

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

**Financial Statements  
May 31, 2013**

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

Financial Statements  
May 31, 2013

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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, 2013, May 31, 2012 and June 1, 2011, and the statements of operations and changes in fund balances and cash flows for the years ended May 31, 2013 and May 31, 2012, 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, 2013, May 31, 2012 and June 1, 2011 in addition to the revenues, expenses and cash flows for the years ended May 31, 2013 and May 31, 2012. The effects on the financial statements of the failure to consolidate have not been determined.

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*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, 2013, May 31, 2012 and June 1, 2011, and the results of its operations and its cash flows for the years ended May 31, 2013 and May 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

*Richter LLP*

Montréal, Québec  
September 16, 2013

<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, 2013

	Operating Fund \$	Capital Expenditures Reserve Fund \$	Awards of Distinction Reserve Fund \$	Health and Dental Plan Reserve Fund \$	Student Life Fund \$	2013 Total \$	2012 Total \$	2011 Total \$
<b>Assets</b>								
<b>Current</b>								
Cash and cash equivalents (note 4)	1,919,126	1,183,767	-	1,104,801	-	4,207,694	3,528,682	3,373,906
Accounts receivable	4,971	-	-	-	-	4,971	66,034	74,127
Interest receivable	-	-	9,121	-	-	9,121	16,458	-
Investments (note 5)	-	2,286,527	532,530	-	-	2,819,057	2,842,670	2,768,446
Inventory	33,368	-	-	-	-	33,368	9,127	20,350
Prepaid expenses	32,667	-	-	-	-	32,667	53,061	80,118
Due from SSMU Daycare Center Inc.	3,108	-	-	-	-	3,108	28,398	71,642
Due from other funds	-	1,168,473	-	18,323	443,489	1,630,285	2,124,834	1,348,761
	1,993,240	4,638,767	541,651	1,123,124	443,489	8,740,271	8,669,264	7,737,350
<b>Property and equipment</b> (note 6)	-	773,857	-	-	-	773,857	275,945	894,648
	1,993,240	5,412,624	541,651	1,123,124	443,489	9,514,128	8,945,209	8,631,998
<b>Liabilities</b>								
<b>Current</b>								
Accounts payable and accrued liabilities								
McGill University	92,665	394,466	-	-	-	487,131	12,005	25,433
Student health insurance plan	-	-	-	700,393	-	700,393	738,119	638,204
Sundry	231,123	-	-	-	-	231,123	322,427	317,627
Bursaries payable	-	-	224,540	-	-	224,540	224,540	224,540
Miscellaneous awards payable	6,000	-	-	-	-	6,000	6,000	6,000
Deferred revenues	61,535	-	-	-	-	61,535	62,237	70,808
Due to other funds	1,601,917	-	28,368	-	-	1,630,285	2,124,834	1,348,761
	1,993,240	394,466	252,908	700,393	-	3,341,007	3,490,162	2,631,373
<b>Commitment</b> (note 8)								
<b>Fund balances</b>								
Invested in property and equipment	-	773,857	-	-	-	773,857	275,945	894,648
Internally restricted (note 7)	-	4,244,301	288,743	422,731	443,489	5,399,264	5,179,102	5,105,977
	-	5,018,158	288,743	422,731	443,489	6,173,121	5,455,047	6,000,625
	1,993,240	5,412,624	541,651	1,123,124	443,489	9,514,128	8,945,209	8,631,998

