

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

**Annual Financial Report  
May 31, 2010**

**RSM Richter Chamberland LLP  
Chartered Accountants  
Montréal**

# **Students' Society of McGill University**

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

**Annual Financial Report**  
**May 31, 2010**

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## Auditors' Report

To the Directors of the  
**Students' Society of McGill University**  
**Association étudiante de l'Université McGill**

We have audited the balance sheet of Students' Society of McGill University /Association étudiante de l'Université McGill as at May 31, 2010 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 Society's management. 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 Society's management, 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 Society as at May 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

We have not audited the supplementary information schedules herein and therefore we do not express an opinion thereon.

*RSM Richter Chamberland LLP* 1

### Chartered Accountants

Montréal (Québec)  
September 10, 2010

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<sup>1</sup> CGA auditor permit n° 7950597

# Students' Society of McGill University

## Association étudiante de l'Université McGill

### Balance Sheet As at May 31, 2010

	Operating Fund \$	Capital Expenditures Reserve Fund \$	Renovation Portion of McGill Student Fund \$	Awards of Distinction Reserve Fund \$	Queer McGill Undergraduate Fund \$	Health and Dental Plan Reserve Fund \$	Student Life Fund \$	2010 Total \$	2009 Total \$
<b>Assets</b>									
<b>Current</b>									
Cash	730,560	812,185	-	522,480	-	1,566,326	-	3,631,551	2,902,768
Accounts receivable	62,493	-	-	1,000	-	-	-	63,493	114,608
Inventories	17,691	-	-	-	-	-	-	17,691	22,849
Prepaid expenses	47,870	-	-	-	-	-	-	47,870	36,867
Due from daycare	-	-	-	-	-	-	-	-	53,953
Due from (to) other funds	(427,526)	835,080	-	(12,808)	7,458	(699,076)	296,872	-	-
	431,088	1,64,235	-	510,672	7,458	867,250	296,872	3,760,605	3,131,045
<b>Investments (note 4)</b>	-	1,955,116	-	-	-	-	-	1,955,116	1,671,710
<b>Property and equipment (note 5)</b>	-	1,023,610	-	-	-	-	-	1,023,610	1,388,064
	431,088	4,625,991	-	510,672	7,458	867,250	296,872	6,739,331	6,190,819
<b>Liabilities</b>									
<b>Current</b>									
Accounts payable									
McGill University	18,998	-	-	-	-	-	-	18,998	29,955
Student health insurance plan	-	-	-	-	-	618,776	-	618,776	605,320
Due to daycare	6,197	-	-	-	-	-	-	6,197	-
Sundry	291,026	80,673	-	-	-	-	-	371,699	369,237
Bursaries	-	-	-	224,540	-	-	-	224,540	224,540
Miscellaneous awards	6,000	-	-	-	-	-	-	6,000	6,000
Deferred revenues	80,035	-	-	-	-	-	-	80,035	66,166
Current portion of long-term debt (note 6)	28,832	-	-	-	-	-	-	28,832	75,000
	431,088	80,673	-	224,540	-	618,776	-	1,355,077	1,376,218
<b>Long-term debt (note 6)</b>	-	-	-	-	-	-	-	-	28,832
	431,088	80,673	-	224,540	-	618,776	-	1,355,077	1,405,050
<b>Commitments (note 10)</b>									
<b>Fund balances</b>									
Invested in property and equipment	-	1,023,610	-	-	-	-	-	1,023,610	1,200,720
Externally restricted (note 7)	-	-	-	286,132	-	-	-	286,132	283,507
Internally restricted (note 8)	-	3,521,708	-	-	7,458	248,474	296,872	4,074,512	3,301,542
	-	4,545,318	-	286,132	7,458	248,474	296,872	5,384,254	4,785,769
	431,088	4,625,991	-	510,672	7,458	867,250	296,872	6,739,331	6,190,819

See accompanying notes

Approved on behalf of the Board: \_\_\_\_\_, 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, 2010

