

**Students' Society of McGill University  
Association Étudiante de l'Université McGill**

**Financial Statements  
May 31, 2015**

# **Students' Society of McGill University Association Étudiante de l'Université McGill**

**Financial Statements  
May 31, 2015**

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# RICHTER

## Independent Auditor's Report

To the Board of  
**Students' Society of McGill University**  
**Association Étudiante de l'Université McGill**

We have audited the accompanying financial statements of Students' Society of McGill University / Association Étudiante de l'Université McGill (the "Society") which comprise the balance sheet as at May 31, 2015, and the statements of operations and changes in fund balances and cash flows for the year then ended May 31, 2015, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

The Society did not consolidate the accounts of SSMU Daycare Center Inc. / Centre de Garderie SSMU Inc., a not-for-profit organization, of which the Society is deemed to have control over the operations and the deployment of its resources. Under Canadian accounting standards for not-for-profit organizations, the Society should report the not-for-profit organization over which it has control by consolidating the controlled organization in its financial statements or by disclosing the total assets, total liabilities and net assets as at May 31, 2015 in addition to the revenues, expenses and cash flows for the year then ended May 31, 2015. The effects on the financial statements of the failure to consolidate or to disclose the required information have not been determined.

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*Qualified Opinion*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Students' Society of McGill University / Association Étudiante de l'Université McGill as at May 31, 2015, and the results of its operations and its cash flows for the year then ended May 31, 2015 in accordance with Canadian accounting standards for not-for-profit organizations.

*Richter LLP*

Montréal, Québec  
September 17, 2015

# Students' Society of McGill University Association Étudiante de l'Université McGill

## Balance Sheet As at May 31, 2015

	Operating Fund \$	Capital Expenditures Reserve Fund \$	Awards of Distinction Reserve Fund \$	Health and Dental Plan Reserve Fund \$	Student Life Fund \$	University Centre Building Fund \$	2015 Total \$	2014 Total \$
<b>Assets</b>								
<b>Current</b>								
Cash and cash equivalents (note 4)	399,287	265,688	-	3,275	-	-	668,250	2,602,301
Accounts receivable	90,569	-	-	-	-	-	90,569	40,746
Interest receivable	3,343	30,247	5,000	12,761	-	-	51,351	9,912
Investments (note 5)	700,679	3,522,815	523,585	1,655,000	-	-	6,402,079	4,638,876
Inventory	19,096	-	-	-	-	-	19,096	24,975
Prepaid expenses	33,796	-	-	-	-	-	33,796	32,322
Due from SSMU Daycare Center Inc.	128	-	-	-	-	-	128	201
Due from other funds	45,662	807,008	-	-	555,710	5,781	1,414,161	1,460,754
	1,292,560	4,625,758	528,585	1,671,036	555,710	5,781	8,679,430	8,810,087
<b>Property and equipment (note 6)</b>	-	760,541	-	-	-	-	760,541	805,908
	1,292,560	5,386,299	528,585	1,671,036	555,710	5,781	9,439,971	9,615,995
<b>Liabilities</b>								
<b>Current</b>								
Accounts payable and accrued liabilities								
McGill University	40,300	22,006	-	-	-	-	62,306	405,393
Student health insurance plan	-	-	-	738,918	-	-	738,918	711,346
Other payable	173,350	-	-	-	-	-	173,350	220,928
Government remittances	25,574	-	-	-	-	-	25,574	28,774
Bursaries payable	-	-	224,540	-	-	-	224,540	224,540
Miscellaneous awards payable	6,000	-	-	-	-	-	6,000	6,000
Deferred revenues	48,559	-	-	-	-	-	48,559	40,329
Due to other funds	998,777	369,721	9,999	35,664	-	-	1,414,161	1,460,754
	1,292,560	391,727	234,539	774,582	-	-	2,693,408	3,098,064
<b>Commitment (note 7)</b>								
<b>Fund balances</b>								
Invested in property and equipment	-	760,541	-	-	-	-	760,541	805,908
Internally restricted (note 8)	-	4,234,031	294,046	896,454	555,710	5,781	5,986,022	5,712,023
Internally non-restricted	-	-	-	-	-	-	-	-
	-	4,994,572	294,046	896,454	555,710	5,781	6,746,563	6,517,931
	1,292,560	5,386,299	528,585	1,671,036	555,710	5,781	9,439,971	9,615,995