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, 2013

	Operating Fund \$	Capital Expenditures Reserve Fund \$	Awards of Distinction Reserve Fund \$	Health and Dental Plan Reserve Fund \$	Student Life Fund \$	2013 \$	2012 \$
<b>Revenues</b>							
Student fees	1,676,902	-	-	3,189,095	-	<b>4,865,997</b>	4,365,701
Gerts Bar	759,636	-	-	-	-	<b>759,636</b>	429,931
University centre building operations	453,977	-	-	-	-	<b>453,977</b>	450,083
General administration	113,021	-	-	-	-	<b>113,021</b>	150,575
Programming activities	301,988	-	-	-	-	<b>301,988</b>	241,640
Publications and communications	69,003	-	-	-	-	<b>69,003</b>	118,713
Services	622,709	-	-	-	-	<b>622,709</b>	571,192
Investment revenue	-	98,032	9,121	9,027	-	<b>116,180</b>	134,118
Donation	-	-	-	-	-	-	3,260
McGill subsidy (electricity and heat)	344,962	-	-	-	-	<b>344,962</b>	505,566
Gain on disposal of investments	-	143,205	-	-	-	<b>143,205</b>	46,533
	<b>4,342,198</b>	<b>241,237</b>	<b>9,121</b>	<b>3,198,122</b>	<b>-</b>	<b>7,790,678</b>	<b>7,017,312</b>
<b>Expenses</b>							
Gerts Bar	781,451	-	-	-	(3,315)	<b>778,136</b>	424,337
University center building operations	742,777	-	-	-	-	<b>742,777</b>	578,017
Student health plan premiums	-	-	-	2,868,799	-	<b>2,868,799</b>	3,038,951
General administration	1,270,635	-	-	-	-	<b>1,270,635</b>	1,182,752
Governances	40,323	-	-	-	20,724	<b>61,047</b>	92,270
Programming activities	287,633	-	-	-	-	<b>287,633</b>	230,944
Publications and communication	55,452	-	-	-	-	<b>55,452</b>	93,404
Services	492,911	-	-	-	69,675	<b>562,586</b>	472,650
Clubs	(67,378)	-	-	-	28,795	<b>(38,583)</b>	30,842
McGill subsidy (electricity and heat)	344,962	-	-	-	-	<b>344,962</b>	505,566
Amortization of property and equipment	-	116,357	-	-	-	<b>116,357</b>	256,522
Write-down of building improvements	-	-	-	-	-	-	539,046
Interest, bank charges and other expenses	-	25,685	-	-	-	<b>25,685</b>	25,284
Awards of distinction granted	-	-	6,000	-	-	<b>6,000</b>	8,000
Unrealized (gain) loss on re-evaluation of investments	-	(8,882)	-	-	-	<b>(8,882)</b>	84,305
	<b>3,948,766</b>	<b>133,160</b>	<b>6,000</b>	<b>2,868,799</b>	<b>115,879</b>	<b>7,072,604</b>	<b>7,562,890</b>
<b>Excess (deficiency) of revenues over expenses</b>							
	393,432	108,077	3,121	329,323	(115,879)	<b>718,074</b>	(545,578)
Fund balances - beginning of year	-	4,703,323	285,622	41,811	424,291	<b>5,455,047</b>	6,000,625
Interfund transfers (note 7)	(393,432)	206,758	-	51,597	135,077	-	-
<b>Fund balances - end of year</b>	<b>-</b>	<b>5,018,158</b>	<b>288,743</b>	<b>422,731</b>	<b>443,489</b>	<b>6,173,121</b>	<b>5,455,047</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, 2013**

	2013 \$	2012 \$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	718,074	(545,578)
Amortization of property and equipment	116,357	256,522
Write-down of building improvements	-	539,046
Gain on disposal of investments	(143,205)	(46,533)
Unrealized gain (loss) on re-evaluation of investments	(8,882)	84,305
	<b>682,344</b>	287,762
Net changes in non-cash operating elements of working capital	<b>435,237</b>	155,875
	<b>1,117,581</b>	443,637
<b>Investing activities</b>		
Additions to property and equipment	(614,269)	(176,865)
Purchase of investments	(452,947)	(966,430)
Disposal of investments	628,647	854,434
	<b>(438,569)</b>	(288,861)
<b>Increase in cash and cash equivalents</b>	<b>679,012</b>	154,776
<b>Cash and cash equivalents - beginning of year</b>	<b>3,528,682</b>	3,373,906
<b>Cash and cash equivalents - end of year</b>	<b>4,207,694</b>	3,528,682

See accompanying notes

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

## Notes to Financial Statements May 31, 2013

### 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 (ASNFPPO) in Part III of the CICA Accounting Handbook.

These financial statements are the first for which the Society has applied ASNFPPO.

CICA Handbook Section 1501, First-time adoption by not-for-profit organizations (Section 1501) has been applied in order to effect the transition. The date of transition is June 1, 2011. The general principle underlying ASNFPPO is that a first-time adopter should prepare its financial statements as if it had always accounted under ASNFPPO. As such, all standards have been applied retrospectively. However, in view of the work that may be involved in carrying this out, Section 1501 provides for some mandatory and optional exemptions from the full retrospective application of ASNFPPO.

The adoption of these standards did not have any impact on the net assets at the date of transition. The adoption did not have any impact on the excess of revenue over expenses of the Society for the most recent previously issued financial statements for the year ended May 31, 2012.

In preparing these financial statements in accordance with Section 1501, the Society has applied the mandatory exceptions and has elected to apply the following optional exemption from full retrospective application.

Financial instruments

The Society has elected to designate investments to be measured at fair value at the date of transition.



# **Students' Society of McGill University**

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

### **Notes to Financial Statements**

#### **May 31, 2013**

### **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.

#### **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 Queer McGill Undergraduate Fund was abolished in 2013. The surplus in the Queer McGill department was transferred into the Student Life Fund during the year.

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

## Notes to Financial Statements May 31, 2013

### 3. Summary of 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 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 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%

#### 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.

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

## Notes to Financial Statements May 31, 2013

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

#### 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 \$344,962 (2012 - \$505,566), 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 in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net earnings.

Financial assets measured at amortized cost include cash, accounts receivable, interest receivable and due from SSMU Daycare Center Inc.

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 net earnings.

