

Financial statements of

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

May 31, 2001

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

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**Samson Bélair
Deloitte
& Touche**

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, 2001 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, 2001 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 25, 2001

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

Balance sheet as at May 31, 2001

	Operating Fund	Capital Expenditures Reserve Fund	Renovation portion of McGill Student Fund	Awards of Distinction Reserve Fund	2001	Total 2000
	\$	\$	\$	\$	\$	\$
Assets						
Current assets						
Cash	191,294	-	126,949	-	318,243	737,779
Short-term investments	201,250	517,437	-	222,379	941,066	1,698,921
Accounts receivable						
McGill University	30,624	-	-	-	30,624	-
Other	255,241	-	-	-	255,241	154,109
Inventory	41,575	-	-	-	41,575	43,043
Prepaid expenses	78,977	-	-	-	78,977	68,727
* Due from Capital Expenditures Reserve Fund	454,410	-	-	-	-	-
* Due from Operating Fund	-	-	198,073	22,093	-	-
	1,253,371	517,437	325,022	244,472	1,665,726	2,702,579
Capital assets (Note 5)	137,402	173,881	2,030,993	-	2,342,276	1,094,046
	1,390,773	691,318	2,356,015	244,472	4,008,002	3,796,625
Liabilities						
Current liabilities						
Accounts payable						
McGill University	25,496	-	854,650	-	880,146	364,653
Student health insurance plan	248,878	-	-	-	248,878	269,673
Other	225,481	-	53,560	-	279,041	236,259
* Due to Awards of Distinction Reserve Fund	22,093	-	-	-	-	-
* Due to Operating Funds	-	454,410	-	-	-	-
Due to renovation portion of McGill Student Fund	198,073	-	-	-	-	-
Due to Daycare	248,758	-	-	-	248,758	182,863
Funds held for:						
Library improvement	254,258	-	-	-	254,258	362,405
Bursaries	167,736	-	-	-	167,736	231,886
Current portion of long-term debt (Note 6)	-	-	300,000	-	300,000	318,687
	1,390,773	454,410	1,208,210	-	2,378,817	1,966,426
Long-term debt (Note 6)	-	-	750,000	-	750,000	1,050,000
	1,390,773	454,410	1,958,210	-	3,128,817	3,016,426
Fund balances						
Invested in capital assets	-	173,881	-	-	173,881	208,547
Externally restricted (Note 3)	-	-	-	235,000	235,000	225,000
Internally restricted (Note 4)	-	63,027	397,805	9,472	470,304	346,652
	-	236,908	397,805	244,472	879,185	780,199
	1,390,773	691,318	2,356,015	244,472	4,008,002	3,796,625

* 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, 2001**

	Operating Fund		Capital Expenditures Reserve Fund		Renovation portion of McGill Student Fund		Awards of Distinction Reserve Fund	
	2001	2000	2001	2000	2001	2000	2001	2000
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Students' fees	930,462	869,625	-	-	-	-	-	-
Sadie's tabagie	278,938	152,001	-	-	-	-	-	-
Gert's Pub	232,185	280,252	-	-	-	-	-	-
Food and beverage operations	198,951	221,198	-	-	-	-	-	-
University center building operations	127,692	110,096	-	-	-	-	-	-
General, office and administrative	247,936	206,279	-	-	-	-	-	-
Programming activities	207,697	152,311	-	-	-	-	-	-
Publications	278,609	309,212	-	-	-	-	-	-
Services	125,743	131,703	-	-	-	-	-	-
Dividends	-	-	20,816	7,130	-	-	-	-
Contributions	-	-	-	-	335,850	331,886	10,000	15,000
Interest revenue	-	-	-	-	26,337	36,589	10,725	9,040
	2,628,213	2,432,677	20,816	7,130	362,187	368,475	20,725	24,040
Expenses								
Sadie's tabagie	259,345	142,927	-	-	-	-	-	-
Gert's Pub	260,094	285,277	-	-	-	-	-	-
Food and beverage operations	102,264	106,492	-	-	-	-	-	-
University center building operations	408,163	346,362	-	-	-	-	-	-
General, office and administrative	541,188	527,113	-	-	-	-	-	-
Council services	289,384	300,410	-	-	-	-	-	-
Programming activities	198,802	162,930	-	-	-	-	-	-
Publications	341,051	326,571	-	-	-	-	-	-
Services	155,298	156,828	-	-	-	-	-	-
Clubs	53,000	115,193	-	-	-	-	-	-
Amortization of capital assets	15,602	62,547	66,997	103,102	163,128	92,407	-	-
Interest expense	1,858	8,260	-	-	70,781	6,541	-	-
Awards granted	-	-	-	-	-	-	6,000	6,000
	2,626,049	2,540,910	66,997	103,102	233,909	98,948	6,000	6,000
Excess (deficiency) of revenue over expenses	2,164	(108,233)	(46,181)	(95,972)	128,278	269,527	14,725	18,040
Fund balances, beginning of year	-	-	280,925	485,130	269,527	-	229,747	211,707
Interfund transfers	(2,164)	108,233	2,164	(108,233)	-	-	-	-
Fund balances, end of year	-	-	236,908	280,925	397,805	269,527	244,472	229,747

