

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

**Financial Statements  
May 31, 2014**

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

Financial Statements  
May 31, 2014

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## 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 which comprise the balance sheet as at May 31, 2014, and the statements of operations and changes in fund balances and cash flows for the year then ended May 31, 2014, 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.

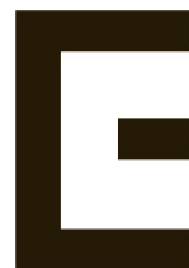
### *Basis for Qualified Opinion*

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, 2014 in addition to the revenues, expenses and cash flows for the year then ended May 31, 2014. 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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Montréal, Toronto





*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, 2014, and the results of its operations and its cash flows for the year then ended May 31, 2014 in accordance with Canadian accounting standards for not-for-profit organizations.

*Richter LLP<sup>1</sup>*

Montréal, Québec  
September 23, 2014

<sup>1</sup>CPA auditor, CGA, public accountancy permit No. A106231

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

## Balance Sheet As at May 31, 2014

	Operating Fund \$	Capital Expenditures Reserve Fund \$	Awards of Distinction Reserve Fund \$	Health and Dental Plan Reserve Fund \$	Student Life Fund \$	2014 Total \$	2013 Total \$
<b>Assets</b>							
<b>Current</b>							
Cash and cash equivalents (note 4)	1,655,042	946,296	-	963	-	2,602,301	4,207,694
Accounts receivable	40,746	-	-	-	-	40,746	4,971
Interest receivable	-	-	2,684	7,228	-	9,912	9,121
Investments (note 5)	-	2,726,515	517,858	1,394,503	-	4,638,876	2,819,057
Inventory	24,975	-	-	-	-	24,975	33,368
Prepaid expenses	32,322	-	-	-	-	32,322	32,667
Due from SSMU Daycare Center Inc.	201	-	-	-	-	201	3,108
Due from other funds	-	1,233,322	-	18,663	208,769	1,460,754	1,630,285
	1,753,286	4,906,133	520,542	1,421,357	208,769	8,810,087	8,740,271
<b>Property and equipment (note 6)</b>	-	805,908	-	-	-	805,908	773,857
	1,753,286	5,712,041	520,542	1,421,357	208,769	9,615,995	9,514,128
<b>Liabilities</b>							
<b>Current</b>							
Accounts payable and accrued liabilities							
McGill University	500	404,893	-	-	-	405,393	487,131
Student health insurance plan	-	-	-	711,346	-	711,346	700,393
Other payable	220,928	-	-	-	-	220,928	199,587
Government remittances	28,774	-	-	-	-	28,774	31,536
Bursaries payable	-	-	224,540	-	-	224,540	224,540
Miscellaneous awards payable	6,000	-	-	-	-	6,000	6,000
Deferred revenues	40,329	-	-	-	-	40,329	61,535
Due to other funds	1,456,755	-	3,999	-	-	1,460,754	1,630,285
	1,753,286	404,893	228,539	711,346	-	3,098,064	3,341,007
<b>Commitment (note 8)</b>							
<b>Fund balances</b>							
Invested in property and equipment	-	805,908	-	-	-	805,908	773,857
Internally restricted (note 7)	-	4,501,240	292,003	710,011	208,769	5,712,023	5,399,264
	-	5,307,148	292,003	710,011	208,769	6,517,931	6,173,121
	1,753,286	5,712,041	520,542	1,421,357	208,769	9,615,995	9,514,128