	Operating Fund \$	Capital Expenditures Reserve Fund \$	Renovation Portion of McGill Student Fund \$	Awards of Distinction Reserve Fund \$	Queer McGill Undergraduate Fund \$	Health and Dental Plan Reserve Fund \$	Student Life Fund \$	2010 Total \$	2009 Total \$
<b>Revenues</b>									
Student fees	1,457,775	-	-	-	-	2,571,274	-	4,029,049	3,922,808
Gert's Pub	254,403	-	-	-	-	-	-	254,403	157,578
Bookstore	207,110	-	-	-	-	-	-	207,110	214,029
University center building operations	412,051	-	-	-	-	-	-	412,051	433,861
General, office and administrative	34,355	-	-	-	-	-	-	34,355	71,727
Administrative fees - Student Health Plan	51,932	-	-	-	-	-	-	51,932	50,877
Programming activities	280,212	-	-	-	-	-	-	280,212	289,872
Publications	217,965	-	-	-	-	-	-	217,965	252,818
Services	389,803	-	-	-	36,395	-	-	426,198	373,948
Investment revenue	-	85,962	118	2,740	-	-	-	88,820	93,705
Contributions from students	-	-	467,363	500	-	1,614	-	469,477	453,473
McGill subsidies	477,333	-	-	-	-	-	-	477,333	523,871
	3,782,939	85,962	467,481	3,240	36,395	2,572,888	-	6,948,905	6,838,567
<b>Expenses</b>									
Gert's Pub	239,202	-	-	-	-	-	-	239,202	170,715
Bookstore	229,775	-	-	-	-	-	-	229,775	305,188
University center building operations	659,272	-	-	-	-	-	-	659,272	633,469
Student health plan	-	-	-	-	-	2,532,293	-	2,532,293	2,481,661
General, office and administrative	752,029	-	-	-	-	-	-	752,029	755,872
Governances	306,497	-	-	-	-	-	-	306,497	245,314
Programming activities	257,369	-	-	-	-	-	-	257,369	274,143
Publications	225,862	-	-	-	-	-	-	225,862	185,270
Services	371,199	-	-	-	34,966	-	-	406,165	350,649
Clubs	46,168	-	-	-	-	-	-	46,168	44,208
Electricity and heat	477,333	-	-	-	-	-	-	477,333	523,871
Amortization of property and equipment	942	82,301	317,532	-	-	-	-	400,775	513,092
Interest on long-term debt	-	-	-	-	-	-	-	-	5,858
Interest, bank charges and other expenses	-	31,583	122	-	-	-	-	31,705	11,236
Awards granted	-	-	-	3,000	-	-	-	3,000	6,250
Loss (gain) on disposal of investments	-	(54,359)	-	-	-	-	-	(54,359)	85,239
Unrealized loss (gain) on re-evaluation of investments	-	(162,666)	-	-	-	-	-	(162,666)	83,363
	3,565,648	(103,141)	317,654	3,000	34,966	2,532,293	-	6,350,420	6,675,398
<b>Excess of revenue over expenses</b>									
	217,291	189,103	149,827	240	1,429	40,595	-	598,485	163,169
Fund balances - beginning of year	-	3,341,925	944,044	285,892	6,029	207,879	-	4,785,769	4,622,600
Interfund transfers	(217,291)	1,014,290	(1,093,871)	-	-	-	296,872	-	-
<b>Fund balances - end of year</b>	-	4,545,318	-	286,132	7,458	248,474	296,872	5,384,254	4,785,769

