

Financial statements of

**STUDENT CENTER OF MCGILL
UNIVERSITY /
CENTRE ÉTUDIANT DE
L'UNIVERSITÉ MCGILL**

May 31, 2000

**STUDENT CENTER OF MCGILL UNIVERSITY /
CENTRE ÉTUDIANT DE L'UNIVERSITÉ MCGILL**

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Auditors' report

To the Directors of the
Student Center of McGill University /
Centre étudiant de l'Université McGill

We have audited the balance sheet of the Student Center of McGill University / Centre étudiant de l'Université McGill as at May 31, 2000 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Students' Society Council. 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 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 Students' Society Council, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Center as at May 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Samson Bélair
Deloitte & Touche*

Chartered Accountants

July 28, 2000

**STUDENT CENTER OF MCGILL UNIVERSITY /
CENTRE ÉTUDIANT DE L'UNIVERSITÉ MCGILL**

**Balance sheet
as at May 31, 2000**

	Operating Fund	Capital Expenditures Reserve Fund	Renovation portion of McGill Student Fund	Awards of Distinction Reserve Fund	2000	Total 1999
		\$	\$	\$	\$	\$
Assets						
Current assets						
Cash	214,714	-	523,065	-	737,779	427,801
Short-term investments	503,051	484,216	500,000	211,654	1,698,921	697,327
Accounts receivable	154,109	-	-	-	154,109	169,318
Inventories	43,043	-	-	-	43,043	33,569
Prepaid expenses	68,727	-	-	-	68,727	86,452
* Due from Capital Expenditures Reserve Fund	411,838	-	-	-	-	-
* Due from Operating Fund	-	-	-	18,093	-	-
	1,395,482	484,216	1,023,065	229,747	2,702,579	1,414,467
Capital assets (Note 5)	53,833	208,547	831,666	-	1,094,046	352,822
	1,449,315	692,763	1,854,731	229,747	3,796,625	1,767,289
Liabilities						
Current liabilities						
Accounts payable						
McGill University	129,449	-	235,204	-	364,653	65,193
Student health insurance plan	269,673	-	-	-	269,673	144,596
Other	236,259	-	-	-	236,259	233,526
* Due to Awards of Distinction Reserve Fund	18,093	-	-	-	-	-
* Due to Operating Fund	-	411,838	-	-	-	-
Due to Daycare	182,863	-	-	-	182,863	90,434
Funds held for:						
Library improvement	362,405	-	-	-	362,405	475,206
Bursaries	231,886	-	-	-	231,886	-
Current portion of long-term debt (Note 6)	18,687	-	300,000	-	318,687	42,810
	1,449,315	411,838	535,204	-	1,966,426	1,051,765
Long-term debt (Note 6)	-	-	1,050,000	-	1,050,000	18,687
	1,449,315	411,838	1,585,204	-	3,016,426	1,070,452
Fund balances						
Invested in capital assets	-	208,547	-	-	208,547	240,656
Externally restricted (Note 3)	-	-	-	225,000	225,000	210,000
Internally restricted (Note 4)	-	72,378	269,527	4,747	346,652	246,181
	-	280,925	269,527	229,747	780,199	696,837
	1,449,315	692,763	1,854,731	229,747	3,796,625	1,767,289

* Interfund balances eliminated from total column so as not to overstate total assets and liabilities

Approved on behalf of the Student Center

....., Administrator, Administrator

**STUDENT CENTER OF MCGILL UNIVERSITY /
CENTRE ÉTUDIANT DE L'UNIVERSITÉ MCGILL**
Statement of operations and changes in fund balances
year ended May 31, 2000

	Operating Fund		Capital Expenditures Reserve Fund		Renovation portion of McGill Student Fund		Awards of Distinction Reserve Fund	
	2000	1999	2000	1999	2000	1999	2000	1999
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Students' fees	869,625	862,123	-	-	-	-	-	-
Sadie's tabagie	152,001	204,386	-	-	-	-	-	-
Gert's Pub	280,252	296,671	-	-	-	-	-	-
Food and beverage operations	221,198	232,688	-	-	-	-	-	-
University center building operations	110,096	105,982	-	-	-	-	-	-
General, office and administrative	206,279	177,123	-	-	-	-	-	-
Programming activities	152,311	173,648	-	-	-	-	-	-
Publications	309,212	284,567	-	-	-	-	-	-
Services	131,703	105,702	-	-	-	-	-	-
Dividends	-	-	7,130	10,278	-	-	-	-
Contributions	-	-	-	-	331,886	-	15,000	10,000
Interest revenue	-	-	-	-	36,589	-	9,040	8,635
	2,432,677	2,442,890	7,130	10,278	368,475	-	24,040	18,635
Expenses								
Sadie's tabagie	142,927	187,793	-	-	-	-	-	-
Gert's Pub	285,277	298,711	-	-	-	-	-	-
Food and beverage operations	106,492	176,939	-	-	-	-	-	-
University center building operations	346,362	283,857	-	-	-	-	-	-
General, office and administrative	527,113	529,126	-	-	-	-	-	-
Council services	300,410	261,641	-	-	-	-	-	-
Programming activities	162,930	164,276	-	-	-	-	-	-
Publications	326,571	315,149	-	-	-	-	-	-
Services	156,828	113,869	-	-	-	-	-	-
Clubs	115,193	34,968	-	-	-	-	-	-
Amortization of capital assets	62,547	62,830	103,102	123,705	92,407	-	-	-
Interest expense	8,260	25,037	-	-	6,541	-	-	-
Awards granted	-	-	-	-	-	-	6,000	8,000
	2,540,910	2,454,196	103,102	123,705	98,948	-	6,000	8,000
Excess (deficiency) of revenue over expenses	(108,233)	(11,306)	(95,972)	(113,427)	269,527	-	18,040	10,635
Fund balances, beginning of year	-	-	485,130	609,863	-	-	211,707	201,072
Interfund transfers	108,233	11,306	(108,233)	(11,306)	-	-	-	-
Fund balances, end of year	-	-	280,925	485,130	269,527	-	229,747	211,707