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, 2014**

	Operating Fund \$	Capital Expenditures Reserve Fund \$	Awards of Distinction Reserve Fund \$	Health and Dental Plan Reserve Fund \$	Student Life Fund \$	2014 \$	2013 \$
<b>Revenues</b>							
Student fees	1,701,886	41,664	-	3,181,206	-	<b>4,924,756</b>	4,865,997
Gerts Bar	823,194	-	-	-	-	<b>823,194</b>	759,636
The Nest Café	54,943	-	-	-	-	<b>54,943</b>	-
University centre building operations	302,326	-	-	-	-	<b>302,326</b>	453,977
General administration	104,890	-	-	-	-	<b>104,890</b>	113,021
Programming activities	410,027	-	-	-	-	<b>410,027</b>	301,988
Publications and communications	69,409	-	-	-	-	<b>69,409</b>	69,003
Services	728,486	-	-	-	-	<b>728,486</b>	622,709
Investment revenue	-	122,844	7,260	15,408	-	<b>145,512</b>	116,180
McGill subsidy (electricity and heat)	216,190	-	-	-	-	<b>216,190</b>	344,962
Gain (loss) on disposal of investments	-	(18,704)	-	-	-	<b>(18,704)</b>	143,205
	<b>4,411,351</b>	<b>145,804</b>	<b>7,260</b>	<b>3,196,614</b>	<b>-</b>	<b>7,761,029</b>	<b>7,790,678</b>
<b>Expenses</b>							
Gerts Bar	807,456	-	-	-	7,458	<b>814,914</b>	778,136
The Nest Café	105,954	-	-	-	-	<b>105,954</b>	-
University center building operations	720,908	-	-	-	-	<b>720,908</b>	742,777
Student health plan premiums	-	-	-	2,909,334	-	<b>2,909,334</b>	2,868,799
General administration	1,297,268	-	-	-	-	<b>1,297,268</b>	1,270,635
Governances	47,235	-	-	-	37,213	<b>84,448</b>	61,047
Programming activities	407,546	-	-	-	-	<b>407,546</b>	287,633
Publications and communication	69,956	-	-	-	-	<b>69,956</b>	55,452
Services	576,708	-	-	-	100,073	<b>676,781</b>	562,586
Clubs	46,073	-	-	-	-	<b>46,073</b>	(38,583)
McGill subsidy (electricity and heat)	216,190	-	-	-	-	<b>216,190</b>	344,962
Amortization of property and equipment	-	161,222	-	-	-	<b>161,222</b>	116,357
Investment management fees	-	24,630	-	-	-	<b>24,630</b>	25,685
Awards of distinction granted	-	-	4,000	-	-	<b>4,000</b>	6,000
Unrealized gain on re-evaluation of investments	-	(123,005)	-	-	-	<b>(123,005)</b>	(8,882)
	<b>4,295,294</b>	<b>62,847</b>	<b>4,000</b>	<b>2,909,334</b>	<b>144,744</b>	<b>7,416,219</b>	<b>7,072,604</b>
<b>Excess (deficiency) of revenues over expenses</b>							
	116,057	82,957	3,260	287,280	(144,744)	<b>344,810</b>	718,074
Fund balances - beginning of year	-	5,018,158	288,743	422,731	443,489	<b>6,173,121</b>	5,455,047
Interfund transfers (note 7)	(116,057)	206,033	-	-	(89,976)	<b>-</b>	-
<b>Fund balances - end of year</b>	<b>-</b>	<b>5,307,148</b>	<b>292,003</b>	<b>710,011</b>	<b>208,769</b>	<b>6,517,931</b>	<b>6,173,121</b>

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, 2014

	2014 \$	2013 \$
<b>Operating activities</b>		
Excess of revenue over expenses	344,810	718,074
Amortization of property and equipment	161,222	116,357
Loss (gain) on disposal of investments	18,704	(143,205)
Unrealized gain on re-evaluation of investments	(123,005)	(8,882)
	<b>401,731</b>	682,344
Net changes in non-cash operating elements of working capital	(98,335)	435,237
	<b>303,396</b>	1,117,581
<b>Investing activities</b>		
Additions to property and equipment	(193,272)	(614,269)
Purchase of investments	(2,637,251)	(452,947)
Disposal of investments	921,734	628,647
	<b>(1,908,789)</b>	(438,569)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,605,393)</b>	679,012
<b>Cash and cash equivalents - beginning of year</b>	<b>4,207,694</b>	3,528,682
<b>Cash and cash equivalents - end of year</b>	<b>2,602,301</b>	4,207,694

See accompanying notes

# **Students' Society of McGill University**

## **Association Étudiante de l'Université McGill**

### **Notes to Financial Statements**

#### **May 31, 2014**

#### **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 (ASNFP) 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, 2014**

### **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.

#### **Inventory**

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

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

## Notes to Financial Statements May 31, 2014

### 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
Building improvements	over lease term
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.

#### Contributed facilities

The Society obtains the majority of building electricity and heat free of charge from a contributor. The fair value of these services for the year, which was estimated at \$216,190 (2013 - \$344,962), has been recognized both as a subsidy and as an expense in the statement of operations. If these services were unavailable on this basis, the Society would have had to pay for these services.

#### 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, 2014

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

### Financial instruments (continued)

#### Measurement (continued)

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, bursaries payable 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, 2014 includes approximately \$334,343 (2013 - \$349,100) 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, 2014

## 5. Investments

### Capital Expenditures Reserve Fund

	2014 \$	2013 \$
Shares in public corporations	1,034,504	1,090,753
Corporate bonds	1,692,011	1,195,775
	<b>2,726,515</b>	<b>2,286,528</b>

As at May 31, 2014, the corporate bonds had a fixed weighted average interest rate of 5.48%. These bonds mature at various dates starting in 2015 and ending in 2025.