See accompanying notes

Approved on behalf of the board:

 Administrator



Administrator



Administrator

# Students' Society of McGill University Association Étudiante de l'Université McGill

## Statement of Operations and Changes in Fund Balances For the Year Ended May 31, 2015

	Operating Fund	Capital Expenditures Reserve Fund	Awards of Distinction Reserve Fund	Health and Dental Plan Reserve Fund	Student Life Fund	University Centre Building Fund	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>								
Student fees	1,700,272	41,495	-	3,187,236	-	244,381	5,173,384	4,924,756
Gerts Bar	540,618	-	-	-	-	-	540,618	823,194
The Nest Cafe	76,360	-	-	-	-	-	76,360	54,943
University centre building operations	299,987	-	-	-	-	-	299,987	302,326
General administration	90,723	-	-	-	-	-	90,723	104,890
Funding	252,969	-	-	-	-	-	252,969	286,996
Programming activities	420,178	-	-	-	-	-	420,178	410,027
Publications and communications	57,030	-	-	-	-	-	57,030	69,409
Services	838,198	-	-	-	-	-	838,198	728,486
Investment revenue	-	167,550	8,043	21,069	-	-	196,662	145,512
McGill subsidy (electricity and heat)	-	-	-	-	-	-	-	216,190
Gain (loss) on disposal of investments	-	28,718	-	-	-	-	28,718	(18,704)
	4,276,335	237,763	8,043	3,208,305	-	244,381	7,974,827	8,048,025
<b>Expenses</b>								
Gerts Bar	530,867	-	-	-	-	-	530,867	814,914
The Nest Cafe	143,479	-	-	-	-	-	143,479	105,954
University centre building operations	575,883	-	-	-	-	238,600	814,483	720,908
Student health plan premiums	-	-	-	3,021,862	-	-	3,021,862	2,909,334
General administration	1,342,977	-	-	-	-	-	1,342,977	1,297,268
Governances	54,640	-	-	-	-	-	54,640	52,391
Funding	186,711	-	-	-	5,157	-	191,868	319,053
Programming activities	466,257	-	-	-	-	-	466,257	407,546
Publications and communication	64,703	-	-	-	-	-	64,703	69,956
Services	595,247	-	-	-	186,605	-	781,852	676,781
Clubs	100,988	-	-	-	-	-	100,988	46,073
McGill subsidy (electricity and heat)	-	-	-	-	-	-	-	216,190
Amortization of property and equipment	-	179,356	-	-	-	-	179,356	161,222
Investment management fees	-	23,190	-	-	-	-	23,190	24,630
Awards of distinction granted	-	-	6,000	-	-	-	6,000	4,000
Unrealized loss (gain) on investments	-	23,673	-	-	-	-	23,673	(123,005)
	4,061,752	226,219	6,000	3,021,862	191,762	238,600	7,746,195	7,703,215
<b>Excess (deficiency) of revenues over expenses</b>								
	214,583	11,544	2,043	186,443	(191,762)	5,781	228,632	344,810
Fund balances - beginning of year	-	5,307,148	292,003	710,011	208,769	-	6,517,931	6,173,121
Interfund transfers (note 8)	(214,583)	(324,120)	-	-	538,703	-	-	-
<b>Fund balances - end of year</b>	-	4,994,572	294,046	896,454	555,710	5,781	6,746,563	6,517,931

See accompanying notes and additional information

**Students' Society of McGill University  
Association Étudiante de l'Université McGill**

**Statement of Cash Flows  
For the Year Ended May 31, 2015**

	2015 \$	2014 \$
<b>Operating activities</b>		
Excess of revenue over expenses	228,632	344,810
Amortization of property and equipment	179,356	161,222
Loss (gain) on disposal of investments	(28,718)	18,704
Unrealized loss (gain) on investments	23,673	(123,005)
	<b>402,943</b>	<b>401,731</b>
Net changes in non-cash operating elements of working capital	<b>(444,846)</b>	<b>(98,335)</b>
	<b>(41,903)</b>	<b>303,396</b>
<b>Investing activities</b>		
Additions to property and equipment	(133,989)	(193,272)
Purchase of investments	(4,162,072)	(2,637,251)
Disposal of investments	2,403,913	921,734
	<b>(1,892,148)</b>	<b>(1,908,789)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(1,934,051)</b>	<b>(1,605,393)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>2,602,301</b>	<b>4,207,694</b>
<b>Cash and cash equivalents - end of year</b>	<b>668,250</b>	<b>2,602,301</b>

