

Financial statements of

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

May 31, 1999

**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, 1999 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 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, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

*Samson Bélair
Deloitte & Touche*

Chartered Accountants

July 28, 1999

**STUDENT CENTER OF MCGILL UNIVERSITY /
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**Balance sheet
as at May 31, 1999**

	Operating Fund \$	Capital Expenditures Reserve Fund \$	Awards of Distinction Reserve Fund \$	1999 \$	Total 1998 \$
Assets					
Current assets					
Cash	427,801	-	-	427,801	936,163
Short-term investments	17,628	477,085	202,614	697,327	213,630
Accounts receivable	169,318	-	-	169,318	154,275
Inventories	33,569	-	-	33,569	38,968
Prepaid expenses	86,452	-	-	86,452	61,810
* Due from Capital Expenditures Reserve Fund	232,611	-	-	-	-
* Due from Operating Fund	-	-	9,093	-	-
	967,379	477,085	211,707	1,414,467	1,404,846
Capital assets (Note 5)	112,166	240,656	-	352,822	441,756
	1,079,545	717,741	211,707	1,767,289	1,846,602
Liabilities					
Current liabilities					
Accounts payable					
McGill University	65,193	-	-	65,193	51,647
Student health insurance plan	144,596	-	-	144,596	404,329
Other	233,526	-	-	233,526	293,684
* Due to Awards of Distinction Reserve Fund	9,093	-	-	-	-
* Due to Operating Fund	-	232,611	-	-	-
Due to library improvement fund - McGill University	475,206	-	-	475,206	178,760
Due to Daycare	90,434	-	-	90,434	-
Current portion of long-term debt (Note 6)	42,810	-	-	42,810	45,599
	1,060,858	232,611	-	1,051,765	974,019
Long-term debt (Note 6)	18,687	-	-	18,687	61,648
	1,079,545	232,611	-	1,070,452	1,035,667
Fund balances					
Invested in capital assets	-	240,656	-	240,656	268,308
Externally restricted (Note 3)	-	-	210,000	210,000	200,000
Internally restricted (Note 4)	-	244,474	1,707	246,181	342,627
	-	485,130	211,707	696,837	810,935
	1,079,545	717,741	211,707	1,767,289	1,846,602

* 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 /
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**Statement of operations and changes in fund balances
year ended May 31, 1999**

	Operating Fund		Capital Expenditures		Awards of Distinction	
	1999	1998	1999	1998	1999	1998
	\$	\$	\$	\$	\$	\$
Revenue						
Students' fees	862,123	929,290	-	-	-	-
Sadie's tabagie	204,386	173,241	-	-	-	-
Gert's Pub	296,671	278,455	-	-	-	-
Food and beverage operations	232,688	275,112	-	-	-	-
University center building operations	105,982	109,486	-	-	-	-
General, office and administrative	177,123	162,618	-	-	-	-
Programming activities	173,648	205,521	-	-	-	-
Publications	284,567	256,560	-	-	-	-
Services	105,702	92,929	-	-	-	-
Dividends	-	-	10,278	21,167	-	-
Gain on redemption	-	-	-	5,238	-	-
Contributions	-	-	-	-	10,000	10,000
Interest revenue	-	-	-	-	8,635	6,158
	2,442,890	2,483,212	10,278	26,405	18,635	16,158
Expenses						
Sadie's tabagie	187,793	160,736	-	-	-	-
Gert's Pub	298,711	310,713	-	-	-	-
Food and beverage operations	176,939	188,963	-	-	-	-
University center building operations	283,857	274,573	-	-	-	-
General, office and administrative	529,126	585,090	-	-	-	-
Council services	261,641	234,289	-	-	-	-
Programming activities	164,276	201,697	-	-	-	-
Publications	315,149	273,661	-	-	-	-
Services	113,869	115,036	-	-	-	-
Clubs	34,968	31,076	-	-	-	-
Amortization of capital assets *	62,830	63,509	123,705	113,584	-	-
Interest expense	25,037	22,136	-	-	-	-
Awards granted	-	-	-	-	8,000	6,000
	2,454,196	2,461,479	123,705	113,584	8,000	6,000
Excess (deficiency) of revenue over expenses						
	(11,306)	21,733	(113,427)	(87,179)	10,635	10,158
Fund balances, beginning of year	-	-	609,863	675,309	201,072	190,914
Interfund transfers	11,306	(21,733)	(11,306)	21,733	-	-
Fund balances, end of year	-	-	485,130	609,863	211,707	201,072

