

*Financial statements of*

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

*May 31, 2007*



**STUDENT CENTER OF MCGILL UNIVERSITY / CENTRE ÉTUDIANT  
DE L'UNIVERSITÉ MCGILL**  
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## 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, 2007 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, 2007 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

Montréal, Québec  
July 13, 2007



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

Balance sheet  
as at May 31 2007

	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	Total 2007	Total 2006
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>								
Currents assets								
Cash	2,664,024	60	111	31,418	-	623,733	3,319,346	1,130,274
Accounts receivable	90,328	-	-	-	-	-	90,328	133,104
Other receivable	-	-	-	-	-	-	-	1,875,000
Inventory	7,729	-	-	-	-	-	7,729	13,540
Prepaid	69,532	-	-	-	-	-	69,532	69,511
Due from Daycare	58,400	-	-	-	-	-	58,400	18,722
Due from (to) other funds	(2,199,069)	2,650,918	(979,295)	476,275	4,104	47,067	-	-
Long-term investments, at cost (note 3)	690,944	2,650,978	(979,184)	507,693	4,104	670,800	3,545,335	3,240,151
Capital assets (note 4)	8,478	267,020	1,950,324	-	-	-	2,225,822	893,316
	699,422	2,917,998	971,140	507,693	4,104	670,800	5,771,157	6,713,031
<b>Liabilities</b>								
Current liabilities								
Accounts payable	40,732	-	-	-	-	-	40,732	32,315
McGill University	-	-	-	-	-	-	-	579,643
Student health insurance plan	308,858	-	99,329	-	-	536,877	536,877	579,643
Other	90,000	-	-	-	-	-	408,187	353,326
Deferred revenues	-	-	-	-	-	-	90,000	75,489
Funds held for:								
Bursaries	-	-	-	-	-	-	-	-
Miscellaneous awards	6,000	-	-	224,540	-	-	224,540	224,540
Current portion of obligation under a capital lease (note 6)	-	-	-	-	-	-	6,000	6,000
Current portion of long-term debt (note 7)	-	-	-	-	-	-	-	4,619
	75,000	-	-	-	-	-	75,000	342,000
Deferred contribution	520,590	-	99,329	224,540	-	536,877	1,381,336	1,617,932
Obligation under a capital lease (note 6)	-	-	-	-	-	-	-	2,494
Long-term debt (note 7)	178,832	-	-	-	-	-	-	6,330
	699,422	-	99,329	224,540	-	536,877	1,560,168	2,849,605
<b>Fund Balances</b>								
Invested in capital assets	-	267,020	871,811	-	-	-	1,138,831	1,092,449
Externally restricted (note 8)	-	-	-	268,742	-	-	268,742	268,742
Internally restricted (note 9)	-	2,650,978	-	14,411	4,104	133,923	2,803,416	2,502,235
	-	2,917,998	871,811	283,153	4,104	133,923	4,210,989	3,863,426
	699,422	2,917,998	971,140	507,693	4,104	670,800	5,771,157	6,713,031

Approved on behalf of the Student Center

\_\_\_\_\_, Administrator

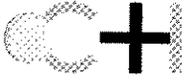
\_\_\_\_\_, Administrator





**Student Center of McGill University / Centre étudiant de l'Université McGill**  
**Statement of cash flows**  
**Year ended May 31, 2007**

