

STUDENTS' SOCIETY OF MCGILL UNIVERSITY

FINANCIAL STATEMENTS

MAY 31, 2018

STUDENTS' SOCIETY OF MCGILL UNIVERSITY  
FINANCIAL STATEMENTS  
MAY 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of  
Students' Society of McGill University

We have audited the accompanying financial statements of Students' Society of McGill University (SSMU), which comprise the statement of financial position as at May 31, 2018, and the statements of operations and changes in fund balances 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

In common with many not-for-profit organizations, SSMU derives revenue from cash transactions the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our audit of these revenues was limited to the amounts recorded in the books of SSMU. Additionally, SSMU did not consolidate the accounts of SSMU Daycare Center Inc. / Centre de Garderie SSMU Inc., a not-for-profit organization, of which SSMU is deemed to have control over the operations and the deployment of its resources. Under Canadian accounting standards for not-for-profit organizations, SSMU should report the not-for-profit organization over which it has control by consolidating the controlled organization in its financial statements or by disclosing the total assets, total liabilities and net assets as at May 31, 2018 in addition to the revenues, expenses and cash flows for the year then ended. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses and cash flows for the years ended May 31, 2018 and 2017, assets as at May 31, 2018 and 2017, and fund balances as at June 1 and May 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended May 31, 2017 was modified accordingly because of the possible effects of these limitations of scope.

### Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Students' Society of McGill University as at May 31, 2018, 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.

*FL Fuller Landau LLP*<sup>1</sup>

Montreal, October 23, 2018

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A133595



STUDENTS' SOCIETY OF MCGILL UNIVERSITY  
STATEMENT OF FINANCIAL POSITION  
AS AT MAY 31, 2018

|   | Operating<br>Fund<br>\$ | Capital<br>Expenditures<br>Reserve Fund<br>\$ | Awards of<br>Distinction<br>Reserve Fund<br>\$ | Health and<br>Dental Plan<br>Reserve Fund<br>\$ | Student Life<br>Fund<br>\$ | University<br>Centre<br>Building Fund<br>\$ | 2018<br>Total<br>\$ | 2017<br>Total<br>\$ |
|---|-------------------------|---|--|---|----------------------------|---|---------------------|---------------------|
| <b>ASSETS</b>                                     |                         |   |  |   |                            |   |                     |                     |
| <b>Current</b>                                    |                         |   |  |   |                            |   |                     |                     |
| Cash and cash equivalents (Note 3)                | 657,154                 | 447,673                                       | -  | 2,039   | -                          | -   | 1,106,866           | 797,580             |
| Accounts receivable (Note 4)                      | 61,801                  | 4,277   | -  | -   | -                          | -   | 66,078              | 91,287              |
| Interest receivable                               | 7,742                   | 4,789   | 6,225  | 11,861  | -                          | -   | 30,617              | 23,085              |
| Investments (Note 5)                              | 1,302,072               | 3,555,181                                     | 522,504  | 1,264,090                                       | -                          | -   | 6,643,847           | 7,828,421           |
| Inventory   | 5,150                   | -   | -  | -   | -                          | -   | 5,150               | 13,848              |
| Prepaid expenses                                  | 108,275                 | -   | -  | -   | -                          | -   | 108,275             | 75,998              |
| Due from other funds (Note 6)                     | 47,268                  | 1,147,925                                     | -  | -   | 1,022,794                  | 85,489                                      | 2,303,476           | 2,308,824           |
|   | 2,189,462               | 5,159,845                                     | 528,729  | 1,277,990                                       | 1,022,794                  | 85,489                                      | 10,264,309          | 11,139,043          |
| Capital assets (Note 7)                           | -                       | 4,309,012                                     | -  | -   | -                          | -   | 4,309,012           | 857,253             |
|   | 2,189,462               | 9,468,857                                     | 528,729  | 1,277,990                                       | 1,022,794                  | 85,489                                      | 14,573,321          | 11,996,296          |
| <b>LIABILITIES</b>                                |                         |   |  |   |                            |   |                     |                     |
| <b>Current</b>                                    |                         |   |  |   |                            |   |                     |                     |
| Accounts payable and accrued liabilities (Note 8) | 196,320                 | -   | -  | 895,053   | -                          | -   | 1,091,373           | 1,887,233           |
| Bursaries payable                                 | -                       | -   | 224,540  | -   | -                          | -   | 224,540             | 224,540             |
| Deferred revenues                                 | 93,282                  | -   | -  | -   | -                          | -   | 93,282              | 103,158             |
| Current portion of long-term debt (Note 9)        | -                       | 110,655                                       | -  | -   | -                          | -   | 110,655             | -                   |
| Due to other funds (Note 6)                       | 1,899,860               | 356,348                                       | -  | 47,268  | -                          | -   | 2,303,476           | 2,308,824           |
|   | 2,189,462               | 467,003                                       | 224,540  | 942,321   | -                          | -   | 3,823,326           | 4,523,755           |
| Long-term debt (Note 9)                           | -                       | 3,072,007                                     | -  | -   | -                          | -   | 3,072,007           | -                   |
|   | 2,189,462               | 3,539,010                                     | 224,540  | 942,321   | -                          | -   | 6,895,333           | 4,523,755           |
| <b>FUND BALANCES</b>                              |                         |   |  |   |                            |   |                     |                     |
| Invested in capital assets                        | -                       | 1,126,350                                     | -  | -   | -                          | -   | 1,126,350           | 857,253             |
| Internally restricted                             | -                       | 4,803,497                                     | 304,189  | 335,669   | 1,022,794                  | 85,489                                      | 6,551,638           | 6,615,288           |
| Unrestricted                                      | -                       | -   | -  | -   | -                          | -   | -                   | -                   |
|   | -                       | 5,929,847                                     | 304,189  | 335,669   | 1,022,794                  | 85,489                                      | 7,677,988           | 7,472,541           |
|   | 2,189,462               | 9,468,857                                     | 528,729  | 1,277,990                                       | 1,022,794                  | 85,489                                      | 14,573,321          | 11,996,296          |

