

**THE STUDENTS' SOCIETY OF MCGILL
UNIVERSITY**

Financial statements

May 31, 1992

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Auditors' report

To the members of
The Students' Society of McGill University

We have audited the balance sheets of the operating fund, the capital expenditures reserve fund and awards of distinction reserve fund of The Students' Society of McGill University as at May 31, 1992 and the statements of revenue and expenses and surplus of the operating fund, changes in the reserve fund for capital expenditures and changes in the reserve fund for awards of distinction 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 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 Society as at May 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Samson Bélair
Deloitte & Touche
Chartered Accountants

January 8, 1993

THE STUDENTS' SOCIETY OF MCGILL UNIVERSITY

Operating fund

Balance sheet

as at May 31, 1992

	1992	1991
Current assets		
Cash	\$ 7,200	\$ 23,036
Accounts receivable	105,254	45,479
Inventories	71,798	58,712
Prepaid expenses	16,411	34,269
Due from capital expenditures reserve fund	<u>511,333</u>	<u>440,581</u>
	<u>\$ 711,996</u>	<u>\$ 602,077</u>
Current liabilities		
Accounts payable		
McGill University	\$ 618,461	\$ 504,953
Other	88,884	97,124
Due to awards of distinction reserve fund	<u>4,651</u>	<u>-</u>
	<u>\$ 711,996</u>	<u>\$ 602,077</u>

Approved on behalf of the Society

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THE STUDENTS' SOCIETY OF MCGILL UNIVERSITY
Capital expenditures reserve fund
Balance sheet
as at May 31, 1992

	1992	1991
Assets		
Investments (market value 1992 - \$567,270; 1991 - \$519,162)	\$ 551,788	\$ 511,474
Fixed assets (Note 2)	<u>304,494</u>	<u>360,013</u>
	<u>\$ 856,282</u>	<u>871,487</u>
Liability and capital		
Due to operating fund	\$ 511,333	\$ 440,581
Reserve fund for capital expenditures	<u>344,949</u>	<u>430,906</u>
	<u>\$ 856,282</u>	<u>\$ 871,487</u>

**Statement of changes in the reserve fund for capital
expenditures**
year ended May 31, 1992

	1992	1991
Balance of fund, beginning of year	\$ 430,906	\$ 615,629
Add		
Interest revenue	<u>42,591</u>	<u>37,075</u>
	<u>473,497</u>	<u>652,704</u>
Deduct		
Transfer to operating fund	13,449	162,756
Amortization of fixed assets	66,748	59,042
Interest expense	<u>48,351</u>	<u>-</u>
	<u>128,548</u>	<u>221,798</u>
Balance of fund, end of year	<u>\$ 344,949</u>	<u>\$ 430,906</u>

THE STUDENTS' SOCIETY OF MCGILL UNIVERSITY
Awards of distinction reserve fund
Balance sheet
as at May 31, 1992

	<u>1992</u>	<u>1991</u>
Assets		
Due from operating fund	\$ 4,651	\$ -
Canada treasury bill	<u>107,375</u>	<u>108,185</u>
	<u>\$ 112,026</u>	<u>\$ 108,185</u>
Capital		
Reserve fund for awards of distinction	<u>\$ 112,026</u>	<u>\$ 108,185</u>

Statement of changes in the reserve fund for
awards of distinction
year ended May 31, 1992

	<u>1992</u>	<u>1991</u>
Balance of fund, beginning of year	\$ <u>108,185</u>	\$ -
Add		
Contributions	5,000	100,000
Interest revenue	<u>7,922</u>	<u>8,185</u>
	<u>12,922</u>	<u>108,185</u>
Deduct		
Awards granted	<u>9,081</u>	-
Balance of fund, end of year	<u>\$ 112,026</u>	<u>\$ 108,185</u>

THE STUDENTS' SOCIETY OF MCGILL UNIVERSITY
Operating fund
Statement of revenue and expenses and surplus
year ended May 31, 1992

