

SATURNA RECREATION CENTRE SOCIETY
(Incorporated Under The Society Act of British Columbia)

FINANCIAL STATEMENTS

Year Ended June 30, 2005

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AUDITORS' REPORT

To the Members of
Saturna Recreation Centre Society

We have audited the statement of financial position for Saturna Recreation Centre Society as at June 30, 2005 and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Society's directors. 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 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 the directors, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Society derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to donation revenue, assets and net assets.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations referred to in the preceding paragraph, these financial statements present fairly the financial position of the Society as at June 30, 2005, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles. These have been applied on a basis consistent with that of the preceding year, as required by the Society Act of British Columbia.

Moore, Roberts + Co.

Sidney, British Columbia
August 31, 2005

CHARTERED ACCOUNTANTS

SATURNA RECREATION CENTRE SOCIETY
Statement of Financial Position
June 30, 2005

	Operating Fund	Capital Fund	Gaming Fund	2005 Total	2004 Total
ASSETS					
Current					
Cash and cash equivalents	\$ 67,370	\$ -	\$ -	\$ 67,370	\$ 53,963
GST receivable	-	43,696	-	43,696	22,204
Infrastructure grant receivable (Note 6)	-	120,030	-	120,030	-
Parks Canada receivable (Note 7)	-	16,400	-	16,400	-
Total current	<u>67,370</u>	<u>180,126</u>	<u>-</u>	<u>247,496</u>	<u>76,167</u>
Capital (Note 4 and 6)	<u>-</u>	<u>2,120,823</u>	<u>-</u>	<u>2,120,823</u>	<u>687,524</u>
	<u>\$ 67,370</u>	<u>\$ 2,300,949</u>	<u>\$ -</u>	<u>\$ 2,368,319</u>	<u>\$ 763,691</u>
LIABILITIES					
Current					
Bank advances	\$ -	\$ 100,604	\$ -	\$ 100,604	\$ -
Accounts payable	3,500	56,595	-	60,095	147,828
Prepaid rent (Note 7)	-	421,367	-	421,367	-
Total current	<u>3,500</u>	<u>578,566</u>	<u>-</u>	<u>582,066</u>	<u>147,828</u>
Net assets					
Operating fund	63,870	-	-	63,870	50,564
Restricted funds	<u>-</u>	<u>1,722,383</u>	<u>-</u>	<u>1,722,383</u>	<u>565,299</u>
	<u>63,870</u>	<u>1,722,383</u>	<u>-</u>	<u>1,786,253</u>	<u>615,863</u>
	<u>\$ 67,370</u>	<u>\$ 2,300,949</u>	<u>\$ -</u>	<u>\$ 2,368,319</u>	<u>\$ 763,691</u>

COMMITMENT (Note 8)

Approved by the Board:

_____ Director

_____ Treasurer

SATURNA RECREATION CENTRE SOCIETY
Statement of Operations and Changes in Net Assets
Year Ended June 30, 2005

	Operating Fund	Capital Fund	Gaming Fund	2005 Total	2004 Total
Revenue					
Donations	\$ -	\$ 213,923	\$ -	\$ 213,923	\$ 214,843
Rental revenue (Note 7)	2,863	-	-	2,863	-
Membership fees	30	-	-	30	23
Infrastructure grant (Note 6)	-	964,874	-	964,874	40,462
Interest	211	-	-	211	1,826
Total Revenue	<u>3,104</u>	<u>1,178,797</u>	<u>-</u>	<u>1,181,901</u>	<u>257,154</u>
Expenses					
Audit and legal fees	6,706	-	-	6,706	6,853
Bank charges (recovery)	(6)	-	-	(6)	156
Fundraising costs	1,650	-	-	1,650	150
Insurance	750	-	-	750	750
Telephone	373	-	-	373	268
Office and miscellaneous	1,211	-	-	1,211	922
Utilities	578	-	-	578	533
Signage	-	-	-	-	4,440
Amortization of capital assets	-	227	-	227	252
	<u>11,262</u>	<u>227</u>	<u>-</u>	<u>11,489</u>	<u>14,324</u>
Excess (deficiency) of revenue over expenses	(8,158)	1,178,570	-	1,170,412	242,830
Net assets, beginning of year	50,564	565,339	(40)	615,863	373,033
Transfer between funds	<u>21,464</u>	<u>(21,526)</u>	<u>40</u>	<u>(22)</u>	<u>-</u>
Net assets, end of year	<u>\$ 63,870</u>	<u>\$ 1,722,383</u>	<u>\$ -</u>	<u>\$ 1,786,253</u>	<u>\$ 615,863</u>

SATURNA RECREATION CENTRE SOCIETY

Notes to Financial Statements

Year Ended June 30, 2005

1. PURPOSE OF THE SOCIETY

Saturna Recreation Centre Society (The "Society") is incorporated under the Society Act of British Columbia as a not-for-profit organization. As a non-profit organization, the Society is exempt from income tax under paragraph 149(1)(l) of the Income Tax Act.