Commitments (Note 10)

On behalf of the Board,

*Jun Wang* Director  
*Matthew McLaughlin* Director

**STUDENTS' SOCIETY OF MCGILL UNIVERSITY**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MAY 31, 2018**

|   | Operating<br>Fund<br>\$ | Capital<br>Expenditures<br>Reserve Fund<br>\$ | Awards of<br>Distinction<br>Reserve Fund<br>\$ | Health and<br>Dental Plan<br>Reserve Fund<br>\$ | Student Life<br>Fund<br>\$ | University<br>Centre<br>Building Fund<br>\$ | Total<br>2018<br>\$ | Total<br>2017<br>\$ |
|---|-------------------------|---|--|---|----------------------------|---|---------------------|---------------------|
| <b>Revenues</b>                               |                         |   |  |   |                            |   |                     |                     |
| Student fees                                  | 1,819,641               | 43,920  | -  | 3,488,953                                       | -                          | 295,793                                     | 5,648,307           | 5,543,360           |
| Gerts Bar                                     | 440,687                 | -   | -  | -   | -                          | -   | 440,687             | 405,778             |
| Student run café                              | -                       | -   | -  | -   | -                          | -   | -                   | 250,423             |
| University centre building operations         | 413,775                 | -   | -  | -   | -                          | -   | 413,775             | 325,872             |
| General administration (Note 11)              | 103,362                 | -   | -  | -   | -                          | -   | 103,362             | 94,743              |
| Funding                                       | 480,268                 | -   | -  | -   | -                          | -   | 480,268             | 378,108             |
| Programming activities                        | 230,582                 | -   | -  | -   | -                          | -   | 230,582             | 259,492             |
| Publications and communication                | 45,234                  | -   | -  | -   | -                          | -   | 45,234              | 41,295              |
| Services                                      | 864,983                 | -   | -  | -   | -                          | -   | 864,983             | 763,043             |
| Investment revenue                            | -                       | 124,475                                       | 8,143  | 30,970  | -                          | -   | 163,588             | 146,718             |
| Gain on disposal of investments               | -                       | 187,946                                       | -  | -   | -                          | -   | 187,946             | 101,592             |
| Unrealized gain (loss) on investments         | -                       | (121,009)                                     | -  | -   | -                          | -   | (121,009)           | 177,364             |
| Clubs - net gain                              | 59,480                  | -   | -  | -   | -                          | -   | 59,480              | 37,688              |
|   | <b>4,458,012</b>        | <b>235,332</b>                                | <b>8,143</b>                                   | <b>3,519,923</b>                                | <b>-</b>                   | <b>295,793</b>                              | <b>8,517,203</b>    | <b>8,525,476</b>    |
| <b>Expenses</b>                               |                         |   |  |   |                            |   |                     |                     |
| Gerts Bar                                     | 418,582                 | -   | -  | -   | -                          | -   | 418,582             | 382,398             |
| Student run café                              | 6,151                   | -   | -  | -   | -                          | -   | 6,151               | 329,585             |
| University centre building operations         | 688,339                 | -   | -  | -   | -                          | 256,812                                     | 945,151             | 700,126             |
| Student health plan premiums                  | -                       | -   | -  | 3,922,053                                       | -                          | -   | 3,922,053           | 3,666,996           |
| General administration                        | 935,748                 | -   | -  | -   | -                          | -   | 935,748             | 915,344             |
| Governances                                   | 315,898                 | -   | -  | -   | -                          | -   | 315,898             | 337,614             |
