

*Financial statements of*

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

*May 31, 1996*

**Samson Béclair  
Deloitte &  
Touche**



**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 sheets of the operating fund, the capital expenditures reserve fund and awards of distinction reserve fund of the Student Center of McGill University / Centre étudiant de l'Université McGill as at May 31, 1996 and the statements of revenue and expenses and surplus of the operating fund, changes in the operating fund, changes in the reserve fund for capital expenditures and of changes in the reserve fund for awards of distinction 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 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, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

*Samson Bélair  
Deloitte & Touche*

Chartered Accountants

August 2, 1996

**STUDENT CENTER OF MCGILL UNIVERSITY /  
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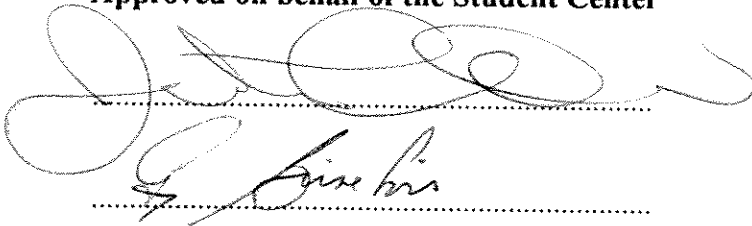
**Operating fund**

**Balance sheet**

as at May 31, 1996

	1996	1995
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	232,635	118,388
Short-term investments	8,300	104,631
Accounts receivable	141,520	142,693
Inventories	37,599	31,929
Prepaid expenses	28,025	24,530
Due from capital expenditures reserve fund	27,271	-
	<b>475,350</b>	<b>422,171</b>
Capital assets (Note 3)	268,947	-
	<b>744,297</b>	<b>422,171</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable		
McGill University	70,509	49,739
Student health insurance plan	81,866	-
Other	317,977	296,176
Due to awards of distinction reserve fund	46,889	889
Due to capital expenditures reserve fund	-	35,367
Current portion of long-term debt (Note 4)	69,236	20,000
	<b>586,477</b>	<b>402,171</b>
Long-term debt (Note 4)	157,820	20,000
	<b>744,297</b>	<b>422,171</b>

Approved on behalf of the Student Center




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

**Capital expenditures reserve fund**

**Balance sheet**

as at May 31, 1996

	1996	1995
	\$	\$
<b>Assets</b>		
Current assets		
Investments (market value \$416,035; 1995 - \$384,965)	416,530	387,989
Capital assets (Note 3)	347,247	306,272
Due from operating fund	-	35,367
	<u>763,777</u>	<u>729,628</u>

**Liabilities**

Current liabilities		
Due to operating fund	27,271	-
Accrued interest	5,250	10,500
Current portion of long-term debt (Note 4)	120,000	120,000
	<u>152,521</u>	<u>130,500</u>
Long-term debt (Note 4)	-	120,000

**Capital**

Reserve fund for capital expenditures	611,256	479,128
	<u>763,777</u>	<u>729,628</u>

**Statement of changes in the reserve fund for capital expenditures  
year ended May 31, 1996**

	1996	1995
	\$	\$
Balance of fund, beginning of year	479,128	284,892
Add		
Dividend	28,541	23,387
Transfer from operating fund	218,846	279,190
	<u>726,515</u>	<u>587,469</u>
Deduct		
Amortization of capital assets	103,709	89,704
Interest expense	11,550	18,637
	<u>115,259</u>	<u>108,341</u>
Balance of fund, end of year	<u>611,256</u>	<u>479,128</u>

**STUDENT CENTER OF MCGILL UNIVERSITY /  
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**Awards of distinction reserve fund**

**Balance sheet**

as at May 31, 1996

	1996	1995
	\$	\$
<b>Assets</b>		
Current assets		889
Due from operating fund	46,889	119,358
Investment	130,000	4,370
Accrued interest receivable	4,074	124,617
	<b>180,963</b>	
<b>Capital</b>		
Reserve fund for awards of distinction	180,963	124,617

**Statement of changes in the reserve fund for awards of distinction  
year ended May 31, 1996**

	1996	1995
	\$	\$
Balance of fund, beginning of year	124,617	124,014
Add		10,000
Contributions	55,000	6,603
Interest revenue	7,346	16,603
	<b>62,346</b>	
Deduct		6,000
Awards granted	6,000	10,000
Special grant to Player's Theatre	-	16,000
	<b>6,000</b>	
Balance of fund, end of year	<b>180,963</b>	124,617



**STUDENT CENTER OF MCGILL UNIVERSITY /  
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**Operating fund**

**Statement of revenue and expenses and surplus**

year ended May 31, 1996

	1996	1995
	\$	\$
<b>Revenue</b>		
Students' fees	936,530	909,208
Sadie's tabagie	322,543	274,340
Gert's Pub	402,554	-
Food and beverage operations	368,743	347,570
University centre building operations	89,879	102,255
General, office and administrative	126,071	103,869
Programming activities	119,557	89,747
Publications	223,021	197,773
Services	114,733	107,897
	<b>2,703,631</b>	<b>2,132,659</b>
<b>Expenses</b>		
Sadie's tabagie	304,513	258,953
Gert's Pub	497,460	-
Food and beverage operations	177,795	167,337
University centre building operations	270,749	298,084
General, office and administrative	479,580	432,321
Council services	198,636	177,905
Programming activities	135,858	83,857
Publications	238,157	290,375
Services	134,966	110,032
Interest group	47,071	34,605
	<b>2,484,785</b>	<b>1,853,469</b>
Excess of revenue over expenses	218,846	279,190
Transfer to capital expenditures reserve fund	(218,846)	(279,190)
<b>Accumulated surplus, end of year</b>	<b>-</b>	<b>-</b>



