



Financial statements of

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

May 31, 2005



**STUDENT CENTER OF MCGILL UNIVERSITY /
CENTRE ÉTUDIANT DE L'UNIVERSITÉ MCGILL**
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CHAMBERLAND HODGE
COMPTABLES AGRÉÉS S.E.N.C.

AUDITOR'S REPORT

To the Directors of the
Student Center of McGill University /
Centre étudiant de l'Université McGill

We have audited the balance sheet of **Student Center of McGill University /Centre étudiant de l'Université McGill** as at May 31, 2005 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Montreal, Quebec
July 21, 2005


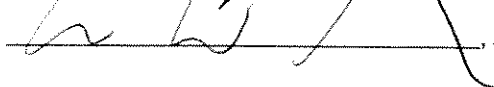


**Student Center of McGill University /
Centre étudiant de l'Université McGill**

**Balance sheet
as at May 31 2005**

	Operating Fund	Capital Expenditures Reserve Fund	Renovation Portion of McGill Student Fund	Awards of Distinction Reserve Fund	Total	
	\$	\$	\$	\$	2005 \$	2004 \$
Assets						
Currents assets						
Cash	461,856	3,735	1,743	—	467,334	288,167
Accounts receivable	39,194	—	—	—	39,194	180,494
Inventory	8,574	—	—	—	8,574	10,789
Prepaid expenses	79,972	—	—	—	79,972	92,129
Due from (to) other funds	647,286	(623,771)	(50,009)	26,494	—	—
	1,236,882	(620,036)	(48,266)	26,494	595,074	571,579
Long-term investments, at cost (note 3)	—	577,598	—	242,248	819,846	795,502
Capital assets (note 4)	22,780	219,240	2,286,154	—	2,528,174	2,177,362
	1,259,662	176,802	2,237,888	268,742	3,943,094	3,544,443
Liabilities						
Current liabilities						
Accounts payable						
McGill University	31,429	—	—	—	31,429	57,004
Student health insurance plan	307,898	—	—	—	307,898	241,477
Other	125,920	—	—	—	125,920	434,956
Deferred revenues	76,838	—	—	—	76,838	16,272
Funds held for:						
Bursaries	224,540	—	—	—	224,540	224,540
Miscellaneous awards	6,000	—	—	—	6,000	6,000
Current portion of obligation under a capital lease (note 6)	1,801	—	—	—	1,801	—
Current portion of long-term debt (note 7)	—	—	342,000	—	342,000	342,000
	774,426	—	342,000	—	1,116,426	1,322,249
Due to SSMU Daycare Centre	211,562	—	—	—	211,562	212,644
Deferred contribution (note 5)	6,766	—	—	—	6,766	11,038
Obligation under a capital lease (note 6)	13,076	—	—	—	13,076	—
Long-term debt (note 7)	253,832	—	974,811	—	1,228,643	812,143
	1,259,662	—	1,316,811	—	2,576,473	2,358,074
Fund Balances						
Invested in capital assets	—	219,240	921,077	—	1,176,734	1,184,791
Externally restricted (note 8)	—	—	—	261,518	261,518	248,312
Internally restricted (note 9)	—	(42,438)	—	7,224	(71,631)	(246,734)
	—	176,802	921,077	268,742	1,366,621	1,186,369
	1,259,662	176,802	2,237,888	268,742	3,943,094	3,544,443