| Funding                                       | 229,729                 | -   | -  | -   | 259,963                    | -   | 489,692             | 247,578             |
| Programming activities                        | 175,893                 | -   | -  | -   | -                          | -   | 175,893             | 263,357             |
| Publications and communication                | 25,216                  | -   | -  | -   | -                          | -   | 25,216              | 33,453              |
| Services                                      | 539,281                 | -   | -  | -   | 233,201                    | -   | 772,482             | 693,550             |
| Amortization of capital assets                | -                       | 256,023                                       | -  | -   | -                          | -   | 256,023             | 227,857             |
| Investment management fees                    | -                       | 28,347  | -  | -   | -                          | -   | 28,347              | 26,661              |
| Awards of distinction granted                 | -                       | -   | -  | -   | -                          | -   | -                   | 8,000               |
| Interest on long-term debt                    | -                       | 20,520  | -  | -   | -                          | -   | 20,520              | -                   |
|   | <b>3,334,837</b>        | <b>304,890</b>                                | <b>-</b>                                       | <b>3,922,053</b>                                | <b>493,164</b>             | <b>256,812</b>                              | <b>8,311,756</b>    | <b>7,832,519</b>    |
| Excess (deficiency) of revenues over expenses | 1,123,175               | (69,558)                                      | 8,143  | (402,130)                                       | (493,164)                  | 38,981                                      | 205,447             | 692,957             |
| Fund balances, beginning of year              | -                       | 5,496,884                                     | 296,046  | 737,799   | 895,304                    | 46,508                                      | 7,472,541           | 6,779,584           |
| Interfund transfers (Note 6)                  | (1,123,175)             | 502,521                                       | -  | -   | 620,654                    | -   | -                   | -                   |
| Fund balances, end of year                    | -                       | 5,929,847                                     | 304,189  | 335,669   | 1,022,794                  | 85,489                                      | 7,677,988           | 7,472,541           |

STUDENTS' SOCIETY OF MCGILL UNIVERSITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MAY 31, 2018

|   | 2018               | 2017               |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| <b>Operating activities</b>   |                    |                    |
| Excess of revenues over expenses                                    | 205,447            | 692,957            |
| Items not requiring cash  |                    |                    |
| Amortization of capital assets                                      | 256,023            | 227,857            |
| Gain on disposal of investments                                     | (187,946)          | (101,592)          |
| Unrealized (gain) loss on investments                               | 121,009            | (177,364)          |
|   | 394,533            | 641,858            |
| <b>Net change in non-cash items related to operating activities</b> | <b>(811,638)</b>   | <b>934,797</b>     |
|   | <b>(417,105)</b>   | <b>1,576,655</b>   |
| <b>Investing activities</b>   |                    |                    |
| Acquisition of capital assets                                       | (3,707,782)        | (251,846)          |
| Acquisition of investments  | (7,320,000)        | (10,912,029)       |
| Proceeds from disposition of investments                            | 8,571,511          | 7,425,416          |
|   | <b>(2,456,271)</b> | <b>(3,738,459)</b> |
| <b>Financing activities</b>   |                    |                    |
| Long-term borrowings  | 3,200,000          | -                  |
| Repayment of long-term debt   | (17,338)           | -                  |
|   | <b>3,182,662</b>   | <b>-</b>           |
| <b>Increase (decrease) in cash and cash equivalents</b>             | <b>309,286</b>     | <b>(2,161,804)</b> |
| <b>Cash and cash equivalents, beginning of year</b>                 | <b>797,580</b>     | <b>2,959,384</b>   |
| <b>Cash and cash equivalents, end of year</b>                       | <b>1,106,866</b>   | <b>797,580</b>     |