**STUDENT CENTER OF MCGILL UNIVERSITY /
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Statement of cash flows
year ended May 31, 1999

	Operating Fund	Capital Expenditures Reserve Fund	Awards of Distinction Reserve Fund	Total	
	\$	\$	\$	1999 \$	1998 \$
Operating activities					
Excess (deficiency) of revenue over expenses	(11,306)	(113,427)	10,635	(114,098)	(55,288)
Item not affecting cash					
Amortization of capital assets	62,830	123,705	-	186,535	177,093
	51,524	10,278	10,635	72,437	121,805
Changes in non-cash working capital items	(47,804)	96,054	(2,000)	46,250	405,395
	3,720	106,332	8,635	118,687	527,200
Financing activities					
Repayment of long-term debt	(45,750)	-	-	(45,750)	(50,828)
Investing activities					
Acquisition of capital assets	(1,548)	(96,054)	-	(97,602)	(63,733)
Net cash (outflow) inflow	(43,578)	10,278	8,635	(24,665)	412,639
Cash position, beginning of year	489,007	466,807	193,979	1,149,793	737,154
Cash position, end of year	445,429	477,085	202,614	1,125,128	1,149,793
Cash position comprises					
Cash	427,801	-	-	427,801	936,163
Short-term investments	17,628	477,085	202,614	697,327	213,630
	445,429	477,085	202,614	1,125,128	1,149,793

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

Notes to the financial statements
year ended May 31, 1999

1. Purpose of the Organization

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

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, 1999

2. Significant accounting policies (cont'd)

a) Fund accounting (cont'd)

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 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.

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.

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Notes to the financial statements

year ended May 31, 1999

3. Externally restricted net assets

Externally imposed restrictions on net assets is as follows:

	<u>1999</u>	<u>1998</u>
	\$	\$
Endowments, the income from which must be used for grants awarded	210,000	200,000

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 \$244,474 in the Capital Expenditure Reserve Fund is to be used for capital expenditure purposes. The internally restricted funds of \$1,707 in the Awards of Distinction Reserve Fund is to be used for awards granted.

5. Capital assets

Capital Expenditures Reserve Fund

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

	<u>1999</u>			<u>1998</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	\$	\$	\$	\$
Building improvements	453,700	348,799	104,901	141,009
Equipment	337,502	283,042	54,460	70,576
Furniture and fixtures	136,564	128,970	7,594	10,783
Computer equipment	158,265	92,096	66,169	45,704
Computer software	26,181	18,649	7,532	236
	<u>1,112,212</u>	<u>871,556</u>	<u>240,656</u>	<u>268,308</u>

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Notes to the financial statements
year ended May 31, 1999

5. Capital assets (cont'd)

Operating Fund

Capital assets in the Operating Fund comprise the following:

	1999		1998	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Building improvements	77,382	30,858	46,524	53,970
Equipment	255,611	193,538	62,073	113,194
Furniture and fixtures	11,078	8,136	2,942	5,158
Smallwares	14,086	13,459	627	1,126
	358,157	245,991	112,166	173,448

The above includes assets acquired under capital leases having an original cost of \$182,635 and a net book value of \$36,426.

6. Long-term debt

	1999	1998
	\$	\$
Operating Fund		
Obligations under capital leases, expiring at varying dates between 1999 and 2001, subject to imputed interest at annual rates between 11% and 15%, secured by the assets acquired thereunder	61,497	107,247
Current portion	42,810	45,599
	18,687	61,648

Interest expense on long-term debt for the current year amounted to \$25,037.

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Notes to the financial statements
year ended May 31, 1999

6. Long-term debt (cont'd)

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

	Capital leases
	\$
2000	48,544
2001	19,321
Total future minimum lease payments	67,865
Less amount representing interest	(6,368)
	61,497

7. 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 agreement was terminated effective May 1999.

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, 1999, \$39,065 has been set aside for this purpose and is included in Accounts Payable - Other on the balance sheet.

Effective September 1, 1999, the Center entered into a five year agreement with MTY Tiki Ming Enterprises Inc. for the management of food operations.

The Center is currently in negotiations with Miraval to sign an agreement for the management of catering and vending operations.

8. Heat, electricity and air conditioning expense

The heat, electricity and air conditioning expense of \$496,915 for the University center has been paid by McGill University (1998 - \$372,396).

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Notes to the financial statements
year ended May 31, 1999

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.

11. Year 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Center, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.