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, 2005

	Operating Fund		Capital Expenditures Reserve Fund		Renovation Portion of McGill Student Fund		Awards of Distinction Reserve Fund		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenue	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Student's fees	1,180,116	1,090,990	-	-	-	-	-	-	1,180,116	1,090,990
Sadie's tabagie	81,627	245,060	-	-	-	-	-	-	81,627	245,060
Gert's Pub	128,126	238,627	-	-	-	-	-	-	128,126	238,627
University center building operations	525,600	273,170	-	-	-	-	-	-	525,600	273,170
General, office and administrative	100,820	222,791	-	-	-	-	-	-	100,820	222,791
Programming activities	311,811	248,851	-	-	-	-	-	-	311,811	248,851
Publications	259,680	265,141	-	-	-	-	-	-	259,680	265,141
Services	173,750	205,587	-	-	-	-	-	-	173,750	205,587
Investment revenue	-	-	16,848	22,550	-	-	-	-	16,848	22,550
Contributions	-	-	-	-	106	-	-	-	106	-
					428,017	767,883	4,124	5,114	20,972	27,770
	2,761,530	2,790,217	16,848	22,550	428,017	767,883	7,100	14,200	435,117	782,083
							11,224	19,314	3,217,619	3,600,070
Expenses										
Sadie's tabagie	80,637	223,426	-	-	-	-	-	-	80,637	223,426
Gert's Pub	200,471	312,067	-	-	-	-	-	-	200,471	312,067
University center building operations	642,359	450,132	-	-	-	-	-	-	642,359	450,132
General, office and administrative	569,209	721,050	-	-	-	-	-	-	569,209	721,050
Council services	235,628	346,994	-	-	-	-	-	-	235,628	346,994
Programming activities	297,480	242,543	-	-	-	-	-	-	297,480	242,543
Publications	241,499	283,657	-	-	-	-	-	-	241,499	283,657
Services	201,861	207,652	-	-	-	-	-	-	201,861	207,652
Clubs	52,604	56,633	-	-	-	-	-	-	52,604	56,633
Amortization of capital assets	7,098	4,272	-	-	-	-	-	-	7,098	4,272
Loss on disposal of investments	-	-	95,000	112,686	-	-	-	-	95,000	112,686
Interest on long-term debt	-	-	3,538	625	-	-	-	-	3,538	625
Awards granted	-	-	-	-	68,241	53,730	-	-	68,241	53,730
							4,000	6,000	4,000	6,000
	2,528,846	2,848,426	98,538	113,311	405,983	343,226	4,000	6,000	3,037,367	3,310,963
(Deficiency) excess of revenue over expenses										
Fund balances, beginning of year	232,684	(58,209)	(81,690)	(90,761)	22,034	424,763	7,224	13,314	180,252	289,107
Interfund transfers	(232,684)	58,209	25,808	174,778	899,043	474,280	261,518	248,204	1,186,369	897,262
			232,684	(58,209)						
Fund balances, end of year	-	-	176,802	25,808	921,077	899,043	268,742	261,518	1,366,621	1,186,369



**Student Center of McGill University /
Centre étudiant de l'Université McGill**
Statement of cash flows
Year ended May 31, 2005

	Operating Fund	Capital Expenditures Reserve Fund	Renovation Portion of McGill Student Fund	Awards of Distinction Reserve Fund	Total 2005	2004
	\$	\$	\$	\$	\$	\$
Operating activities						
(Deficiency) excess of revenue over expenses	232,684	(81,690)	22,034	7,224	180,252	289,107
Items not affecting cash						
Amortization of capital assets	7,098	95,000	337,742	—	439,840	406,454
Amortization of deferred contribution	(4,272)	—	—	—	(4,272)	(4,272)
Loss on disposal of investment	—	3,538	—	—	3,538	—
	235,510	16,848	359,776	7,224	619,358	691,289
Net change in non-cash working capital items	(45,506)	28,492	(33,058)	(3,100)	(53,172)	255,749
	190,004	45,340	326,718	4,124	566,186	947,038
Financing activities						
Increase in long-term debt	—	—	758,500	—	758,500	511,311
Repayment of long-term debt	—	—	(342,000)	—	(342,000)	(621,000)
Repayment of due to SSMU Daycare Centre	(1,082)	—	—	—	(1,082)	(9,250)
Repayment of obligation under a capital lease	(2,743)	—	—	—	(2,743)	—
	(3,825)	—	416,500	—	412,675	(118,939)
Investing activities						
Acquisition of capital assets	—	(28,492)	(743,320)	—	(771,812)	(578,430)
Increase in long-term investments	—	(23,758)	—	(4,124)	(27,882)	(7,142)
	—	(52,250)	(743,320)	(4,124)	(799,694)	(585,572)
Net cash inflow (outflow)	186,179	(6,910)	(102)	—	179,167	242,527
Cash position, beginning of year	275,677	10,645	1,845	—	288,167	45,640
Cash position, end of year	461,856	3,735	1,743	—	467,334	288,167



**Student Center of McGill University /
Centre étudiant de l'Université McGill**

Notes to financial statements

Year ended May 31, 2005

2. Significant accounting policies (cont'd)

Revenue recognition

Unrestricted contributions are recognized as revenue of 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 improvements, awards and bursaries.

Inventories

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

Capital assets

Capital assets 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:

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

Financial instrument

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



**Student Center of McGill University /
Centre étudiant de l'Université McGill**

Notes to financial statements

Year ended May 31, 2005

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 Center 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

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.

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 17, 2003, the students agreed, by referendum question, to make an additional contribution of \$11.84 per semester per student until autumn 2009 for the renovations of the Shatner building.

The Center has collected an amount of \$428,017 (2004 - \$767,883) which is allocated to the Renovation Portion of McGill Student fund.