See accompanying notes

# **Students' Society of McGill University Association Étudiante de l'Université McGill**

## **Notes to Financial Statements May 31, 2015**

### **1. Purpose of the Society**

The Students' Society of McGill University ("SSMU") incorporated the Student Center of McGill University on August 19, 1992 under Part III of the Companies Act (Québec). On June 1, 2007, the Student Center of McGill University / Centre étudiant de l'Université McGill merged with Students' Society of McGill University / Association étudiante de l'Université McGill. As a result, the Society was renamed Students' Society of McGill University / Association étudiante de l'Université McGill.

The Students' Society is a not-for-profit organization dedicated to providing various services to McGill students.

### **2. Basis of accounting**

The Society has elected to apply Canadian accounting standards for not-for-profit organizations (ASNFPPO) in Part III of the CPA Canada Handbook - Accounting.

### **3. Summary of significant accounting policies**

#### **Use of estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent 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.

#### **Revenue recognition**

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

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

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred.

Restricted contributions related to health and dental insurance premium are recognized as revenue of the Health and Dental Plan Reserve Fund over the period in which the related expenses are incurred.

All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Investment income earned on resources that must be spent on restricted activities is recognized as revenue of the appropriate restricted fund.



# **Students' Society of McGill University Association Étudiante de l'Université McGill**

## **Notes to Financial Statements May 31, 2015**

### **3. Summary of significant accounting policies (continued)**

#### **Fund accounting**

The Operating Fund records unrestricted resources which are available for the general operations of the Society. This fund also records restricted resources for activities for which no restricted fund has been established.

The Capital Expenditures Reserve Fund was established in 1985 for the purpose of defraying and recording the cost of certain significant capital expenditures. The capital of this fund is derived from transfers made from the Operating Fund as deemed necessary to ensure the maintenance of an appropriate capital asset base.

The Awards of Distinction Reserve Fund was established in 1990 for the purpose of generating revenue to provide for the Society's awards of distinction.

The Health and Dental Plan Reserve Fund was established in 2007 to ensure steady health care costs for students. The surplus from the SSMU Health and Dental plan fees at the end of the fiscal year must be maintained in this fund.

The Student Life Fund was established in March 2010 for the purpose of enhancing student life on campus and to ensure that unused resources from other funds remain available for use in future years. The capital of the Student Life Fund is derived by unused resources from other funds, namely: Internal Fee Funded Funds, Fee Funded SSMU Services, Non-Fee Funded SSMU Services, Fee Funded Affiliated Student Associations and the Gerts Student Life Fund.

The University Centre Building Fund was established in October 2014 with the creation of the SSMU University Centre Building fee, in order to ensure any excess of funds from student fee are reserved and restricted for future lease payments.

#### **Inventory**

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

Provision is made for obsolete and slow-moving items based on their expected future use and net realizable value. Net realizable value is the estimated sales price in the ordinary course of business after allowing for all further estimated costs of completion and disposal.

# Students' Society of McGill University Association Étudiante de l'Université McGill

## Notes to Financial Statements May 31, 2015

### 3. Summary of significant accounting policies (continued)

#### Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated based on the estimated useful life of the assets and computed on a straight-line basis using the following annual rates and period:

	Rates and period over lease term
Building improvements	
Equipment	20%
Furniture and fixtures	20%
Computer equipment	20%
Computer software	50%

#### Impairment of capital assets

When a capital asset no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. A write-down should not be subsequently reversed.

#### Financial instruments

##### Measurement

The Society initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments which are designated to be measured at fair value. Changes in fair value are recognized in excess of revenue over expenditures.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable, interest receivable and due from SSMU Daycare Center Inc.

# **Students' Society of McGill University Association Étudiante de l'Université McGill**

## **Notes to Financial Statements May 31, 2015**

### **3. Summary of significant accounting policies (continued)**

#### **Financial instruments (continued)**

##### **Measurement (continued)**

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and miscellaneous awards payable.

The Society's financial assets measured at fair value include investments.

##### **Impairment**

Financial assets measured at cost are tested for impairment when there are indicators of possible impairment. The Society determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the balance sheet date. The amount of the write-down is recognized in net earnings. The previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenses.