See accompanying notes

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

**Statement of Cash Flows**  
**For the Year Ended May 31, 2010**

	2010 \$	2009 \$
<b>Operating activities</b>		
Excess of revenue over expenses	598,485	163,169
Amortization of property and equipment	400,775	513,092
Loss (gain) on disposal of investments	(54,359)	85,239
Unrealized loss (gain) on re-evaluation of investments	(162,666)	83,363
	<b>782,235</b>	<b>844,863</b>
Net change in non-cash operating elements of working capital	<b>124,250</b>	<b>(147,849)</b>
	<b>906,485</b>	<b>697,014</b>
<b>Investing activities</b>		
Additions to property and equipment	(36,321)	(98,723)
Purchase of investments	(657,741)	(609,271)
Disposal of investments	591,360	546,160
	<b>(102,702)</b>	<b>(161,834)</b>
<b>Financing activity</b>		
Repayment of long-term debt	(75,000)	(75,000)
	<b>728,783</b>	<b>460,180</b>
<b>Cash - beginning of year</b>	<b>2,902,768</b>	<b>2,442,588</b>
<b>Cash - end of year</b>	<b>3,631,551</b>	<b>2,902,768</b>

See accompanying notes

# **Students' Society of McGill University**

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

**Notes to Financial Statements**  
**May 31, 2010**

### **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. Change in accounting policies**

Effective June 1, 2009, the Society adopted the changes to the recommendations in CICA 4400, Financial Statement Presentation for Not-For-Profit Organizations. With respect to presentation, these changes include making the disclosure of net assets invested in property and equipment optional; making CICA 1540, Cash Flow Statements, applicable to not-for-profit Organizations; and requiring the reporting of revenues and expenses on a gross basis in the statement of operations unless not required by other guidance. A new section, CICA 4470, Disclosure of Allocated Expenses by Not-for-Profit Organizations, requires certain disclosures when fundraising and general support expenses are allocated to other functions. The adoption of these recommendations did not have any impact on the financial statements.

In addition, the Society adopted the amendments to CICA Section 1000, Financial Statement Concepts, which clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized on the balance sheet. The adoption of this recommendation did not have any impact on the financial statements.

### **3. Significant accounting policies**

#### **Use of estimates**

The preparation of financial statements in conformity with Canadian 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.

# **Students' Society of McGill University**

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

**Notes to Financial Statements**  
**May 31, 2010**

### **3. Significant accounting policies (continued)**

#### **Revenue recognition**

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. 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.

Student fees are collected from students by McGill University and are remitted to the Society. To the extent fees relate to programs and activities administrated by the Society, they are recorded as revenue by the Society. When the fees relate to activities to be administrated by other entities, they are recorded as liabilities by the Society until such time as these funds are paid to the other entities. Activities for which the Society holds such funds include awards and bursaries.

#### **Fund accounting**

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

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 Renovation Portion of McGill Student Fund was established, on March 17, 2003 by referendum question, to record sources of funds and expenditures related to specific capital projects. On May 31, 2010, management decided to close this fund. Consequently, the 2010 ending balance was transferred to the Capital Expenditures Reserve Fund and the Student Life Fund as follows: \$869,074 and \$224,797 respectively.

The Queer McGill Undergraduate Fund was established in 2007 as a means to provide students affected by discrimination against queer or trans minorities with assistance to continue their studies. At the end of every fiscal year, any surplus in the Queer McGill department shall be transferred into the Queer McGill Undergraduate Fund.



# Students' Society of McGill University

## Association étudiante de l'Université McGill

Notes to Financial Statements  
May 31, 2010

### 3. Significant accounting policies (continued)

#### Fund accounting (continued)

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 transferred into 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 Services, Fee Funded Student Associations and the Gerts Student Life Fund.

#### Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated sales price in 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.

#### 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:

	Rates
Building improvements	10%
Equipment	20%
Furniture and fixtures	20%
Computer equipment	20%
Computer software	50%

# **Students' Society of McGill University**

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

**Notes to Financial Statements**  
**May 31, 2010**

### **3. Significant accounting policies (continued)**

#### **Long-lived assets**

Long-lived assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If the sum of the undiscounted future cash flows expected from use and residual value is less than the carrying amount, the long-lived asset is considered impaired. An impairment loss is measured as the amount by which the carrying value of the long-lived asset exceeds its fair value.