**STUDENT CENTER OF MCGILL UNIVERSITY /
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**Statement of cash flows
year ended May 31, 2000**

	Operating Fund	Capital Expenditures Reserve Fund	Renovation portion of McGill Student Fund	Awards of Distinction Reserve Fund	2000	Total 1999
	\$	\$	\$	\$	\$	\$
Operating activities						
Excess (deficiency) of revenue over expenses	(108,233)	(95,972)	269,527	18,040	83,362	(114,098)
Items not affecting cash						
Interfund transfers	108,233	(108,233)	-	-	-	-
Amortization of capital assets	62,547	103,102	92,407	-	258,056	186,535
	62,547	(101,103)	361,934	18,040	341,418	72,437
Changes in non-cash working capital items						
	256,813	179,227	235,204	(9,000)	662,244	46,250
	319,360	78,124	597,138	9,040	1,003,662	118,687
Financing activities						
Increase in long-term debt	-	-	1,500,000	-	1,500,000	-
Repayment of long-term debt	(42,810)	-	(150,000)	-	(192,810)	(45,750)
	(42,810)	-	1,350,000	-	1,307,190	(45,750)
Investing activities						
Acquisition of capital assets	(4,214)	(70,993)	(924,073)	-	(999,280)	(97,602)
Net cash inflow (outflow)	272,336	7,131	1,023,065	9,040	1,311,572	(24,665)
Cash position, beginning of year	445,429	477,085	-	202,614	1,125,128	1,149,793
Cash position, end of year	717,765	484,216	1,023,065	211,654	2,436,700	1,125,128
Cash position comprises						
Cash	214,714	-	523,065	-	737,779	427,801
Short-term investments	503,051	484,216	500,000	211,654	1,698,921	697,327
	717,765	484,216	1,023,065	211,654	2,436,700	1,125,128

STUDENT CENTER OF MCGILL UNIVERSITY/ CENTRE ÉTUDIANT DE L'UNIVERSITÉ MCGILL

Notes to the financial statements year ended May 31, 2000

1. Purpose of the Organization

The Student Society of McGill University ("SSMU") incorporated the Student Center of McGill University on August 19, 1992 under Part III of the *Companies Act* (Québec). The Centre is a not-for-profit organization dedicated to providing various services to McGill students.

2. Significant accounting policies

a) *Fund accounting*

The Center follows the restricted fund method of accounting for contributions. The purpose of each fund is as follows:

Operating Fund

The resources available are used for the general operations of the Center.

Capital Expenditures Reserve Fund

This fund was established on June 1, 1985 for the purpose of defraying 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 maximum expenditure in any given fiscal year will not exceed 30% of the current fiscal year's beginning balance in the Capital Expenditures Reserve Fund.

Significant capital expenditures made by the Capital Expenditures Reserve Fund are recorded at cost less accumulated amortization. Amortization is calculated based on the estimated useful lives of the assets and computed on a straight-line basis using the following annual rates:

	%
Building improvements	10
Equipment	20
Furniture and fixtures	20
Incorporation expenses	20
Computer equipment	20
Computer software	50
Smallwares	50

Other capital expenditures are fully amortized in the year of acquisition.

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Notes to the financial statements

year ended May 31, 2000

2. Significant accounting policies (continued)

a) Fund accounting (continued)

Awards of Distinction Reserve Fund

This fund was established on June 1, 1990 for the purpose of generating revenue to provide for the Center's awards of distinction.

McGill Student Fund

On March 9, 1999, the students agreed to the contribution of \$38 per semester per full-time undergraduate student (\$19 per part-time undergraduate student) by referendum question. The \$38 (\$19 part-time) contribution will be allocated in the following manner:

- \$14 (\$7 part-time) for library improvement
- \$12 (\$6 part-time) for renovation of the Shatner Building ("Renovation portion")
- \$12 (\$6 part-time) for the need-based Access Bursary

The Center has disbursed an amount of \$1,284,836 on approved projects.

