



**MACDONALD CAMPUS STUDENTS' SOCIETY
ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD**

FINANCIAL REPORT

MAY 31, 2016

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**MACDONALD CAMPUS STUDENTS' SOCIETY / ASSOCIATION DES ÉTUDIANTS DU CAMPUS
MACDONALD****FINANCIAL REPORT
MAY 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Members of
**MACDONALD CAMPUS STUDENTS' SOCIETY / ASSOCIATION DES ÉTUDIANTS DU CAMPUS
MACDONALD**

We have audited the accompanying financial statements of **MACDONALD CAMPUS STUDENTS' SOCIETY / ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD**, which comprise the statement of financial position as at May 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

MACDONALD CAMPUS STUDENTS' SOCIETY / ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD derives some revenue from bar and catering operations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to bar and catering revenues, excess of revenue over expenses, and cash flows from operations for the years ended May 31, 2016 and 2015, current assets as at May 31, 2016 and May 31, 2015 and net assets as at June 1 and May 31 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended May 31, 2015, was modified accordingly, because of the possible effects of this scope limitation.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **MACDONALD CAMPUS STUDENTS' SOCIETY / ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD** as at May 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Mazars Harel Drouin, LLP¹

Montréal, August 18, 2016

MACDONALD CAMPUS STUDENTS' SOCIETY
ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MAY 31, 2016

	2016	2015
REVENUES		
Student council revenues	\$ 411,347	\$ 421,058
Bookstore operations – sales	248,133	211,700
Bar operations	70,514	77,306
Miscellaneous	445	257
	<u>730,439</u>	<u>710,321</u>
EXPENSES		
Student council	309,725	295,540
Bookstore costs	254,058	214,387
Bar	101,648	98,702
Administrative salaries – operations	58,619	55,737
General	56,776	39,729
Settlement agreement (note 11)	12,500	-
	<u>793,326</u>	<u>704,095</u>
EXCESS OF REVENUES OVER EXPENSES (DEFICIENCY)	\$ (62,887)	\$ 6,226

The additional information is an integral part of the financial statements.

MACDONALD CAMPUS STUDENTS' SOCIETY
ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD

STATEMENT OF FINANCIAL POSITION
MAY 31, 2016

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 254,092	\$ 212,641
Accounts receivable (note 3)	5,748	11,324
Deposits (note 4)	125,894	120,098
Inventory (note 5)	79,167	133,699
Prepaid expenses	20,433	5,417
	485,334	483,179
DEPOSITS (note 4)	985,120	1,085,852
DEPOSITS HELD BY MCGILL UNIVERSITY, WITHOUT INTEREST	8,325	8,325
CAPITAL ASSETS (note 6)	41,311	22,206
	\$ 1,520,090	\$ 1,599,562
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (note 7)	\$ 23,666	\$ 20,633
Club revenues payable (note 8)	71,241	89,595
Class fees payable	4,100	5,364
	99,007	115,592
NET ASSETS		
UNRESTRICTED	1,379,772	225,885
INVESTED IN CAPITAL ASSETS	41,311	22,206
INTERNALLY RESTRICTED FOR RENOVATIONS (note 9)	-	1,235,879
	1,421,083	1,483,970
	\$ 1,520,090	\$ 1,599,562

ON BEHALF OF THE BOARD

 Director

 Director

MACDONALD CAMPUS STUDENTS' SOCIETY
ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD

CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2016

	Internally restricted for renovations	Invested in capital assets	Unrestricted	2016 Total	2015 Total
BALANCE, BEGINNING OF YEAR	\$ 1,235,879	\$ 22,206	\$ 225,885	\$ 1,483,970	\$ 1,477,744
Excess of revenues over expenses (deficiency)	-	(7,460)	(55,427)	(62,887)	6,226
Investment in capital assets	-	26,565	(26,565)	-	-
Internally restricted (note 9)	(1,235,879)	-	1,235,879	-	-
BALANCE, END OF YEAR	\$ -	\$ 41,311	\$ 1,379,772	\$ 1,421,083	\$ 1,483,970

