

Financial statements of

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

May 31, 2004

**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, 2004 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 Center'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 Center'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 Center as at May 31, 2004 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 s.e.n.c.r.l.

Chartered Accountants

August 6, 2004

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

Balance sheet as at May 31, 2004

	Operating Fund \$	Capital Expenditures Reserve Fund \$	Renovation Portion of McGill Student Fund \$	Awards of Distinction Reserve Fund \$	2004 \$	Total 2003 \$
Assets						
Current assets						
Cash	275,677		1,845	-	277,522	45,640
Short-term investments	-	568,023	-	238,124	806,147	779,110
Accounts receivable	180,494	-	-	-	180,494	147,724
Inventory	10,789	-	-	-	10,789	26,497
Prepaid expenses	92,129	-	-	-	92,129	81,260
Due from (to) other funds	867,636	(827,963)	(63,067)	23,394	-	-
	1,426,725	(259,940)	(61,222)	261,518	1,367,081	1,080,231
Capital assets (Notes 5 and 11)	11,038	285,748	1,880,576	-	2,177,362	2,005,387
	1,437,763	25,808	1,819,354	261,518	3,544,443	3,085,618
Liabilities						
Current liabilities						
Accounts payable						
McGill University	57,004	-	-	-	57,004	49,054
Student health insurance plan	241,477	-	-	-	241,477	-
Other	414,956	-	20,000	-	434,956	277,165
Deferred credit	16,272	-	-	-	16,272	-
Funds held for:						
Library improvement	253,832	-	-	-	253,832	331,816
Bursaries	224,540	-	-	-	224,540	277,116
Miscellaneous awards	6,000	-	-	-	6,000	6,000
Current portion of long-term debt (Note 6)	-	-	342,000	-	342,000	520,000
	1,214,081	-	362,000	-	1,576,081	1,461,151
SSMU Daycare Centre	212,644	-	-	-	212,644	221,892
Deferred contribution (Note 11)	11,038	-	-	-	11,038	15,310
Long-term debt (Note 6)	-	-	558,311	-	558,311	490,000
	1,437,763	-	920,311	-	2,358,074	2,188,353
Fund balances						
Invested in capital assets	-	285,748	899,043	-	1,184,791	829,504
Externally restricted (Note 3)	-	-	-	248,312	248,312	235,000
Internally restricted (Note 4)	-	(259,940)	-	13,206	(246,734)	(167,239)
	-	25,808	899,043	261,518	1,186,369	897,265
	1,437,763	25,808	1,819,354	261,518	3,544,443	3,085,618

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, 2004

	Operating Fund		Capital Expenditures		Renovation		Awards of Distinction		Total	
	2004	2003	2004	2003	McGill Student Fund	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Students' fees	1,090,990	1,052,988	-	-	-	-	-	-	1,090,990	1,052,988
Sadie's tabagie	245,060	273,915	-	-	-	-	-	-	245,060	273,915
Gert's Pub	238,627	303,592	-	-	-	-	-	-	238,627	303,592
University center building operations	273,170	283,830	-	-	-	-	-	-	273,170	283,830
General, office and administrative	222,791	224,585	-	-	-	-	-	-	222,791	224,585
Programming activities	248,851	275,462	-	-	-	-	-	-	248,851	275,462
Publications	265,141	280,647	-	-	-	-	-	-	265,141	280,647
Services	205,587	167,011	-	-	-	-	-	-	205,587	167,011
Dividends	-	-	22,550	26,876	-	-	5,114	4,628	27,664	31,504
Contributions	-	-	-	-	767,883	350,606	14,200	-	782,083	350,606
Interest revenue	-	-	-	-	106	38	-	-	106	38
	2,790,217	2,862,030	22,550	26,876	767,989	350,644	19,314	4,628	3,600,070	3,244,178
Expenses										
Sadie's tabagie	223,426	268,443	-	-	-	-	-	-	223,426	268,443
Gert's Pub	312,067	359,239	-	-	-	-	-	-	312,067	359,239
University center building operations	450,132	455,017	-	-	-	-	-	-	450,132	455,017
General, office and administrative	721,050	465,702	-	-	-	-	-	-	721,050	465,702
Council services	346,994	360,790	-	-	-	-	-	-	346,994	360,790
Programming activities	242,543	238,889	-	-	-	-	-	-	242,543	238,889
Publications	283,657	302,833	-	-	-	-	-	-	283,657	302,833
Services	207,652	196,316	-	-	-	-	-	-	207,652	196,316
Clubs	56,633	85,904	-	-	-	-	-	-	56,633	85,904
Amortization of capital assets	4,272	4,272	112,686	116,188	289,496	235,986	-	-	406,454	356,446
Loss on disposal of investments	-	-	625	8,444	-	-	-	-	625	8,444
Interest expense	-	-	-	-	53,730	70,786	-	-	53,730	70,786
Awards granted	-	-	-	-	-	-	6,000	6,000	6,000	6,000
	2,848,426	2,737,405	113,311	124,632	343,226	306,772	6,000	6,000	3,310,963	3,174,809
(Deficiency) excess of revenue over expenses	(58,209)	124,625	(90,761)	(97,756)	424,763	43,872	13,314	(1,372)	289,107	69,369
Fund balances, beginning of year	-	-	174,778	147,911	474,280	430,408	248,204	249,577	897,262	827,896
Interfund transfers	58,209	(124,625)	(58,209)	124,625	-	-	-	-	-	-
Fund balances, end of year	-	-	25,808	174,780	899,043	474,280	261,518	248,205	1,186,369	897,265