Contribution to this Fund commenced in the 1999 fall semester and will extend to the 2004 winter semester.

b) Investments

Investments are recorded at the lower of cost and market value. Investment revenue is accounted for on an accrual basis.

c) Inventories

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

d) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

e) Financial instruments

The carrying amounts of the Center's financial assets and liabilities approximate their fair value.

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Notes to the financial statements
year ended May 31, 2000

2. Significant accounting policies (continued)

f) Revenue recognition

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

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.

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

3. Externally restricted net assets

Externally imposed restrictions on net assets are as follows:

	2000	1999
	\$	\$
Endowments, the income from which must be used for grants awarded	225,000	210,000

In 1991, the Students' Society of McGill University established an endowed scholarship fund for an initial amount of \$100,000. Contributions received to date have been invested in marketable securities.

4. Interfund transfers and internally restricted net assets

Excess of revenue over expenses (expenses over revenue) generated in the Operating Fund is transferred to (from) the Capital Expenditures Reserve Fund on an annual basis.

The internally restricted funds of \$72,378 in the Capital Expenditure Reserve Fund is to be used for capital expenditure purposes. The internally restricted funds of \$4,747 in the Awards of Distinction Reserve Fund is to be used for awards granted.

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Notes to the financial statements
year ended May 31, 2000

5. Capital assets

Capital Expenditures Reserve Fund

Capital assets in the Capital Expenditures Reserve Fund comprise the following:

	2000		1999	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Building improvements	453,700	370,249	83,451	104,901
Equipment	349,461	315,204	34,257	54,460
Furniture and fixtures	161,663	136,974	24,689	7,594
Computer equipment	187,458	123,679	63,779	66,169
Computer software	30,923	28,552	2,371	7,532
	<u>1,183,205</u>	<u>974,658</u>	<u>208,547</u>	<u>240,656</u>

McGill Student Fund

Capital assets in the McGill Student Fund comprises the following:

	2000		1999	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Building improvements	924,073	92,407	831,666	-

Operating Fund

Capital assets in the Operating Fund comprise the following:

	2000		1999	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Building improvements	77,382	38,597	38,785	46,524
Equipment	259,826	245,504	14,322	62,073
Furniture and fixtures	11,078	10,352	726	2,942
Smallwares	14,086	14,086	-	627
	<u>362,372</u>	<u>308,539</u>	<u>53,833</u>	<u>112,166</u>

The above includes assets acquired under capital leases having an original cost of \$182,635 and a net book value of \$29,141.

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Notes to the financial statements
year ended May 31, 2000

6. Long-term debt

	<u>2000</u>	<u>1999</u>
	\$	\$
Operating Fund		
Obligations under capital leases, expiring at various dates between 2000 and 2001, subject to imputed interest at annual rates between 11% and 15%, secured by the assets acquired thereunder	18,687	61,497
Current portion	18,687	42,810
	-	18,687

Interest expense on long-term debt for the current year amounted to \$8,260.

	<u>2000</u>	<u>1999</u>
	\$	\$
McGill Student Fund		
This loan matures on February 1, 2004 and bears interest of 5% per annum. The loan is repayable in two payments of \$150,000 each to be made on February 1 st and October 1 st of each year plus interest	1,350,000	-
Current portion	300,000	-
	1,050,000	-

Principal repayments for the forthcoming years are as follows:

	\$
2001	300,000
2002	300,000
2003	300,000
2004	450,000
	<u>1,350,000</u>

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Notes to the financial statements
year ended May 31, 2000

7. Food and beverage operations

Effective September 1, 1999, the Center entered into a five-year agreement with MTY Tiki Ming Enterprises Inc. for the management of food operations in the student center and the Faculties of music, art and education.

The Center has agreed to a contract with Miraval for the management of catering and vending operations.

8. Heat, electricity and air conditioning expense

The heat, electricity and air conditioning expense of \$577,716 for the Center has been paid by McGill University (1999 - \$496,915). The Center disbursed an amount of \$50,000 in 2000. The disbursement requirements for the next three years are \$100,000.

9. Contingency

A legal action in the amount of approximately \$2,800,000 has been brought against the Center for an alleged breach of contract. Management and legal counsel are of the opinion that this claim is without merit. No provision with respect to this claim has been made in the financial statements. In the event any loss is incurred, it would be expensed in the year judgement is rendered.

10. Financial instruments

Risk management

The Student Center is exposed to financial risks that arise from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The Center uses financial instruments to reduce those risks and does not hold or issue financial instruments for trading purposes.

Interest rate risk

The Student Center's exposure to interest rate risk relates to its long-term debt.

Credit risk

The Student Center is exposed to credit risk from customers. This risk is alleviated by minimizing the amount of exposure the Student Center has to any one customer, thereby ensuring a diversified customer mix.