The purposes of the Society are:

- a) To identify the recreational needs and interests of the community;
- b) To organize, administer and coordinate appropriate recreation opportunities for all ages in the community on a year-round basis;
- c) To assist already established recreation groups and programs;
- d) To acquire property and to construct thereon a building or buildings for the purpose of providing a recreational facility for the community of Saturna Island; and
- e) To obtain and manage the necessary finances, personnel and equipment to operate community recreation programs and facilities.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Capital Assets (See also Note 6)

Amortization is provided for on a straight-line basis over the estimated life of the asset as indicated in Note 4. The building will not be amortized until it is completed.

b) Fund Accounting

The Society follows the restricted fund method of accounting for contributions.

The Operating Fund reports revenue, expenses and monetary resources related to the Society's program delivery and administrative activities.

The Capital Fund reports all land and building costs incurred to date for the purpose of building a new recreational facility for the community of Saturna Island.

The Gaming Fund reports the revenue, expenses and monetary resources whose use is restricted to those permitted by the British Columbia Gaming Commission.

c) Revenue Recognition

Unrestricted contributions are recorded as revenue of the Operating Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recorded as revenue in the year receivable.

SATURNA RECREATION CENTRE SOCIETY

Notes to Financial Statements

Year Ended June 30, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Donated Materials, Services and Property

Donated materials, services and property are recognized only when their fair value can be reasonably estimated and the materials and services would be paid for by the Society if not donated.

During the year ended June 30, 2005 the value of donated materials, services and property recorded in the accounts was \$5,000. (2004 - \$Nil).

e) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. FINANCIAL INSTRUMENTS

Financial Risk

The society's financial instruments consist of cash, GST receivable and accounts payable, the fair value of which approximates their carrying value.

4. CAPITAL ASSETS

				2005	2004
	Rate	Cost	Accumulated Amortization	Net	Net
Land		\$ 271,661	\$ -	\$ 271,661	\$ 271,661
Buildings	4%	1,847,121	-	1,847,121	413,595
Outbuilding	10%	<u>2,965</u>	<u>924</u>	<u>2,041</u>	<u>2,268</u>
		<u>\$ 2,121,747</u>	<u>\$ 924</u>	<u>\$ 2,120,823</u>	<u>\$ 687,524</u>

SATURNA RECREATION CENTRE SOCIETY

Notes to Financial Statements

Year Ended June 30, 2005

4. CAPITAL ASSETS (CONTINUED)

The building costs are allocated into three areas:

a) Recreation Centre

The recreation centre consists of a banquet hall and a medical clinic. After construction of this building, the Society will retain ownership of the land and building. Funding for the construction of the recreation centre is from donations and government grants, primarily a Canada/British Columbia Infrastructure Program (CBCIP) grant. (See Note 6).

b) Medical Clinic

The medical clinic cannot use the CBCIP grant to cover the cost of constructing the medical clinic portion of the building. It is being funded by donations. The medical clinic portion of the building will be leased to another group.

c) Parks Canada Office

An office building for Parks Canada is constructed on the same property as the recreation centre. The Society will retain ownership of this building and the land. The lease amount consists of the approximate cost of the associated land and the actual costs associated with constructing the building. (See Note 7).

To date the costs have been allocated as follows:

	Land	Building
Recreation Centre	\$ 161,661	\$ 1,570,053
Medical Clinic	-	92,356
Parks Canada Office	<u>110,000</u>	<u>184,712</u>
	<u>\$ 271,661</u>	<u>\$ 1,847,121</u>

The estimated costs of the total project are as follows:

Recreation Centre	\$ 1,800,000
Medical Clinic	132,000
Parks Canada Office	<u>250,000</u>
	<u>\$ 2,182,000</u>

SATURNA RECREATION CENTRE SOCIETY

Notes to Financial Statements

Year Ended June 30, 2005

5. STATEMENT OF CHANGES IN CASH FLOW

A statement of changes in cash flow has not been included as it would not provide additional useful information and is not considered meaningful in the circumstances.

6. CANADA/BRITISH COLUMBIA INFRASTRUCTURE PROGRAM GRANT

In May 2003 the Society was approved for a Canada/British Columbia Infrastructure Program (CBCIP) grant in the amount of \$1,108,878. As of June 30, 2005, the Society had received \$1,005,336. Upon completion of the environmental assessment due diligence, a contract was signed between the Society and the Government of British Columbia, for the purpose of building a recreation centre. The projected cost of the recreation centre is \$1,800,000. The CBCIP grant can only be used for the recreation centre. The Society must raise \$558,000 as their portion of this grant.

7. PARKS CANADA LEASE

The Society has entered into a lease with Parks Canada. The term is for 80 years commencing March 1, 2005. The Society will receive \$423,130 of rent for the 80 year term. As of June 30, 2005, the Society had received \$406,730 from Parks Canada. Part of this is current year rental income, and the balance of \$404,967 represents prepaid rent. Parks Canada will be responsible for its share of annual operating costs.

8. COMMITMENT

The Society has entered into construction contracts totaling approximately \$446,000. As at June 30, 2005 the amount outstanding was approximately \$39,000.

9. LINE OF CREDIT

The Society has secured a line of credit of up to \$500,000 to fund the building construction. The term is for two years and interest only will be charged at Vancouver City Savings Credit Union prime plus 3%.

The line of credit is secured by a registered mortgage over property and buildings, assignment of rent and a General Security Agreement.