**Student Center of McGill University /
Centre étudiant de l'Université McGill**

Notes to financial statements

Year ended May 31, 2005

3. Long-term investments, at cost

	<u>2005</u>	<u>2004</u>
	\$	\$
<i>Capital Expenditures Reserve Fund</i>		
Debentures, fair market value of \$519,137 (\$482,872 in 2004)	474,289	457,394
Shares, fair market value of \$110,953 (\$99,874 in 2004)	103,309	99,984
	<u>577,598</u>	<u>577,378</u>
<i>Awards of distinction Reserve Fund</i>		
Treasury bill Fund	242,248	238,124
	<u>819,846</u>	<u>795,502</u>

4. Capital assets

Operating Fund

Capital assets in the Operating Fund comprise the following:

	<u>2005</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
	\$	\$	\$
Automobile	21,362	14,596	6,766
Equipment under capital lease	18,840	2,826	16,014
	<u>40,202</u>	<u>17,422</u>	<u>22,780</u>

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



**Student Center of McGill University /
Centre étudiant de l'Université McGill**

Notes to financial statements

Year ended May 31, 2005

4. Capital assets (cont'd)

Capital Expenditures Reserve Fund

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

	2005		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Building improvements	708,927	594,377	114,550
Equipment	713,822	676,570	37,252
Furniture and fixtures	262,655	243,138	19,517
Computer equipment	283,962	237,260	46,702
Computer software	46,917	45,698	1,219
	2,016,283	1,797,043	219,240

	2004		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
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



**Student Center of McGill University /
Centre étudiant de l'Université McGill**

Notes to financial statements

Year ended May 31, 2005

4. Capital assets (cont'd)

Renovation Portion of McGill Student Fund

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

	2005		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Building improvements	3,638,378	1,352,224	2,286,154

	2004		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Building improvements	2,895,058	1,014,482	1,880,576

5. Deferred contribution

On January 14, 2002, the Center won an automobile "PT Cruiser" in a contest, for a value of \$21,362. The automobile is used by the Center for traveling purposes. The deferred contribution is amortized into revenue at a rate of 20% per year over five years.

6. Obligation under a capital lease

	2005	2004
	\$	\$
<i>Operating Fund</i>		
Minimum lease payments required as per capital lease contract guaranteed by equipment, maturing in July 2008	18,456	—
Interest, 14,2%	(3,579)	—
	14,877	
Current portion	1,801	—
	13,076	—



**Student Center of McGill University /
Centre étudiant de l'Université McGill**

Notes to financial statements
Year ended May 31, 2005

6. Obligation under a capital lease (cont'd)

The future minimum lease payments on capital lease contract for the next four years are:

	\$
2006	
2007	5,812
2008	5,812
2009	5,812
	1,020
	<u>18,456</u>

7. Long-term debt

	2005 \$	2004 \$
<i>Operating Fund</i>		
Funds held for Library improvements payable by annual contribution estimated at \$50,000 beginning in the fall 2007	<u>253,832</u>	<u>253,832</u>
<i>Renovation Portion of McGill Student Fund</i>		
Progressive bank loan which can be drawn up to \$2,400,000, prime rate plus 1.5%, loan payable by two semi-annual principal instalments of \$171,000, to be made on September 21 and March 21 of each year, secured by all the Center's assets including long-term investments, maturing in March 2009	<u>1,316,811</u>	<u>900,311</u>
Current portion	<u>342,000</u>	<u>342,000</u>
	<u>974,811</u>	<u>558,311</u>

Long-term debt principal repayments over the next four years are the following:

	\$
2006	
2007	342,000
2008	342,000
2009	392,000
	<u>340,811</u>



**Student Center of McGill University /
Centre étudiant de l'Université McGill**
Notes to financial statements
Year ended May 31, 2005

8. Externally restricted assets

Externally imposed restrictions on net assets are as follows:

	2005	2004
	\$	\$
Endowments, the income from which must be used for grants awarded	261,518	248,312

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.

9. 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 (\$42,438) in the Capital Expenditures Reserve Fund are to be used for capital expenditures purposes. The internally restricted funds of \$7,224 in the Awards of Distinction Reserve Fund are to be used for awards granted.

10. Commitment

Under a lease agreement with McGill University, the Center paid an amount of \$100,000 in rent in 2005. The rental requirement for next year is also \$100,000.

The Center is also committed under leases agreement ranging from one to five years. Those leases requirements, including the rental requirement for the next five years, are as follows:

	\$
2006	108,438
2007	8,438
2008	8,438
2009	8,438
2010	4,385
	138,137



**Student Center of McGill University /
Centre étudiant de l'Université McGill**

Notes to financial statements

Year ended May 31, 2005

11. Related party transactions

The SSMU Daycare Centre Inc. ("Daycare") is a not-for-profit organization dedicated to provide daycare services to students of McGill. It is under control of the Center by virtue of its having the same board of Directors.

The Center collected from student fees \$108,533 in the current year which it disbursed to the Daycare. In addition, the Center disbursed \$1,082 to maintain the current year operations of Daycare from amounts collected in prior years.