**MACDONALD CAMPUS STUDENTS' SOCIETY
ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2016**

	2016	2015
OPERATING ACTIVITIES		
Excess of revenues over expenses (deficiency)	\$ (62,887)	\$ 6,226
Amortization – capital assets	7,460	5,664
Interest income not collected	(25,852)	(25,890)
	(81,279)	(14,000)
Net change in non-cash working capital items	28,507	(12,948)
Cash flows used in operating activities	(52,772)	(26,948)
INVESTING ACTIVITIES		
Acquisition – deposits	(20,928)	(258,390)
Disposal – deposits	141,716	259,668
Acquisition – capital assets	(26,565)	(2,833)
Cash flows from (used in) investing activities	94,223	(1,555)
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	41,451	(28,503)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	212,641	241,144
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 254,092	\$ 212,641

**MACDONALD CAMPUS STUDENTS' SOCIETY
ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD**

**NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016**

1. STATUS AND NATURE OF OPERATIONS

The Society was incorporated on February 20, 1976, under Part III of the Québec Companies Act as a not-for-profit organization and is exempt from tax on its operations. The Society operates bar and bookstore facilities for the students on Macdonald Campus, it exercises a control of students' activities and promotes students' welfare and interests.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations included in Part III of the Chartered Professional Accountants of Canada Handbook ("CPA Canada Handbook") – Accounting, and include the following significant accounting policies:

Financial instruments

Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and all deposits.

Financial liabilities measured at amortized cost include trade payable and accrued charges, club revenues payable and class fees payable.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of possible impairment. The Society determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial assets. If this is the case, the carrying amount of the assets is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the assets, and the amount that could be realized by selling the assets at the balance sheet date. The amount of the write-down is recognized in net operations. The previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net operations.

**MACDONALD CAMPUS STUDENTS' SOCIETY
ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD**

**NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Society follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and its collection is reasonably assured.

Bookstore revenues and bar sales are recognized when the goods are shipped or services are provided, when there is persuasive evidence that an arrangement exists, the price is fixed or determinable and that the recovery is reasonably assured.

Fees activities are recognized as revenue proportionally over the fiscal year to which they relate.

Interest is recognized as revenue when earned.

Cash and cash equivalents

The Society's policy is to present in cash and cash equivalents, bank balances including bank overdraft with balances from positive to negative and term deposits with a maturity period of three months or less from the date of acquisition.

Inventories

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

Capital assets

Capital assets are accounted for at cost. Amortization is calculated on the basis of their useful life using the declining balance method. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

Bar furniture and equipment	20%
Computers	30%
Office furniture	20%

3. ACCOUNTS RECEIVABLE

	2016	2015
Due from McGill University	\$ -	\$ 1,587
Other accounts receivable	5,748	9,737
	<u>\$ 5,748</u>	<u>\$ 11,324</u>

**MACDONALD CAMPUS STUDENTS' SOCIETY
ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD**

**NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016**

4. DEPOSITS

The Society has invested in short-term and long-term guaranteed investment certificates at interest rates between 2% and 2.97% with maturity dates expiring from January 2017 to February 2020.

5. INVENTORY

The amount of the variation recorded as expenses equals to \$54,532 ((\$23,189) in 2015).

6. CAPITAL ASSETS

	2016		2015	
	COST	ACCUMULATED AMORTIZATION	NET VALUE	NET VALUE
Bar furniture and equipment	\$ 215,439	\$ 182,169	\$ 33,270	\$ 19,505
Computers	42,248	36,723	5,525	631
Office furniture	46,512	43,996	2,516	2,070
	<u>\$ 304,199</u>	<u>\$ 262,888</u>	<u>\$ 41,311</u>	<u>\$ 22,206</u>

7. ACCOUNTS PAYABLE

	2016	2015
Trade and accrued charges	\$ 13,470	\$ 13,668
Due to McGill University	83	-
Government remittances	10,113	6,965
	<u>\$ 23,666</u>	<u>\$ 20,633</u>

8. CLUB REVENUES PAYABLE

The Society holds amounts in trust for various club activities. The results of the club activities are only included in these financial statements to the extent of support provided by the Students' Society.

9. INTERNALLY RESTRICTED NET ASSETS

In a referendum held on March 27, 2014, and implemented in September 2014, the Society members voted to cease charging fees for the Renovation Fund.

Also, in a referendum held on November 18, 2015, the Society members voted to eliminate the Renovation Fund and transfer it to unrestricted net assets.