	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	Total 2007	Total 2006
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Operating activities</b>								
(Deficiency) excess of revenue over expenses	268,193	(46,381)	(16,078)	3,802	4,104	133,923	347,563	2,496,805
Items not affecting cash:								
Amortization of capital assets	6,262	75,956	409,940				492,158	482,880
Amortization of deferred contribution	(2,494)						(2,494)	(4,272)
Loss (gain) on disposal of investment								(16,058)
Write up of due to SSMU Daycare								(211,562)
Transfer to CERF								
(from operating fund)	(268,193)	268,193						
	3,768	297,768	393,862	3,802	4,104	133,923	837,227	2,747,793
Net change in non-cash working capital items	1,593,328	(806,759)	898,371	(251,735)	(4,104)	489,810	1,918,911	(1,483,449)
	1,597,096	(508,991)	1,292,233	(247,933)			2,756,138	1,264,344
<b>Financing activities</b>								
Increase in long-term debt								336,206
Repayment of long-term debt			(1,311,017)				(1,311,017)	(342,000)
Repayment of obligation under a capital lease	(10,949)						(10,949)	(3,928)
	(10,949)		(1,311,017)				(1,321,966)	(9,722)
<b>Investing activities</b>								
Acquisition of capital assets		(138,416)					(138,416)	(534,270)
Increase in long-term investments								(331,912)
Disposition of long-term investments		644,844		248,472			893,316	274,500
		506,428		248,472			754,900	(591,682)
Net cash inflow (outflow)	1,586,147	(2,563)	(18,784)	539		623,733	2,189,072	662,940
Cash position beginning of year	1,077,877	2,623	18,895	30,879			1,130,274	467,334
<b>Cash position, end of year</b>	2,664,024	60	111	31,418		623,733	3,319,346	1,130,274



**Student Center of McGill University /Centre étudiant de l'Université McGill**  
**Notes to financial statements**  
Year ended May 31, 2007

**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 for The Student's Society of McGill University ("SSMU"). As such, all the Student's Society of McGill University ("SSMU") financial and social activities are performed by the Student's Center of McGill University. 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 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.

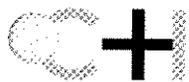
The Renovation Portion of the McGill Student Fund was established to record sources of funds and expenditures related to specific capital projects.

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 \$ 448,519 (2006 - \$430,882) which is allocated to the Renovation Portion of McGill Student fund.

The Queer McGill Undergraduate Fund was established in January 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.

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.



Student Center of McGill University /Centre étudiant de l'Université McGill  
Notes to financial statements  
Year ended May 31, 2007

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 administrated by the Center, they are recorded as revenue by the Center. When the fees relate to activities to be administrated 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 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:

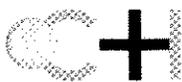
	%
Building improvements	10
Equipment	20
Furniture and fixtures	20
Computer equipment	20
Computer software	50
Automobile	20

*Goodwill*

Goodwill, which represents the excess of the cost of an acquired bookstore over the net of the amounts assigned to assets acquired is not amortized. It is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. The goodwill of a reporting unit and potential impairment is identified by comparing the carrying amount of the reporting unit with its fair value. When the carrying amount exceeds the fair value, an impairment loss should be recognized in an amount equal to the excess. The fair value of a reporting unit is calculated on a discounted cash flow basis.

*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, 2007

3. Long-term investments, at cost

	2007	2006
	\$	\$
<i>Capital Expenditures Reserve Fund</i>		
Debentures	-	644,844
<i>Awards of Distinction Reserve Fund</i>		
Treasury bill Fund	-	248,472
	-	893,316

The long-term investments have been disposed for the reimbursement of the long-term debt related to the Renovation Portion of the McGill Student Fund.

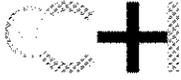
4. Capital assets

*Operating Fund*

	2007		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Automobile	21,362	21,362	-
Equipment	18,840	10,362	8,478
	40,202	31,724	8,478

	2006		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Automobile	21,362	18,868	2,494
Equipment under capital lease	18,840	6,594	12,246
	40,202	25,462	14,740



Student Center of McGill University / Centre étudiant de l'Université McGill  
Notes to financial statements  
Year ended May 31, 2007

4. Capital assets (cont'd)

*Capital Expenditures Reserve Fund*

	2007		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Building improvements	753,326	645,362	107,964
Equipment	754,077	715,904	38,173
Furniture and fixtures	294,596	267,952	26,644
Computer equipment	343,342	278,761	64,581
Computer software	59,378	52,970	6,408
Goodwill	23,250	–	23,250
	<u>2,227,969</u>	<u>1,960,949</u>	<u>267,020</u>