##### **Transaction costs**

The Society recognizes its transaction costs in net earnings in the period incurred. However, transaction costs related to financial instruments subsequently measured at amortized cost reduce the carrying amount of the financial asset or liability and are accounted for in the statement of operations using the straight-line method.

### **4. Cash and cash equivalents**

The total cash balance as at May 31, 2015 includes \$269,763 (2014 - \$334,343) of cash restricted for the use of the Society's various internal clubs.

# Students' Society of McGill University Association Étudiante de l'Université McGill

## Notes to Financial Statements May 31, 2015

### 5. Investments

#### Operating Fund

	2015 \$	2014 \$
Cashable guaranteed investment certificate at a rate of 1.35% and maturing December 2015	700,679	-

#### Capital Expenditures Reserve Fund

	2015 \$	2014 \$
Shares in public corporations	1,052,869	1,034,504
Corporate bonds	1,629,946	1,692,011
Cashable guaranteed investment certificate at a rate of 1.35% and maturing December 2015	840,000	-
	<b>3,522,815</b>	<b>2,726,515</b>

As at May 31, 2015, the corporate bonds had a fixed weighted average interest rate of 5.66% (2014 - 5.48%). These bonds mature at various dates starting in 2016 and ending in 2028.

#### Awards of Distinction Reserve Fund

	2015 \$	2014 \$
Cashable guaranteed investment certificates at a rate of 1.35% and maturing December 2015 (2014 - rate of 1.10% and maturing December 2014)	8,585	517,858
Non-redeemable guaranteed investment certificates at a rate of 2.05% and maturing December 2016	515,000	-
	<b>523,585</b>	<b>517,858</b>

#### Health and Dental Plan Reserve Fund

	2015 \$	2014 \$
Cashable guaranteed investment certificates at a rate of 1.35% and maturing December 2015 (2014 - rate of 1.10% and maturing December 2014)	805,000	1,394,503
Non-redeemable guaranteed investment certificates at a rate of 1.80% and maturing December 2015	850,000	-
	<b>1,655,000</b>	<b>1,394,503</b>

**Students' Society of McGill University**  
**Association Étudiante de l'Université McGill**

**Notes to Financial Statements**  
**May 31, 2015**

**6. Property and equipment**

**Capital Expenditures Reserve Fund**

	Cost \$	Accumulated amortization \$	2015 Net book value \$	2014 Net book value \$
Building improvements	603,602	149,025	<b>454,577</b>	466,008
Equipment	440,272	230,873	<b>209,399</b>	231,750
Furniture and fixtures	111,361	69,387	<b>41,974</b>	53,451
Computer equipment	129,424	96,315	<b>33,109</b>	41,650
Computer software	105,183	83,701	<b>21,482</b>	13,049
	<b>1,389,842</b>	<b>629,301</b>	<b>760,541</b>	<b>805,908</b>

**7. Commitment**

The commitment of the Society under lease agreements aggregate to approximately \$1,767,000. Under the new lease agreement, the Society will have to assume part of the energy costs. For the year of reference 2014, the contribution to energy costs is \$100,000. The contribution to the energy costs will increase on an annual basis by the Energy Price Index (EPI) to a maximum of 8%. The minimum annual payments, including the minimum energy contribution, are approximately as follows:

	\$
2016	<b>347,000</b>
2017	<b>370,000</b>
2018	<b>270,000</b>
2019	<b>255,000</b>
2020	<b>260,000</b>
Thereafter	<b>265,000</b>

# **Students' Society of McGill University Association Étudiante de l'Université McGill**

## **Notes to Financial Statements May 31, 2015**

### **8. Interfund transfers and internally restricted fund balances**

Any variance between actual and budgeted net results in the Operating Fund from Funding Committee, the Services, and the Affiliate Student Associations is transferred to (from) the Student Life Fund at the end of the fiscal year.

As at May 31, 2015, an amount of \$268,940 (2014 - \$116,057) was transferred from the Operating Fund to the Student Life Fund.

An amount of \$54,357 was also transferred from The Capital Expenditures Reserve Fund to the Operating Fund to absorb the deficit.

Additionally, an amount of \$269,763 was transferred from the Capital Expenditures Reserve Fund to the Student Life Fund representing the total club bank account balances accumulated to date, as per the instructions of the Board of Directors.