12. Non monetary transaction

No heat or electricity was paid by the Center since they are provided by McGill University.

The fair market value of such expenses is estimated at \$567,000 (\$520,526 in 2004).

Some operating expenses estimated at \$47,000 per year have also been provided by McGill University.

13. Financial instruments

Interest rate risk

The Center's exposure to interest rate risk related to its long-term debt. However, the Center expects to repay this loan in full at maturity. Consequently, the long-term debt risk exposure is minimal.

Credit risk

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

Fair market value

The book values of cash, accounts receivable, inventory, prepaid expenses, accounts payable funds held for library improvements, bursaries and miscellaneous awards and the current portions of the obligation under a capital lease and long-term debt approximate fair market values given their short-term maturities.

The fair market value of the due to SSMU Daycare Center cannot be determined as it bears no specified interest.

The fair market value of the deferred contribution cannot be determined as it represents an amortized value for accounting purposes.

The book value of the long-term debt approximates its fair market value given it bears a variable rate.



**Student Center of McGill University /
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Notes to financial statements

Year ended May 31, 2005

14. Comparative figures

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

15. Other auditors

The 2004 figures presented for comparison purposes arise from financial statements audited by another accounting firm.



Supplementary information

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

May 31, 2005

**Student Center of McGill University /
Centre étudiant de l'Université McGill**
Statement of operations and changes in fund balances comparative to budget
Year ended May 31, 2005

	Operating Fund		Capital Expenditures Reserve Fund		Renovation Portion of McGill Student Fund		Awards of Distinction Reserve Fund		Total	
	Actual 2005	Budget	Actual 2005	Budget	Actual 2005	Budget	Actual 2005	Budget	Actual 2005	Budget
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Student's fees	1,180,116	1,268,197	-	-	-	-	-	-	1,180,116	1,268,197
Sadie's tabagie	81,627	102,950	-	-	-	-	-	-	81,627	102,950
Gert's Pub	128,126	223,993	-	-	-	-	-	-	128,126	223,993
University center building operations	525,600	425,943	-	-	-	-	-	-	525,600	425,943
General, office and administrative	100,820	79,707	-	-	-	-	-	-	100,820	79,707
Programming activities	311,811	43,767	-	-	-	-	-	-	311,811	43,767
Publications	259,680	15,800	-	-	-	-	-	-	259,680	15,800
Services	173,750	10,765	-	-	-	-	-	-	173,750	10,765
Investment revenue	-	-	16,848	-	-	-	4,124	-	20,972	-
Contributions	-	-	-	-	-	-	7,100	-	435,117	-
	2,761,530	2,171,122	16,848	-	428,017	428,017	11,224	-	3,217,619	2,171,122
Expenses										
Sadie's tabagie	80,637	92,342	-	-	-	-	-	-	80,637	92,342
Gert's Pub	200,471	273,993	-	-	-	-	-	-	203,297	273,993
University center building operations	642,359	583,447	-	-	-	-	-	-	642,359	583,447
General, office and administrative	569,209	624,460	-	-	-	-	-	-	573,481	624,460
Council services	235,628	308,064	-	-	-	-	-	-	235,628	308,064
Programming activities	297,480	13,006	-	-	-	-	-	-	297,480	13,006
Publications	241,499	6,920	-	-	-	-	-	-	241,499	6,920
Services	201,861	46,406	-	-	-	-	-	-	201,861	46,406
Interests groups	52,604	45,000	-	-	-	-	-	-	52,604	45,000
Amortization of capital assets	7,098	-	-	-	-	-	-	-	432,742	-
Loss on disposal of investments	-	-	95,000	-	337,742	-	-	-	3,538	-
Interest on long-term debt	-	-	3,538	-	-	-	-	-	68,241	-
Awards granted	-	-	-	-	68,241	-	-	-	4,000	-
	2,528,846	1,993,638	98,538	-	405,983	-	4,000	-	3,037,367	1,993,638
(Deficiency) excess of revenue over expenses	232,684	177,484	(81,690)	-	22,034	-	7,224	-	180,252	177,484



**Student Center of McGill University /
Centre étudiant de l'Université McGill**
Distribution of revenue over expenses actual comparative to budget
Year ended May 31, 2005

	Actual 2005	Budget
	\$	\$
Excess of revenue over expenses		
Sadie's tabagie	990	10,608
Gert's Pub	(72,345)	(50,000)
University center building operations	(116,759)	(157,504)
General office and administrative	(468,389)	(544,753)
Programming activities	14,331	30,761
Publications	18,181	8,880
Services	(28,111)	(35,641)
Students fees	1,180,116	1,268,197
Council services	(235,628)	(308,064)
Interest groups	(52,604)	(45,000)
Amortization	(7,098)	
Net income	232,684	177,484