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

**Statement of cash flows
year ended May 31, 2001**

	Operating Fund \$	Capital Expenditures Reserve Fund \$	Renovation portion of McGill Student Fund \$	Awards of Distinction Reserve Fund \$	2001 \$	Total 2000 \$
Operating activities						
Excess (deficiency) of revenue over expenses	2,164	(46,181)	128,278	14,725	98,986	83,362
Items not affecting cash						
Interfund transfers	(2,164)	2,164	-	-	-	-
Amortization of capital assets	15,602	66,997	163,128	-	245,727	258,056
	15,602	22,980	291,406	14,725	344,713	341,418
Changes in non-cash working capital items	(222,965)	42,572	474,933	(4,000)	290,540	662,244
	(207,363)	65,552	766,339	10,725	635,253	1,003,662
Financing activities						
Increase in long-term debt	-	-	-	-	-	1,500,000
Repayment of long-term debt	(18,687)	-	(300,000)	-	(318,687)	(192,810)
	(18,687)	-	(300,000)	-	(318,687)	1,307,190
Investing activities						
Acquisition of capital assets	(99,171)	(32,331)	(1,362,455)	-	(1,493,957)	(999,280)
Net cash (outflow) inflow	(325,221)	33,221	(896,116)	10,725	(1,177,391)	1,311,572
Cash position, beginning of year	717,765	484,216	1,023,065	211,654	2,436,700	1,125,128
Cash position, end of year	392,544	517,437	126,949	222,379	1,259,309	2,436,700
Cash position comprises						
Cash	191,294	-	126,949	-	318,243	737,779
Short-term investments	201,250	517,437	-	222,379	941,066	1,698,921
	392,544	517,437	126,949	222,379	1,259,309	2,436,700

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

Notes to the financial statements

year ended May 31, 2001

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
Leasehold 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, 2001

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 \$1,354,245 (2000 - \$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 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.

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, 2001

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:

	<u>2001</u>	<u>2000</u>
	\$	\$
Endowments, the income from which must be used for grants awarded	<u>235,000</u>	<u>225,000</u>

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 \$63,027 in the Capital Expenditure Reserve Fund is to be used for capital expenditure purposes. The internally restricted funds of \$9,472 in the Awards of Distinction Reserve Fund is to be used for awards granted.

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CENTRE ÉTUDIANT DE L'UNIVERSITÉ MCGILL**

Notes to the financial statements

year ended May 31, 2001

5. Capital assets

Capital Expenditures Reserve Fund

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

	<u>2001</u>		<u>2000</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	\$	\$	\$	\$
Building improvements	453,700	387,985	65,715	83,451
Equipment	356,725	325,700	31,025	34,257
Furniture and fixtures	164,243	145,381	18,862	24,689
Computer equipment	205,331	149,358	55,973	63,779
Computer software	35,538	33,232	2,306	2,371
	<u>1,215,537</u>	<u>1,041,656</u>	<u>173,881</u>	<u>208,547</u>

McGill Student Fund

Capital assets in the McGill Student Fund comprises the following:

	<u>2001</u>		<u>2000</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	\$	\$	\$	\$
Building improvements	2,286,528	255,535	2,030,993	831,666

Operating Fund

Capital assets in the Operating Fund comprise the following:

	<u>2001</u>		<u>2000</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	\$	\$	\$	\$
Building improvements	175,455	46,337	129,118	38,785
Equipment	260,924	252,700	8,224	14,322
Furniture and fixtures	11,078	11,018	60	726
Smallwares	14,086	14,086	-	-
	<u>461,543</u>	<u>324,141</u>	<u>137,402</u>	<u>53,833</u>

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

Notes to the financial statements

year ended May 31, 2001

6. Long-term debt

	<u>2001</u>	<u>2000</u>
	\$	\$
McGill Student Fund		
This loan matures on February 1, 2004 and bears interest of 5.26% 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	1,050,000	1,350,000
Current portion	300,000	300,000
	<u>750,000</u>	<u>1,050,000</u>

Principal repayments for the forthcoming years are as follows:

	\$
2002	300,000
2003	300,000
2004	450,000
	<u>1,050,000</u>

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 \$727,161 for the Center has been paid by McGill University (2000 - \$577,716). The Center disbursed an amount of \$100,000 in 2001. The disbursement requirements for the next two years are \$100,000.

**STUDENT CENTER OF MCGILL UNIVERSITY/
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Notes to the financial statements

year ended May 31, 2001

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. Credit facilities

On July 19, 2001, the Center entered into an agreement with a Canadian chartered bank for credit facilities. The new facilities consist of an operating credit facility of \$100,000 bearing interest at prime rate plus 1%, non-revolving loan of \$700,000 bearing interest at prime plus 1% and, non-revolving loan of \$100,000 bearing interest at prime plus 1%. The credit facilities are secured by moveable hypothecs totalling \$1,200,000 on moveable property and portfolio investments.