##### 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 earnings using the straight-line method.

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

## Notes to Financial Statements May 31, 2013

### 4. Cash and cash equivalents

The total cash balance as at May 31, 2013 includes approximately \$349,100 (2012 - \$293,300) of cash restricted for the use of the Society's various internal clubs.

### 5. Investments

#### Capital Expenditures Reserve Fund

	2013 \$	2012 \$
Shares in public corporations	1,090,753	1,017,743
Bond certificates	1,195,775	1,292,398
	<b>2,286,528</b>	2,310,141

As at May 31, 2013, the bond certificates had a fixed weighted average interest rate of 5.62%. These bonds mature at various dates starting in 2013 and ending in 2023.

#### Awards of Distinction Reserve Fund

	2013 \$	2012 \$
Guaranteed investment certificates	532,529	532,529

As at May 31, 2013, the guaranteed investment certificates had a fixed interest rate of 1.70%. These certificates mature on November 2013 and are therefore classified as short-term.

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

## Notes to Financial Statements May 31, 2013

### 6. Property and equipment

#### Capital Expenditures Reserve Fund

	Cost \$	Accumulated amortization \$	2013 Net book value \$	2012 Net book value \$
Building improvements	546,554	36,816	<b>509,738</b>	90,336
Equipment	268,065	88,703	<b>179,362</b>	129,642
Furniture and fixtures	83,572	40,830	<b>42,742</b>	13,629
Computer equipment	95,279	75,197	<b>20,082</b>	14,022
Computer software	69,110	47,177	<b>21,933</b>	28,316
	<b>1,062,580</b>	<b>288,723</b>	<b>773,857</b>	<b>275,945</b>

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

The excess of revenue over expenses generated in the Operating Fund are transferred to the Capital Expenditures Reserve Fund and the Student Life Fund on an annual basis. An amount of \$206,758, \$51,597 and \$135,077 was transferred to the Capital Expenditures Reserve Fund, Health and Dental reserve Fund and the Student Life Fund, respectively.

Internally restricted funds in the amount of \$5,018,158 of the Capital Expenditures Reserve Fund are to be used for future capital expenditures purposes.

Internally restricted funds in the amount of \$288,743 of the Awards of Distinction Reserve Fund are to be used for future grants awarded.

Internally restricted funds in the amount of \$422,731 of the Health 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 \$443,488 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.

### 8. Commitment

The rental agreement is currently being renegotiated and is not yet finalized as at September 12, 2013. The estimated minimal annual payment under current negotiations over the next five years is between \$130,000 and \$230,000.

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

## **Notes to Financial Statements May 31, 2013**

### **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, bond certificates 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.

### **10. Comparative figures**

Certain reclassifications of 2012 amounts have been made to facilitate comparison with the current year.

# 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, 2013 (Unaudited)

	2013		2012	
	Actual \$	Budget \$	Actual \$	Budget \$
<b>Revenue</b>				
Student fees	1,676,902	1,674,537	1,573,755	1,624,342
Gerts Bar	759,636	725,699	429,931	381,045
University center building operations	453,977	426,018	450,083	424,547
General administration	113,021	110,800	150,575	114,436
Programming activities	301,988	310,996	241,640	237,268
Publications and communications	69,003	77,657	118,713	121,152
Services	622,709	599,043	571,191	541,832
McGill subsidy (electricity and heat)	344,962	-	505,566	-
	<b>4,342,198</b>	<b>3,924,750</b>	<b>4,041,454</b>	<b>3,444,622</b>
<b>Expenses</b>				
Gerts Bar	781,451	779,216	421,957	388,229
University center building operations	742,777	746,642	578,017	709,040
General administration	1,270,635	1,330,668	1,182,752	1,218,344
Governances	40,323	91,419	92,270	89,710
Programming activities	287,633	299,102	230,944	248,175
Publications and communication	55,452	56,325	90,645	92,311
Services	492,911	599,043	458,369	540,394
Clubs	(67,378)	22,335	30,842	108,419
McGill subsidy (electricity and heat)	344,962	-	505,566	-
	<b>3,948,766</b>	<b>3,924,750</b>	<b>3,591,362</b>	<b>3,394,622</b>
<b>Excess of revenues over expenses</b>				
Students fees	1,676,902	1,674,537	1,573,755	1,624,342
Gerts Bar	(21,815)	(53,517)	7,974	(7,184)
University center building operations	(288,800)	(320,624)	(127,934)	(284,493)
General administration	(1,157,614)	(1,219,868)	(1,032,177)	(1,103,908)
Governances	(40,323)	(91,419)	(92,270)	(89,710)
Programming activities	14,355	11,894	10,696	(10,907)
Publications and communication	13,551	21,332	28,068	28,841
Services	129,798	-	112,822	1,438
Clubs	67,378	(22,335)	(30,842)	(108,419)
	<b>393,432</b>	<b>-</b>	<b>450,092</b>	<b>50,000</b>