**MACDONALD CAMPUS STUDENTS' SOCIETY
ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD**

**NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016**

10. RELATED PARTY TRANSACTIONS

The Society operates as an independent organization and elects its own directors and management. As a result, McGill University is not considered as a related party except for the following transactions which are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties:

	2016		2015
Rent paid for use of facilities	\$ 45,645	\$	49,192
McGill administration fees	\$ 5,482	\$	4,570

11. CONTINGENCY

Last year, the Society was served with a lawsuit of \$ 309,136 plus interest. On October 23, 2015, a settlement of \$ 12,500 was issued as a result of this lawsuit.

The payment resulting from this lawsuit has been charged to the net operations of the financial statements.

12. COMMITMENTS

The commitments of the Society under lease agreements aggregate to \$197,796. The instalments over the next four years are the following:

2017	\$	47,167
2018	\$	48,688
2019	\$	50,210
2020	\$	51,731

13. FINANCIAL INSTRUMENTS

Risks and concentrations

The Society is exposed to various risks through its financial instruments without being exposed to concentrations of risk. The following analysis provides a measure of the risks at the balance sheet date.

Interest rate

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on its fixed-interest financial instruments. Fixed-interest instruments subject the Society to a fair value risk.

**MACDONALD CAMPUS STUDENTS' SOCIETY
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**NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016**

14. COMPARATIVE FIGURES FOR THE PRIOR YEAR

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

**MACDONALD CAMPUS STUDENTS' SOCIETY
ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD**

**ADDITIONAL INFORMATION
FOR THE YEAR ENDED MAY 31, 2016**

	2016	2015
STUDENT COUNCIL REVENUES		
Health insurance	\$ 206,518	\$ 203,867
Fees – activities	148,836	138,974
Interest income	46,781	64,280
Publication – yearbook	5,202	4,547
Lockers	2,706	3,038
Publication – handbook	1,304	1,852
Sponsorship	-	4,500
	\$ 411,347	\$ 421,058
BOOKSTORE OPERATIONS – SALES		
Books	\$ 184,752	\$ 146,875
Robber's roost	31,332	27,321
Stationary	18,670	19,782
McGill items	6,812	3,969
Consignment	6,567	13,753
	\$ 248,133	\$ 211,700
BAR OPERATIONS		
Bar – Ceilidh	\$ 101,144	\$ 115,302
Room rental and meals	12,804	17,397
Catering, beer and liquor	5,400	1,243
	119,348	133,942
Cost of beer and liquor	44,011	49,137
Cost of food and soft drinks	4,823	7,499
	48,834	56,636
	\$ 70,514	\$ 77,306

**MACDONALD CAMPUS STUDENTS' SOCIETY
ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD**

**ADDITIONAL INFORMATION
FOR THE YEAR ENDED MAY 31, 2016**

	2016	2015
STUDENT COUNCIL		
Health insurance	\$ 199,679	\$ 198,322
Student activities	52,680	46,061
Administrative salaries and benefits	39,311	36,263
Publication – handbook	7,686	7,876
McGill administration fees	5,482	4,570
Publication – yearbook	3,158	2,208
Webmaster	1,729	240
	\$ 309,725	\$ 295,540
BOOKSTORE COSTS		
Books	\$ 154,337	\$ 115,071
Salaries and benefits	33,722	37,719
Robber's roost	22,425	18,836
Rent	13,875	12,025
Stationary	13,777	12,308
Consignment	4,972	11,477
Freight	4,380	3,357
Miscellaneous	3,464	1,786
McGill items	3,106	1,808
	\$ 254,058	\$ 214,387
BAR		
Salaries and benefits	\$ 46,867	\$ 39,997
Rent	31,770	37,167
Repairs and maintenance	8,838	8,678
Supplies	6,199	5,100
Sound system	5,025	4,547
Advertising and promotion	2,142	1,456
Security	600	1,440
Telephone	207	317
	\$ 101,648	\$ 98,702

MACDONALD CAMPUS STUDENTS' SOCIETY
ASSOCIATION DES ÉTUDIANTS DU CAMPUS MACDONALD

ADDITIONAL INFORMATION
FOR THE YEAR ENDED MAY 31, 2016

	2016	2015
GENERAL		
Audit and legal	\$ 29,850	\$ 17,030
Insurance	10,958	9,488
Amortization – capital assets	7,460	5,664
Office	5,263	4,036
Telephone	1,541	1,163
Computer	1,389	1,389
Bank charges	315	584
Repairs and maintenance	-	375
	<u>\$ 56,776</u>	<u>\$ 39,729</u>