	1992	1991
Revenue		
Students' fees	\$ 857,174	\$ 895,006
Sadie's tabagie	527,497	578,721
Food and beverage operations	416,908	410,803
Students' contributions for debt repayment	-	135,426
University Centre building operations	<u>73,296</u>	<u>45,258</u>
	<u>1,874,875</u>	<u>2,065,214</u>
Expenses		
Sadie's tabagie	543,619	610,604
Food and beverage operations	169,163	175,365
University Centre Building operations	383,617	420,815
General office and administrative	445,405	453,874
Council services	125,252	190,496
Society activities and services, net of revenues of \$293,873 (\$249,041 in 1991)	117,562	190,418
Functional groups, net of revenues of \$112,373 (\$88,615 in 1991)	63,027	57,563
Interest groups, net of revenues of \$53,398 (\$58,066 in 1991)	21,831	13,768
Special projects	18,392	29,310
Miscellaneous	<u>456</u>	<u>1,529</u>
	<u>1,888,324</u>	<u>2,143,742</u>
Excess of expenses over revenue	(13,449)	(78,528)
Transfer from capital expenditures reserve fund	13,449	162,756
Transfer of students' contributions to debt repayment fund	<u>-</u>	<u>(84,228)</u>
Accumulated surplus, end of year	\$ <u>-</u>	\$ <u>-</u>

THE STUDENTS' SOCIETY OF MCGILL UNIVERSITY
Notes to the financial statements
year ended May 31, 1992

1. Significant accounting policies

a. Fund accounting

The Society accounts for each fund separately. The purpose of each fund is as follows:

Operating fund

The resources available are used for the general operations of the Society.

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 fixed 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 rates:

Building improvements	10%
Equipment	20%
Furniture and fixtures	20%

Other capital expenditures are fully amortized in the year of acquisition.

Awards of distinction reserve fund

This fund was established on June 1, 1990 for the purpose of generating income to provide for the Students' Society awards of distinction.

b. Investments

Investments are carried at cost. Investment income 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.

THE STUDENTS' SOCIETY OF MCGILL UNIVERSITY
Notes to the financial statements
year ended May 31, 1992

2. Fixed assets - capital expenditures reserve fund

Fixed assets in the capital expenditures reserve fund comprise the following:

			1992	1991
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	
Building improvements	\$ 286,635	\$ 82,275	\$ 204,360	\$ 233,022
Equipment	110,579	56,343	54,236	63,446
Furniture and fixtures	88,232	42,334	45,898	63,545
Other	<u>18,776</u>	<u>18,776</u>	<u>-</u>	<u>-</u>
	\$ <u>504,222</u>	\$ <u>199,728</u>	\$ <u>304,494</u>	\$ <u>360,013</u>

3. Heat, electricity and air conditioning expense

The heat, electricity and air conditioning expense of \$301,439 for the University Centre has been paid by McGill University (1991 - \$279,900).

4. Statement of changes in financial position

A statement of changes in financial position has not been presented as it would not provide additional meaningful information.

5. Contingency

A legal action in the amount of approximately \$2,800,000 has been brought against the Society 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 judgment is rendered.

6. Comparative figures

Certain 1991 figures have been modified in order to conform with the presentation adopted in 1992.

THE STUDENTS' SOCIETY OF MCGILL UNIVERSITY
Notes to the financial statements
year ended May 31, 1992

7. Subsequent events

- a. On August 19, 1992, a new entity was incorporated under Part III of the Quebec Companies Act named the Student Center of McGill University/Centre étudiant de l'Université McGill. The purpose of this entity is to enter into contracts relating to the operations of the Society and to employ personnel.
- b. In September 1992, the Student Center of McGill University (the Center) entered into an agreement with Marriott Corporation of Canada Ltd. (Marriott) for the management of the food and beverage services.

Under the terms of the agreement terminating May 31, 1997, the Center is entitled to receive the following consideration by way of monthly instalments:

For the year ending:

May 31, 1993, the greater of \$350,000 or 11.5% of gross sales
May 31, 1994, the greater of \$367,000 or 11.5% of gross sales
May 31, 1995, the greater of \$386,000 or 12% of gross sales
May 31, 1996, the greater of \$405,000 or 12% of gross sales
May 31, 1997, the greater of \$445,000 or 12.5% of gross sales

Either the Center or Marriott may terminate the agreement at any time during the term of the agreement or any renewed term by giving ninety days' written notice.

The Center is committed to pay rental fees of 11% of gross sales to the various faculty undergraduate societies and several university departments where food services are provided through Marriott. In addition, the Center is committed to establish a restricted capital reserve fund (calculated at 0.5% of annual gross sales) for the sole purpose of financing the purchase and/or replacement of furnishings and equipment required at these locations. As at May 31, 1992, \$10,241 has been set aside for this purpose and is included in Accounts Payable - Other on the balance sheet.

- c. As of November 11, 1992, the investments in the awards of distinction reserve fund and the capital expenditure reserve fund were transferred to McGill University in settlement of the amount due to McGill University.