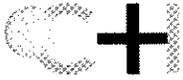
	2006		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Building improvements	713,761	617,621	96,140
Equipment	742,694	698,691	44,003
Furniture and fixtures	280,307	262,370	17,937
Computer equipment	299,998	258,447	41,551
Computer software	52,793	47,864	4,929
	<u>2,089,553</u>	<u>1,884,993</u>	<u>204,560</u>

*Renovation Portion of McGill Student Fund*

	2007		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Building improvements	<u>4,099,378</u>	<u>2,149,054</u>	<u>1,950,324</u>

	2006		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Building improvements	<u>4,099,378</u>	<u>1,739,114</u>	<u>2,360,264</u>



**Student Center of McGill University / Centre étudiant de l'Université McGill**  
**Notes to financial statements**  
Year ended May 31, 2007

**5. Bank Loan**

The Center has an authorized line of credit of \$50,000 bearing interest at a prime rate plus 1.5%, seconded by a movable hypothec on all present and future property. The bank loan is renewable annually.

**6. Obligation under a capital lease**

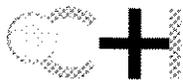
	2007	2006
	\$	\$
<i>Operating Fund</i>		
Minimum lease payments reimbursed in 2007	–	12,644
Interest, 14.2%	–	(1,695)
		10,949
Current portion	–	4,619
	–	6,330

**7. Long-term debt**

	2007	2006
	\$	\$
<i>Operating Fund</i>		
Funds held for Library improvements payable by annual contribution of \$75,000 until September 2010	253,832	253,832
Current portion	75,000	–
	178,832	253,832

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

	\$
2008	75,000
2009	75,000
2010	75,000
2011	28,832
	253,832



**Student Center of McGill University /Centre étudiant de l'Université McGill**  
**Notes to financial statements**  
Year ended May 31, 2007

**7. Long-term debt (cont'd)**

	2007	2006
	\$	\$
<i>Renovation Portion of McGill Student Fund</i>		
Progressive bank loan reimbursed in 2007	-	1,311,017
Current portion	-	342,000
	-	969,017

**8. Externally restricted assets**

	2007	2006
	\$	\$
Endowments, the income from which must be used for grants awarded	268,742	268,742

In 1991, the SSMU established an endowed scholarship fund for an initial amount of \$100,000.

**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.

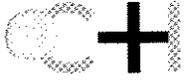
The internally restricted funds of \$2,650,978 in the Capital Expenditures Reserve Fund are to be used for capital expenditures purposes. The internally restricted funds of \$14,411 in the Awards of Distinction Reserve Fund are to be used for awards granted.

**10. Commitment**

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

	\$
2008	112,438
2009	112,438
2010	108,386
2011	102,759
	436,021

The Center is also committed in paying royalties from 1% to 2.5% on the gross income of the book store between April 1, 2007 to May 31, 2009.



**Student Center of McGill University /Centre étudiant de l'Université McGill**  
**Notes to financial statements**  
Year ended May 31, 2007

**11. 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 \$607,397 (\$711,925 in 2006).

**12. Contingency**

A Canadian student association (C.A.S.A) has begun a legal proceeding in order to recover membership fees of \$28,012.

At the present time, it is impossible to determine the final amount that the Center may have to pay to this corporation.

The Center believes that the total amount of this contingent liability will not have any significant unfavourable impact on its financial position and consequently no provision has been made in the financial statements.

**13. Financial instruments**

*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 one customer, thereby ensuring a diversified customer mix.

*Fair market value*

The book values of current assets and liabilities approximate fair market value given their short-term maturities.

**14. Comparatives figures**

To conform with the financial presentation adopted in the current year, some figures for 2006, have been reclassified.

**15. Subsequent Event**

On June 1, 2007, the Center merged with Students' Society of McGill university/Association étudiante de l'Université McGill. As a result the corporation was renamed Students' Society of McGill university/Association étudiante de l'Université McGill.