#### **Financial instruments**

Not-for-profit organizations may choose to adopt CICA 3862, Financial Instruments - Disclosures and CICA 3863, Financial Instruments - Presentation or continue to apply CICA 3861, Financial Instruments - Disclosure and Presentation. The Society has chosen to continue to apply CICA 3861 to provide information related to its financial instruments.

The following policies and assumptions were used to determine the fair value of each class of financial assets and financial liabilities.

#### **Cash, accounts receivable, accounts payable and funds held for others**

These financial assets and liabilities are measured at their carrying amount since it is comparable to their fair value due to the approaching maturity of these financial instruments.

#### **Investments**

Investments are classified as financial assets available for sale. They are measured at fair value, determined on the basis of market value. The Society manages its investment portfolio according to its cash needs and in such a way as to maximize investment income.

#### **Interest rate risk**

The Society is exposed to reductions in interest rates, which could adversely impact expected returns from the Society's investments. The effective interest rate on the temporary investments during the year varied from 4.25% to 7.95%. The average interest rate at the end of the year was 5.18% with investments maturing from between 1 month to 12 years.

#### **Credit risk**

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

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

**Notes to Financial Statements**  
**May 31, 2010**

**3. Significant accounting policies (continued)**

**Price risk**

The Society is exposed to securities price risk because of investments held by the Society and classified on the balance sheet as available for sale. To manage its price risk arising from investments in securities, the Society diversifies its portfolio. Moreover, the Society has an investment policy statement supervised by an investment portfolio committee.

**Contributed facilities**

The Society obtains building electricity and heat free of charge from a contributor. The fair value of these services for the year, which was estimated at \$477,333, 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.

**4. Investments**

**Capital expenditures reserve fund**

	2010		2009	
	Cost \$	Fair market value \$	Cost \$	Fair market value \$
Shares in public corporations	719,622	611,538	499,145	371,772
Bond certificates	1,317,805	1,343,578	1,283,897	1,299,938
	<b>2,037,427</b>	<b>1,955,116</b>	1,783,042	1,671,710

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

Notes to Financial Statements  
 May 31, 2010

**5. Property and equipment**

Capital expenditures reserve fund

	Cost \$	Accumulated amortization \$	2010 Net book value \$	2009 Net book value \$
Building improvements	3,570,811	2,635,322	<b>935,489</b>	1,257,843
Equipment	82,923	47,047	<b>35,876</b>	41,721
Furniture and fixtures	56,038	36,402	<b>19,636</b>	29,781
Computer equipment	102,967	73,501	<b>29,466</b>	47,280
Computer software	16,848	13,705	<b>3,143</b>	10,497
	<b>3,829,587</b>	<b>2,805,977</b>	<b>1,023,610</b>	<b>1,387,122</b>

**6. Long-term debt**

	2010 \$	2009 \$
<b>Operating fund</b>		
Funds held for library improvements payable by annual contributions of \$75,000 until September 2010 and non-interest bearing	<b>28,832</b>	103,832
Current portion	<b>28,832</b>	75,000
	-	<b>28,832</b>

**7. Externally restricted assets**

	2010 \$	2009 \$
Funds which must be used for grants awarded	<b>286,132</b>	283,507

In 1991, the SSMU established the Awards of Distinction Reserve Fund for an initial amount of \$100,000.

# **Students' Society of McGill University**

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

**Notes to Financial Statements**  
**May 31, 2010**

### **8. Interfund transfers and internally restricted net assets**

The excess (deficiency) of revenue over expenses generated in the Operating Fund are transferred to (from) the Capital Expenditures Reserve Fund and the Student Life Fund on an annual basis. An amount of \$145,216 and \$72,075 was transferred to the Capital Expenditures Reserve Fund and the Student Life Fund respectively.

Internally restricted funds in the amount of \$3,521,708 of the Capital Expenditures Reserve Fund are to be used for capital expenditures purposes.

Internally restricted funds in the amount of \$7,458 of the Queer McGill Undergraduate Fund are to be used in helping students against discrimination.

Internally restricted funds in the amount of \$248,474 of the Heath and Dental Plan are to be used against future increase in premiums to be paid by the students.