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Statement of cash flows year ended May 31, 2004

	Operating Fund \$	Capital Expenditures Reserve Fund \$	Renovation Portion of McGill Student Fund \$	Awards of Distinction Reserve Fund \$	2004 \$	Total 2003 \$
Operating activities						
(Deficiency) excess of revenue over expenses	(58,209)	(90,761)	424,763	13,314	289,107	69,369
Items not affecting cash						
Amortization of capital assets	4,272	112,686	289,496	-	406,454	356,446
Amortization of deferred contribution	(4,272)	-	-	-	(4,272)	(4,272)
	(58,209)	21,925	714,259	13,314	691,289	421,543
Changes in non-cash working capital items	230,887	101,420	(68,356)	(8,202)	255,749	(63,109)
	172,678	123,345	645,903	5,112	947,038	358,434
Financing activities						
Increase in long-term debt	-	-	511,311	-	511,311	-
Repayment of long-term debt	-	-	(621,000)	-	(621,000)	(420,000)
	-	-	(109,689)	-	(109,689)	(420,000)
Investing activities						
Acquisition of capital assets	-	(43,211)	(535,219)	-	(578,430)	(89,202)
Net cash inflow (outflow)	172,678	80,134	995	5,112	258,919	(150,768)
Cash position, beginning of year	44,790	546,098	850	233,012	824,750	975,518
Interfund transfers	58,209	(58,209)	-	-	-	-
Cash position, end of year	275,677	568,023	1,845	238,124	1,083,669	824,750
Cash position comprises						
Cash	275,677	-	1,845	-	277,522	45,640
Short-term investments	-	568,023	-	238,124	806,147	779,110
	275,677	568,023	1,845	238,124	1,083,669	824,750

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

Notes to the financial statements

year ended May 31, 2004

1. Purpose of the Organization

The Student's 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. The Student's Society Council is responsible for the oversight of the operations of the Center.

2. Significant accounting policies

Fund accounting

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

The Operating Fund records unrestricted resources which are available for the general operations of the Center. This fund also records restricted resources for activities for which no restricted fund has been established.

The Capital Expenditures Reserve Fund was established on June 1, 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 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.

The Awards of Distinction Reserve Fund was established on June 1, 1990 for the purpose of generating revenue to provide for the Center's awards of distinction.

The Renovation Portion of the McGill Student Fund was established to record sources of funds and expenditures related to specific capital projects.

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

Contribution to this Fund commenced in the 1999 fall semester and was extended to the 2004 winter semester.

On March 17, 2003, the students agreed, by referendum question, to make an additional contribution of \$11.84 per semester per student to the Renovation Portion of McGill Student Fund of the Shatner building until winter 2010.

The Center has collected an amount of \$1,580,057 (2003 - \$1,110,064) for these approved projects.

In November 1997, the students agreed, by referendum question, to make a contribution of \$3 per semester per student to support the cost of opening and maintaining the SSMU Daycare Centre Inc. (refer to Note 7).

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Notes to the financial statements year ended May 31, 2004

2. Significant accounting policies (continued)

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.

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 Center. To the extent fees relate to programs and activities administered by the Center, they are recorded as revenue by the Center. Where the fees relate to activities to be administered by other entities, they are recorded as liabilities by the Center until such time as these funds are paid to the other entities. Activities for which the Center holds such funds include the SSMU Daycare Center, library improvement and awards and bursaries.

Capital assets

Capital assets 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
Computer equipment	20
Computer software	50
Automobile	20

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Notes to the financial statements
year ended May 31, 2004

2. Significant accounting policies (continued)

Short-term investments

Short term investments are recorded at the lower of cost and market value. Investment revenue is accounted for on an accrual basis.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first in, first out method.

Financial instruments

The carrying amounts of the Center's financial assets and liabilities approximate their fair value.