STUDENTS' SOCIETY OF MCGILL UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018

1. Nature of the organization

The Students' Society of McGill University ("SSMU") incorporated the Student Center of McGill University on August 19, 1992 under part III of the Companies Act (Québec). On June 1, 2007, the Student Center of McGill University / Centre étudiant de l'Université McGill merged with Students' Society of McGill University / Association étudiante de l'Université McGill. As a result, SSMU was renamed Students' Society of McGill University / Association étudiante de l'Université McGill.

SSMU is a not-for-profit organization dedicated to providing various services to McGill students. The organization is exempt from income taxes.

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting and include the following accounting policies:

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Fund accounting

The Operating Fund records unrestricted resources which are available for the general operations of SSMU. This fund also records restricted resources for activities for which no restricted fund has been established.

The Capital Expenditures Reserve Fund was established in 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 in 1990 for the purpose of generating revenue to provide for SSMU's awards of distinction.

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 maintained in this fund.



STUDENTS' SOCIETY OF MCGILL UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018

2. Significant accounting policies (continued)

Fund accounting (continued)

The Student Life Fund was established in March 2010 for the purpose of enhancing student life on campus and to ensure that unused resources from other funds remain available for use in future years. The capital of the Student Life Fund is derived by unused resources from other funds, namely: Internal Fee Funded Funds, Fee Funded SSMU Services, Non-Fee Funded SSMU Services, Fee Funded Affiliated Student Associations and the Gerts Student Life Fund.

The University Centre Building Fund was established in October 2014 with the creation of the SSMU University Centre Building fee, in order to ensure any excess of funds from student fees are reserved and restricted for future lease payments.

Revenue recognition

SSMU follows the restricted fund method of accounting for contributions.

Unrestricted contributions are recognized as revenue in the 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 in the Operating Fund in the year in which the related expenses are incurred.

Restricted contributions related to health and dental insurance premiums are recognized as revenue in the Health and Dental Plan Reserve Fund over the period in which the related expenses are incurred.

All other restricted contributions are recognized as revenue in the appropriate restricted fund when received or when the amount to be received can be reasonably estimated or collection is reasonably assured.

Student fees, university centre building operations, general administration, funding, programming activities and services revenues are recognized by SSMU once the service is provided and collection is reasonably assured.

Gerts Bar revenues are recognized by SSMU when the service or goods are provided and collection is reasonably assured.

Investment income earned on resources to be spent on restricted activities is recognized as revenue in the period in which it is earned in the appropriate restricted fund.

Deferred revenues include revenues received in advance for rentals, handbook advertising and sponsorship.

STUDENTS' SOCIETY OF MCGILL UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018

2. Significant accounting policies (continued)

Cash and cash equivalents

The SSMU's policy is to present bank balances under cash and cash equivalents, including bank overdrafts when bank balances that fluctuate frequently from being positive to overdrawn, and term deposits with a maturity period of three months or less from the date of acquisition.

Inventory

Inventory, consisting entirely of food, alcohol, material and supplies from Gerts is measured at the lower of cost and net realizable value. The cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and costs necessary to make the sale. When the reversal of previously written down inventory is recognized, this reversal is recognized in the Statement of Operations.

The cost of inventory comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition. The costs of purchase comprise the purchase price, transport, handling and other costs directly attributable to the acquisition of inventory. Inventory consists solely of finished goods.