Internally restricted funds in the amount of \$4,234,031 of the Capital Expenditures Reserve Fund are to be used for future capital expenditures purposes.

Internally restricted funds in the amount of \$294,046 of the Awards of Distinction Reserve Fund are to be used for future grants awarded.

Internally restricted funds in the amount of \$896,454 of the Heath and Dental Plan Reserve Fund are to be used against future increase in premiums to be paid by the students.

Internally restricted funds in the amount of \$555,710 of the Student Life Fund are made available to the Society to invest in activities aimed at enhancing student life on campus.

Internally restricted funds in the amount of \$5,781 of the University Centre Building Fund are made to ensure that the student fees collected for lease payments are only used for this purpose.

Interfund balances have no terms of repayment and are non-interest bearing.

### **9. Financial instruments**

The Society is exposed to various risks through its financial instruments. The following analysis provides a measure of the Society's risk exposure at the balance sheet date.

#### **Interest rate risk**

The Society is exposed to interest rate price risk with respect to some of its investments which bear a fixed rate of interest.

# **Students' Society of McGill University Association Étudiante de l'Université McGill**

## **Notes to Financial Statements May 31, 2015**

### **9. Financial instruments (continued)**

#### **Credit risk**

The Society is exposed to credit risk only with respect to uncertainty as to timing and amount of collectability of accounts receivables. The Society's maximum credit risk is the carrying value of accounts receivables.

#### **Price risk**

The Society is exposed to securities price risk because of its investment portfolio. To manage its price risk arising from investments in securities, the Society diversifies its portfolio in accordance with the limits set by the Board of directors.

### **10. Comparative figures**

Certain reclassifications of 2014 amounts have been made to facilitate comparison with the current year.

# Students' Society of McGill University Association Étudiante de l'Université McGill

## Additional Information Statements of Operations Compared to Budget – Operating Fund For the Year Ended May 31, 2015 (Unaudited)

	2015		2014	
	Actual \$	Budget \$	Actual \$	Budget \$
<b>Revenues</b>				
Student fees	1,700,272	1,704,212	1,701,886	1,709,778
Gerts Bar	540,618	635,691	823,194	817,573
The Nest Cafe	76,360	70,733	54,943	77,786
University center building operations	299,987	268,846	302,326	298,065
General administration	90,723	91,084	104,890	104,800
Funding	252,969	253,281	286,996	253,281
Programming activities	420,178	437,029	410,027	390,507
Publications and communications	57,030	71,000	69,409	67,115
Services	838,198	783,156	728,486	695,605
McGill subsidy (electricity and heat)	-	-	216,190	-
	<b>4,276,335</b>	<b>4,315,032</b>	<b>4,698,347</b>	<b>4,414,510</b>
<b>Expenses</b>				
Gerts Bar	530,867	626,141	807,456	811,371
The Nest Cafe	143,479	83,484	105,954	77,786
University centre building operations	575,883	526,898	720,908	755,354
General administration	1,342,977	1,414,128	1,297,268	1,287,201
Governances	54,640	53,547	52,391	65,495
Funding	186,711	253,281	281,840	253,281
Programming activities	466,257	412,312	407,546	397,030
Publications and communication	64,703	64,556	69,956	74,130
Services	595,247	787,104	576,708	706,465
Clubs	100,988	42,657	46,073	33,788
McGill subsidy (electricity and heat)	-	-	216,190	-
	<b>4,061,752</b>	<b>4,264,108</b>	<b>4,582,290</b>	<b>4,461,901</b>
<b>Excess of revenues over expenses</b>				
Students fees	1,700,272	1,704,212	1,701,886	1,709,778
Gerts Bar	9,751	9,550	15,738	6,202
The Nest Cafe	(67,119)	(12,751)	(51,011)	-
University centre building operations	(275,896)	(258,052)	(418,582)	(457,289)
General administration	(1,252,254)	(1,323,044)	(1,192,378)	(1,182,401)
Governances	(54,640)	(53,547)	(52,391)	(65,495)
Funding	66,258	-	5,156	-
Programming activities	(46,079)	24,717	2,481	(6,523)
Publications and communication	(7,673)	6,444	(547)	(7,015)
Services	242,951	(3,948)	151,778	(10,860)
Clubs	(100,988)	(42,657)	(46,073)	(33,788)
	<b>214,583</b>	<b>50,924</b>	<b>116,057</b>	<b>(47,391)</b>