3. Externally restricted net assets

Externally imposed restrictions on net assets are as follows:

	2004	2003
	\$	\$
Endowments, the income from which must be used for grants awarded	248,312	235,000

In 1991, the SSMU 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

The excess (deficiency) of revenue over expenses generated in the Operating Fund is transferred to (from) the Capital Expenditures Reserve Fund on an annual basis.

The internally restricted funds of (\$259,940) in the Capital Expenditures Reserve Fund is to be used for capital expenditure purposes. The internally restricted funds of \$13,206 in the Awards of Distinction Reserve Fund is to be used for awards granted.

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Notes to the financial statements
year ended May 31, 2004

5. Capital assets

Capital Expenditures Reserve Fund

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

	2004		2003
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
	\$	\$	\$
Building improvements	708,927	561,208	147,719
Equipment	707,409	654,066	53,343
Furniture and fixtures	259,537	225,340	34,197
Computer equipment	266,394	219,553	46,841
Computer software	45,524	41,876	3,648
	1,987,791	1,702,043	285,748
			355,224

Renovation Portion of McGill Student Fund

Capital assets in the Renovation Portion of the McGill Student Fund comprise the following:

	2004		2003
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
	\$	\$	\$
Building improvements	2,895,058	1,014,482	1,880,576
			1,634,853

Operating Fund

Capital assets in the Operating Fund comprise the following:

	2004		2003
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
	\$	\$	\$
Automobile	21,362	10,324	11,038
			15,310

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Notes to the financial statements
year ended May 31, 2004

6. Long-term debt

	<u>2004</u>	<u>2003</u>
	\$	\$
Renovation Portion of McGill Student Fund		
This loan due to McGill University matured and was fully repaid on February 1, 2004 and bore interest of 5.26% per annum.	-	450,000
The loan balance in the prior year, of \$560,000, was a non-revolving loan maturing February 28, 2011 and bearing interest at prime plus 1%. This loan was renegotiated in 2004. The new loan matures September 21, 2006 and bears interest at prime plus 1.50%, payable monthly. The loan principal is repayable in semi-annual instalments of \$171,000, to be made on September 21 and March 21 of each year. ⁽¹⁾	900,311	560,000
	<u>900,311</u>	<u>1,010,000</u>
Current portion	342,000	520,000
	<u>558,311</u>	<u>490,000</u>

⁽¹⁾The Center has a line of credit, available until 2010, under which it can borrow up to \$2,400,000, and which is secured by a movable hypothec on capital assets and short-term investments.

Principal repayments for the forthcoming years are as follows:

	\$
2004	342,000
2005	342,000
2006	216,311
	<u>900,311</u>

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Notes to the financial statements year ended May 31, 2004

7. Related Party transactions

The SSMU Daycare Centre Inc. ("Daycare") is under control of the Center by virtue of its having the same board of directors. The results of the Daycare are not consolidated in these financial statements. The Daycare was incorporated on August 19, 1999 under Part III of the *Companies Act* (Québec). The Daycare is a not-for-profit organization dedicated to providing daycare services to students of McGill University.

The following is a summary of Daycare's financial information at May 31, 2004:

	\$
Total assets	23,617
Total liabilities	10,086
Total net assets	13,531
Total revenues	197,231
Total expenses	211,788

The Center collected from student fees \$106,608 in the current year which it disbursed to the Daycare. In addition, the Center disbursed \$9,248 to maintain the current year operations of Daycare from amounts collected in prior years.

8. Commitment

The heat, electricity and air conditioning expense of \$520,526 for the Center has been paid by McGill University (2003 - \$531,534). The Center disbursed an amount of \$100,000 in 2004, which is the amount charged by McGill University. The disbursement requirement for next year is \$100,000. McGill University is also paid for various operating expenses that amount to approximately \$48,000 per year.

9. Contingency

In a prior year, a legal action of approximately \$2,800,000 had been brought against the Center for an alleged breach of contract. In the current year, this allegation was settled in favour of the Center and therefore no loss was incurred.

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Notes to the financial statements
year ended May 31, 2004

10. Financial instruments

Risk management

The 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 Center's exposure to interest rate risk relates to its long-term debt.

Credit risk

The Center is exposed to credit risk from customers. This risk is alleviated by minimizing the amount of exposure the Center has to any one customer, thereby ensuring a diversified customer mix.

11. Deferred contribution

On January 14, 2002, the Center won an automobile "PT Cruiser" in a contest, for a value of \$21,362. The automobile may not be sold for five years and shall be used in a students' drive safe program at McGill University. The deferred contribution is amortized into revenue at a rate of 20% per year over five years.

12. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.