

Financial statements of

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

May 31, 1997



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

Table of contents

Auditors' report	1
Operating fund	
Balance sheet	2
Capital expenditures reserve fund	
Balance sheet	3
Statement of changes in the reserve fund for capital expenditures	3
Awards of distinction reserve fund	
Balance sheet	4
Statement of changes in the reserve fund for awards of distinction	4
Operating fund	
Statement of revenue and expenses and surplus	5
Statement of changes in the operating fund	6
Notes to the financial statements	7-11



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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 sheets of the operating fund, the capital expenditures reserve fund and awards of distinction reserve fund of the Student Center of McGill University / Centre étudiant de l'Université McGill as at May 31, 1997 and the statements of revenue and expenses and surplus of the operating fund, changes in the operating fund, changes in the reserve fund for capital expenditures and of 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 Center as at May 31, 1997 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

September 2, 1997

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

Operating fund

Balance sheet

as at May 31, 1997

	1997	1996
	\$	\$
Assets		
Current assets		
Cash	549,333	232,635
Short-term investments	-	8,300
Accounts receivable	95,103	141,520
Inventories	67,086	37,599
Prepaid expenses	51,357	28,025
Due from capital expenditures reserve fund	89,089	27,271
	851,968	475,350
Capital assets (Note 3)	231,122	268,947
	1,083,090	744,297

Liabilities

Current liabilities

Accounts payable		
McGill University	64,840	70,509
Student health insurance plan	221,153	81,866
Other	322,774	317,977
Due to awards of distinction reserve fund	3,093	46,889
Due to library improvement fund	313,155	-
Current portion of long-term debt (Note 4)	51,886	69,236
	976,901	586,477
Long-term debt (Note 4)	106,189	157,820
	1,083,090	744,297

Approved on behalf of the Student Center


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

Capital expenditures reserve fund

Balance sheet

as at May 31, 1997

	1997	1996
	\$	\$
Assets		
Current assets		
Investments (market value \$447,589; 1996 - \$416,035)	440,404	416,530
Capital assets (Note 3)	323,994	347,247
	764,398	763,777

Liabilities

Current liabilities		
Due to operating fund	89,089	27,271
Accrued interest	-	5,250
Current portion of long-term debt (Note 4)	-	120,000
	89,089	152,521

Capital

Reserve fund for capital expenditures	675,309	611,256
	764,398	763,777

**Statement of changes in the reserve fund for capital expenditures
year ended May 31, 1997**

	1997	1996
	\$	\$
Balance of fund, beginning of year	611,256	479,128
Add		
Dividends	23,872	28,541
Transfer from operating fund	162,012	218,846
	797,140	726,515
Deduct		
Amortization of capital assets	118,681	103,709
Interest expense	3,150	11,550
	121,831	115,259
Balance of fund, end of year	675,309	611,256



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

Awards of distinction reserve fund

Balance sheet

as at May 31, 1997

	1997	1996
	\$	\$
Assets		
Current assets		
Due from operating fund	3,093	46,889
Investment	187,821	130,000
Accrued interest receivable	-	4,074
	190,914	180,963

Capital

Reserve fund for awards of distinction	190,914	180,963
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Statement of changes in the reserve fund for awards of distinction

year ended May 31, 1997

	1997	1996
	\$	\$
Balance of fund, beginning of year	180,963	124,617
Add		
Contributions	10,000	55,000
Interest revenue	5,951	7,346
	15,951	62,346
Deduct		
Awards granted	6,000	6,000
Balance of fund, end of year	190,914	180,963



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

Operating fund

Statement of revenue and expenses and surplus

year ended May 31, 1997

	1997	1996
	\$	\$
Revenue		
Students' fees	915,991	936,530
Sadie's tabagie	270,227	322,543
Gert's Pub	359,168	402,554
Food and beverage operations	246,297	368,743
University center building operations	124,734	89,879
General, office and administrative	165,857	126,071
Programming activities	157,552	119,557
Publications	224,721	223,021
Services	108,256	114,733
	2,572,803	2,703,631
Expenses		
Sadie's tabagie	261,794	304,513
Gert's Pub	423,152	497,460
Food and beverage operations	166,931	177,795
University center building operations	264,698	270,749
General, office and administrative	501,616	479,580
Council services	204,290	198,636
Programming activities	164,901	135,858
Publications	236,069	238,157
Services	126,955	134,966
Interest group	60,385	47,071
	2,410,791	2,484,785
Excess of revenue over expenses	162,012	218,846
Transfer to capital expenditures reserve fund	(162,012)	(218,846)
Accumulated surplus, end of year	-	-