### Awards of Distinction Reserve Fund

	2014 \$	2013 \$
Guaranteed investment certificates	517,858	532,529

### Health and Dental Plan Reserve Fund

	2014 \$	2013 \$
Guaranteed investment certificates	1,394,503	-

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

## Notes to Financial Statements May 31, 2014

### 6. Property and equipment

#### Capital Expenditures Reserve Fund

	Cost \$	Accumulated amortization \$	2014 Net book value \$	2013 Net book value \$
Building improvements	558,055	92,047	<b>466,008</b>	509,738
Equipment	383,314	151,564	<b>231,750</b>	179,362
Furniture and fixtures	107,959	54,508	<b>53,451</b>	42,742
Computer equipment	126,269	84,619	<b>41,650</b>	20,082
Computer software	80,256	67,207	<b>13,049</b>	21,933
	<b>1,255,853</b>	<b>449,945</b>	<b>805,908</b>	<b>773,857</b>

### 7. Interfund transfers and internally restricted fund balances

The excess of revenues over expenses generated in the Operating Fund is transferred to the Student Life Fund on an annual basis. An amount of \$116,057 was transferred to the Student Life Fund in 2014. Additionally, an amount of \$206,033 was transferred from the Student Life Fund to the Capital Expenditures Reserve Fund.

Internally restricted funds in the amount of \$4,501,240 of the Capital Expenditures Reserve Fund are to be used for future capital expenditures purposes.

Internally restricted funds in the amount of \$292,003 of the Awards of Distinction Reserve Fund are to be used for future grants awarded.

Internally restricted funds in the amount of \$710,011 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 \$208,769 of the Student Life Fund are made available to the Society to invest in activities aimed at enhancing student life on campus.

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

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

## Notes to Financial Statements May 31, 2014

### 8. Commitment

The commitment of the Society under lease agreements aggregate to \$1,750,000. 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:

	\$
2015	235,000
2016	240,000
2017	245,000
2018	250,000
2019	255,000
Thereafter	525,000

### 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 reductions in interest rates, which could adversely impact expected returns from the Society's investments of funds in cash, corporate bonds and guaranteed investment certificates.

#### Credit risk

The Society is exposed to credit risk only with respect to uncertainty as to timing and amount of collectability of sundry 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.

# 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, 2014

(Unaudited)

	2014		2013	
	Actual	Budget	Actual \$	Budget \$
<b>Revenue</b>				
Student fees	1,701,886	1,709,778	1,676,902	1,674,537
Gerts Bar	823,194	817,573	759,636	725,699
The Nest Café	54,943	77,786	-	-
University center building operations	302,326	298,065	453,977	426,018
General administration	104,890	104,800	113,021	110,800
Programming activities	410,027	390,507	301,988	310,996
Publications and communications	69,409	67,115	69,003	77,657
Services	728,486	695,605	622,709	599,043
McGill subsidy (electricity and heat)	216,190	-	344,962	-
	<b>4,411,351</b>	<b>4,161,229</b>	<b>4,342,198</b>	<b>3,924,750</b>
<b>Expenses</b>				
Gerts Bar	807,456	811,371	781,451	779,216
The Nest Café	105,954	77,786	-	-
University center building operations	720,908	755,354	742,777	746,642
General administration	1,297,268	1,287,201	1,270,635	1,330,668
Governances	47,235	65,495	40,323	91,419
Programming activities	407,546	397,030	287,633	299,102
Publications and communication	69,956	74,130	55,452	56,325
Services	576,708	706,465	492,911	599,043
Clubs	46,073	33,788	(67,378)	22,335
McGill subsidy (electricity and heat)	216,190	-	344,962	-
	<b>4,295,294</b>	<b>4,208,620</b>	<b>3,948,766</b>	<b>3,924,750</b>
<b>Excess of revenues over expenses</b>				
Students fees	1,701,886	1,709,778	1,676,902	1,674,537
Gerts Bar	15,738	6,202	(21,815)	(53,517)
The Nest Café	(51,011)	-	-	-
University center building operations	(418,582)	(457,289)	(288,800)	(320,624)
General administration	(1,192,378)	(1,182,401)	(1,157,614)	(1,219,868)
Governances	(47,235)	(65,495)	(40,323)	(91,419)
Programming activities	2,481	(6,523)	14,355	11,894
Publications and communication	(547)	(7,015)	13,551	21,332
Services	151,778	(10,860)	129,798	-
Clubs	(46,073)	(33,788)	67,378	(22,335)
	<b>116,057</b>	<b>(47,391)</b>	<b>393,432</b>	<b>-</b>