Internally restricted funds in the amount of \$72,705 of the Student Life Fund are made available to the Society to invest in activities aimed at enhancing student life on campus. The remaining balance in the amount of \$224,797 which was derived by the internal transfer from the Renovation Portion of McGill Student Fund.

### **9. Capital disclosures**

In managing capital, the Society focuses on liquidities available for operations. The Society's objective is to have sufficient liquidities to continue operating despite adverse events with financial consequences and to allow it to take advantage of opportunities that will advance its purposes. The need for sufficient liquidities is considered in the preparation of the annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at May 31, 2010, the Society has met its objective of having sufficient liquidities to meet its current obligations.

The Society will enter into long-term debt to assist with the financing of property and equipment when other sources are not available.

### **10. Commitments**

The commitments of the Society under lease agreements aggregate to approximately \$540,000. The minimal annual payment over the next five years is \$108,000. The rental agreement is currently being renegotiated and is not yet finalized as at May 31, 2010.

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

**Statement of Operations Compared to Budget**  
**Operating Fund**  
**For the Year Ended May 31, 2010**

	2010		2009	
	Actual \$	Budget \$	Actual \$	Budget \$
<b>Revenue</b>				
Student fees	1,457,775	1,435,053	1,404,299	1,404,724
Gert's Pub	254,403	214,948	157,578	151,211
Bookstore	207,110	202,571	214,029	200,000
University center building operations	412,051	418,407	433,861	432,060
General, office and administrative	34,355	37,558	71,727	63,693
Administrative fees - Student Health Plan	51,932	51,932	50,877	50,877
Programming activities	280,212	267,464	289,872	284,781
Publications	217,965	207,316	252,818	264,303
Services	389,803	374,988	334,158	341,151
McGill subsidies	477,333	-	523,871	-
	<b>3,782,939</b>	<b>3,210,237</b>	<b>3,733,090</b>	<b>3,192,800</b>
<b>Expenses</b>				
Gert's Pub	239,202	215,530	170,715	167,829
Bookstore	229,775	232,456	305,188	274,149
University center building operations	659,272	655,269	633,469	685,171
General, office and administrative	752,029	750,440	755,872	755,211
Governances	306,497	274,121	245,314	273,202
Programming activities	257,369	321,608	274,143	278,992
Publications	225,862	197,572	185,270	226,280
Services	371,199	392,299	313,390	358,648
Clubs	46,168	71,000	44,208	44,550
Electricity and heat	477,333	-	523,871	-
Amortization of property and equipment	942	942	3,768	3,768
	<b>3,565,648</b>	<b>3,111,237</b>	<b>3,455,208</b>	<b>3,067,800</b>
<b>Excess of revenue over expenses</b>	<b>217,291</b>	<b>99,000</b>	<b>277,882</b>	<b>125,000</b>

	2010		2009	
	Actual \$	Budget \$	Actual \$	Budget \$
<b>Excess of revenues over expenses</b>				
Students fees	1,457,775	1,435,053	1,404,299	1,404,724
Gert's Pub	15,201	(582)	(13,137)	(16,618)
Bookstore	(22,665)	(29,885)	(91,159)	(74,149)
University center building operations	(247,221)	(236,862)	(199,608)	(253,111)
General office and administrative	(717,674)	(712,882)	(684,145)	(691,518)
Administrative fees - Student Health Plan	51,932	51,932	50,877	50,877
Programming activities	22,843	(54,144)	15,729	5,789
Publications	(7,897)	9,744	67,548	38,023
Services	18,604	(17,311)	20,768	(17,497)
Governances	(306,497)	(274,121)	(245,314)	(273,202)
Clubs	(46,168)	(71,000)	(44,208)	(44,550)
Amortization of property and equipment	(942)	(942)	(3,768)	(3,768)
<b>Excess of revenues over expenses</b>	<b>217,291</b>	<b>99,000</b>	<b>277,882</b>	<b>125,000</b>