)
The Student Traveller, net	\$ 24,778	\$ 38,997

8. Health Insurance Program

The Federation administers a Health Insurance Program for students which was initiated in 1988. During 2007, the Federation earned \$458,542 (2006 - \$248,076) in revenue and incurred \$345,901 (2006 - \$264,546) in expenses related to the program. The Federation also incurs general and administrative expenses in connection with the Health Insurance Program which are included in the Federation's combined statement of revenue and expense.

9. Due from Canadian Universities Travel Service Limited

The amount due from Canadian Universities Travel Service Limited is non-interest bearing and is due on demand.

10. Related party transactions

The Federation has charged CUTS a referral fee of \$294,419 (2006 - \$822,194) for the student travel business that CUTS derives as a result of its relationship with the Federation. The fee is computed as a percentage of the gross domestic student travel sales reported by CUTS. In addition, the Federation has charged CUTS \$49,725 (2006 - \$51,950) for advertising services it has provided and the amount has been included in The Student Traveller, net. The rate charged by the Federation is approximately 50% of the rate charged to arm's length parties.

The Federation serves as the Canadian agent for the International Student Identity Card (ISIC). Net loss of this program was \$35,072 (2006 - \$155,378), which is recorded as a reduction in revenue in the combined statement of revenue and expenses. The net loss is net of \$318,702 (2006 - \$382,515) paid to CUTS as a commission for issuing the cards, and a one time reserve of \$nil (2006 - \$85,000) for the inventories on hand at year end.

The Federation runs the Student Work Abroad Program (SWAP). Net income from this program was \$126,982 (2006 - \$116,724) which is recorded as revenue in the combined statement of revenue and expense. The net income is net of \$220,687 (2006 - \$230,136) paid to CUTS as a commission for running the program.

The Federation has included in other income the use of property and equipment for the Canadian Wilderness Trips (CWT) program of CUTS of \$nil (2006 - \$6,000).

**Canadian Federation of Students
and Canadian Federation of Students - Services**

Notes to the Combined Financial Statements

June 30, 2007 and 2006

10. Related party transactions (continued)

Affiliated provincial organizations in British Columbia, Ontario and Quebec provide services to the Federation for which they are paid an allocation based on the Federation membership in their respective provinces. The component allocation charge is not paid to the provincial components or expensed until the respective membership fee is received. During the year, the Federation paid \$333,764 (2006 - \$269,169) to the Ontario component, \$123,174 (2006 - \$129,159) to the British Columbia component and \$23,247 (2006 - \$21,048) to the Quebec component. These amounts are included in the combined statements of revenue and expense.

11. Lease commitments

The Federation's total commitment, a property lease agreement, inclusive of occupancy costs, is as follows:

2008	\$ 152,448
2009	50,816
	<hr/>
	\$ 203,264

12. Subsequent event

On July 30, 2007 the Federation closed on a purchase of a building and land at 338 Somerset Street West, Ottawa for \$1,100,000. The Federation is moving into this new building in the fall of 2008 when their current lease expires. The building was purchased through the Capital Fund.

13. Comparative figures

The combined statement of financial position as at June 30, 2006 and the combined statements of operations, changes in net assets and cash flows for the year then ended were reported on by another firm of chartered accountants who issued an unqualified opinion in their report dated January 26, 2007. Certain comparative figures have been reclassified for comparative purposes.

**Canadian Federation of Students
and Canadian Federation of Students - Services**

Notes to the Combined Financial Statements

June 30, 2007 and 2006

14. Change in accounting policies

The Canadian Institute of Chartered Accountants has issued new and revised accounting policy recommendations (Sections 3862, 3863 and 3855) which deal with Financial Instruments - Presentation, Recognition and Measurement. These Sections are primary sources of Generally Accepted Accounting Principles. These Sections are in effect for fiscal years beginning on or after October 1, 2007 and the Federation has chosen not to adopt earlier.

The possible impact of these new and revised policies on the Federation's combined financial statements is not known and cannot be reasonably estimated.

15. Financial instruments

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Federation is exposed to credit risk from member campuses. However, the Federation has a significant number of member campuses which minimizes concentration of credit risk.

Fair value

The carrying values of cash, due from member campuses, short-term investments, accounts payable and accrued liabilities and program deposits approximate their fair values due to the relatively short-term maturity of these instruments.

The estimated fair value of the amounts due from (to) Canadian Universities Travel Services Limited has not been determined due to the relationship between the related parties.

Investment risk

Investment in short-term investments exposes the Federation to investment risks. These risks include the risks arising from changes in interest rates and market values.