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

Statement of changes in the operating fund

year ended May 31, 1997

	1997	1996
	\$	\$
Operating activities		
Excess of revenue over expenses	162,012	218,846
Items not affecting cash		
Amortization	63,825	60,552
Loss on sale of capital assets	1,692	-
	227,529	279,398
Changes in non-cash operating working capital items	339,554	99,807
	567,083	379,205
Financing activities		
Proceeds from long-term debt	-	247,795
Repayment of long-term debt	(68,981)	(60,739)
Transfer to capital expenditures reserve fund	(162,012)	(218,846)
	(230,993)	(31,790)
Investing activities		
Acquisition of capital assets	(27,692)	(329,499)
Net cash inflow	308,398	17,916
Cash position, beginning of year	240,935	223,019
Cash position, end of year	549,333	240,935
Cash position comprised of		
Cash	549,333	232,635
Short-term investments	-	8,300
	549,333	240,935



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

Notes to the financial statements
year ended May 31, 1997

1. Status of corporation

Student Center of McGill University / Centre étudiant de l'Université McGill is a non-profit entity, incorporated on August 19, 1992 under Part III of the Quebec *Companies Act*.

2. Significant accounting policies

a) Fund accounting

The Center 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 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 rates:

	%
Building 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.



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

Notes to the financial statements
year ended May 31, 1997

2. Significant accounting policies (cont'd)

a) Fund accounting (cont'd)

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.

b) Library improvement fund

This fund was established on February 8, 1996 for the purpose of increasing the resources normally provided by the University and used by students.

c) Investments

Investments are carried at cost. Investment revenue is accounted for on an accrual basis.

d) Inventories

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

e) Use of estimates

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

f) Financial instruments

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 the financial statements
year ended May 31, 1997

3. Capital assets

Capital expenditures reserve fund

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

	1997		1996
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Building improvements	421,943	258,061	163,882
Computer equipment	89,537	39,215	50,322
Computer software	10,647	6,638	4,009
Equipment	300,696	215,495	85,201
Furniture and fixtures	135,439	114,859	20,580
Incorporation expenses	34,462	34,462	-
	992,724	668,730	323,994

Operating fund

Capital assets in the operating fund comprise the following:

	1997		1996
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Building improvements	77,089	15,409	61,680
Equipment	252,328	91,296	161,032
Furniture and fixtures	10,778	3,704	7,074
Smallwares	10,580	9,244	1,336
	350,775	119,653	231,122

The above includes assets acquired under capital leases having an original cost of \$202,787 and a net book value of \$118,203.



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

Notes to the financial statements
year ended May 31, 1997

4. Long-term debt

	<u>1997</u>	<u>1996</u>
	\$	\$
Capital expenditures reserve fund		
Loan from McGill University was repaid in full during the year	-	120,000
Less current portion	-	120,000
	-	-
	<u>1997</u>	<u>1996</u>
	\$	\$
Operating fund		
Loan from McGill University, bearing interest at 7%, capital and interest payable on October 15 of each year	-	20,000
Obligations under capital leases, expiring at varying dates between 1998 and 2001, subject to imputed interest at annual rates between 11% and 15%, secured by the assets acquired thereunder	158,075	207,056
	158,075	227,056
Less current portion	51,886	69,236
	106,189	157,820

Interest expense on long-term debt for the current year amounted to \$25,722.



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

Notes to the financial statements
year ended May 31, 1997

4. Long-term debt (continued)

Principal repayments of long-term debt over the next four years are as follows:

	Capital leases
	\$
1998	70,146
1999	57,217
2000	48,544
2001	17,963
Total future minimum lease payments	193,870
Less amount representing interest	(35,795)
	158,075

5. Food and beverage operations

In 1995, the Center entered into an agreement with Services Alimentaires Miraval Inc. ("Miraval") for the management of the food and beverage services. Under the terms of the agreement terminating June 30, 2000, the Center is entitled to receive certain minimum monthly instalments. Either the Center or Miraval 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 based on gross sales to the various faculty undergraduate societies and several university departments where food services are provided through Miraval. In addition, the Center is committed to establish a restricted capital reserve fund (calculated at 0.5% of annual gross sales, where applicable) for the sole purpose of financing the purchase and/or replacement of furnishings and equipment required at these locations. As at May 31, 1997, \$29,655 has been set aside for this purpose and is included in Accounts Payable - Other on the balance sheet.

6. Heat, electricity and air conditioning expense

The heat, electricity and air conditioning expense of \$339,933 for the University centre has been paid by McGill University (1996 - \$217,571).

7. 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 judgment is rendered.