**STUDENT CENTER OF MCGILL UNIVERSITY /  
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**Statement of changes in the operating fund  
year ended May 31, 1996**

	1996	1995
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	218,846	279,190
Item not affecting cash	60,552	-
Amortization	279,398	279,190
Changes in non-cash operating working capital items	99,807	(336,903)
	379,205	(57,713)
<b>Financing activities</b>		
Proceeds from long-term debt	247,795	50,000
Repayment of long-term debt	(60,739)	(10,000)
Transfer to capital expenditures reserve fund	(218,846)	(279,190)
	(31,790)	(239,190)
<b>Investing activities</b>		
Acquisition of capital assets	(329,499)	-
Net cash inflow (outflow)	17,916	(296,903)
Cash position, beginning of year	223,019	519,922
<b>Cash position, end of year</b>	<b>240,935</b>	<b>223,019</b>
Cash position comprised of		
Cash	232,635	118,388
Short-term investments	8,300	104,631
	240,935	223,019



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

## Notes to the financial statements

year ended May 31, 1996

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### 1. Status of corporation

Student Center of McGill University / Centre étudiant de l'Université McGill is a non-profit entity, incorporated on August 19, 1992 under Part III of the *Québec Companies Act*.

### 2. Significant accounting policies

#### a. Fund accounting

The Center accounts for each fund separately. 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 rates:

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



**STUDENT CENTER OF MCGILL UNIVERSITY /  
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**Notes to the financial statements**  
year ended May 31, 1996

**2. Significant accounting policies (cont'd)**

*a. Fund accounting (cont'd)*

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

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.

*b. Investments*

Investments are carried at cost. 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.

**3. Capital assets**

Capital expenditures reserve fund

Capital assets in the capital expenditures reserve fund comprise the following:

	1996		1995	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Building improvements	391,552	215,867	175,685	190,239
Computer equipment	76,984	21,305	55,679	32,638
Computer software	5,029	3,086	1,943	1,172
Equipment	267,048	175,762	91,286	46,463
Furniture and fixtures	122,220	106,458	15,762	21,976
Incorporation expenses	34,462	27,570	6,892	13,784
	<u>897,295</u>	<u>550,048</u>	<u>347,247</u>	<u>306,272</u>

**STUDENT CENTER OF MCGILL UNIVERSITY /  
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**Notes to the financial statements**  
year ended May 31, 1996

**3. Capital assets (cont'd)**

Operating fund

Capital assets in the operating fund comprise the following:

	1996		1995
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Building improvements	77,089	7,699	69,390
Equipment	236,757	47,353	189,404
Furniture and fixtures	7,748	1,548	6,200
Smallwares	7,906	3,953	3,953
	<b>329,500</b>	<b>60,553</b>	<b>268,947</b>

The above includes assets acquired under capital leases having an original cost of \$214,591 and a net book value of \$173,962.

**4. Long-term debt**

	1996	1995
	\$	\$
Capital expenditures reserve fund		
Loan from McGill University, bearing interest at 7%, capital and interest payable on October 15 of each year	120,000	240,000
Less current portion	120,000	120,000
	-	120,000



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**Notes to the financial statements**  
year ended May 31, 1996

**4. Long-term debt (continued)**

	<u>1996</u>	<u>1995</u>
	\$	\$
Operating fund		
Loan from McGill University, bearing interest at 7%, capital and interest payable on October 15 of each year	20,000	40,000
Obligations under capital leases, expiring at varying dates between 1998 and 2001, subject to imputed interest at annual rates between 11% and 15%, secured by the assets acquired thereunder	207,056	-
	<u>227,056</u>	40,000
Less current portion	69,236	20,000
	<u>157,820</u>	20,000

Interest expense on long-term debt for the current year amounted to \$28,986.

Principal repayments of long-term debt over the next five years are as follows:

	<u>Capital leases</u>	<u>Other Long-term debt</u>
	\$	\$
1997	73,346	140,000
1998	70,146	
1999	57,217	
2000	48,544	
2001	19,321	
Total future minimum lease payments	268,574	
Less amount representing interest	(61,518)	
	<u>207,056</u>	



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**Notes to the financial statements**  
year ended May 31, 1996

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**5. Food and beverage operations**

In 1995, the Center entered into an agreement with Services Alimentaires Miraval Inc. ("Miraval") for the management of the food and beverage services. Under the terms of the agreement terminating June 30, 2000, the Center is entitled to receive certain minimum monthly instalments. Either the Center or Miraval may terminate the agreement at any time during the term of the agreement or any renewed term by giving ninety days' written notice.

The Center is committed to pay rental fees based on gross sales to the various faculty undergraduate societies and several university departments where food services are provided through Miraval. In addition, the Center is committed to establish a restricted capital reserve fund (calculated at 0.5% of annual gross sales, where applicable) for the sole purpose of financing the purchase and/or replacement of furnishings and equipment required at these locations. As at May 31, 1996, \$20,452 has been set aside for this purpose and is included in Accounts Payable - Other on the balance sheet.

**6. Heat, electricity and air conditioning expense**

The heat, electricity and air conditioning expense of \$217,571 for the University centre has been paid by McGill University (1995 - \$290,468).

**7. 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 judgment is rendered.