Capital assets

Capital assets are accounted for at cost. Amortization is calculated on their respective estimated useful lives using the straight-line method at the following rates and over the following periods:

|                        | <u>Rates and period</u> |
|------------------------|-------------------------|
| Building               | 40 years                |
| Building improvements  | over the lease term     |
| Equipment              | 20%                     |
| Furniture and fixtures | 20%                     |
| Computer equipment     | 20%                     |
| Computer software      | 50%                     |

Impairment of long-lived assets

Capital assets subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

STUDENTS' SOCIETY OF MCGILL UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
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2. Significant accounting policies (continued)

Financial instruments

Measurement of financial instruments

SSMU initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

SSMU subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenses.

Financial assets measured at amortized cost include cash and cash equivalents, term deposits, accounts receivable, interest receivable and due from other funds.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, bursaries payable, miscellaneous awards payable, long-term debt and due to other funds.

Financial assets measured at fair value include shares in public corporations.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of possible impairment. SSMU determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the balance sheet date. The amount of the write-down is recognized in the Statement of 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 the Statement of Operations.

Contributed services

Volunteers contribute many hours per year to SSMU to ensure service delivery. Due to the difficulty of determining the fair value of contributed services, they are not recognized in the financial statements.

3. Cash and cash equivalents

The total cash balance as at May 31, 2018 includes \$401,701 (2017, \$355,392) of cash restricted for the use of the SSMU's various internal clubs.

4. Accounts receivable

Accounts receivable include amounts due from SSMU Daycare Centre Inc. of \$2,499 (2017, \$nil) which are unsecured, have no terms of repayment and are non-interest bearing.

STUDENTS' SOCIETY OF MCGILL UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018

## 5. Investments

|  | 2018             | 2017             |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>Operating Fund</b>  |                  |                  |
| Cashable guaranteed investment certificates at a rate of 1.6%, maturing October 2018 (2017 - rate of 1.10%, matured October 2017)  | 402,072          | 184,100          |
| Cashable guaranteed investment certificate at a rate of 1.7%, maturing March 2019 (2017 - rate of 1.10%, matured March 2018)   | 900,000          | 1,000,000        |
|  | <b>1,302,072</b> | <b>1,184,100</b> |
|  | 2018             | 2017             |
|  | \$               | \$               |
| <b>Capital Expenditures Reserve Fund</b>   |                  |                  |
| Shares in public corporations  | 1,439,249        | 1,504,914        |
| Corporate bonds  | 1,715,932        | 1,674,187        |
| Non-redeemable guaranteed investment certificate at a rate of 1.9%, maturing October 2018 (2017 - rate of 1.10%, matured October 2017)   | 400,000          | 440,375          |
|  | <b>3,555,181</b> | <b>3,619,476</b> |
| As at May 31, 2018, the redeemable corporate bonds had a fixed weighted average interest rate of 4.29% (2017, 4.58%). These bonds mature at various dates starting in 2018 and ending in 2027. |                  |                  |
|  | 2018             | 2017             |
|  | \$               | \$               |
| <b>Awards of Distinction Reserve Fund</b>  |                  |                  |
| Cash balance (2017 - rate of 1.0%, matured February 2018)  | 2,504            | 8,891            |
| Cashable guaranteed investment certificate at a rate of 1.9% and maturing October 2018 (2017 - rate of 1.0%, matured February 2018)  | 520,000          | 520,000          |
|  | <b>522,504</b>   | <b>528,891</b>   |
|  | 2018             | 2017             |
|  | \$               | \$               |
| <b>Health and Dental Plan Reserve Fund</b>   |                  |                  |
| Cashable guaranteed investment certificates at a rate of 1.6% and maturing October 2018 (2017 - rate of 1.10%, matured October 2017)   | 1,264,090        | 1,680,954        |
| Cashable guaranteed investment certificates redeemed in the year (2017 - rate of 1.10%, matured March 2018)  | -                | 815,000          |
|  | <b>1,264,090</b> | <b>2,495,954</b> |

STUDENTS' SOCIETY OF MCGILL UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
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6. Due to/from other funds

Any variance between actual and budgeted net results in the Operating Fund from Funding Committee, the Services, the Clubs and the Affiliate Student Associations is transferred to/from the Student Life Fund, after fulfilling the requirement of the Capital Expenditures Reserve Fund, at the end of the fiscal year.

As at May 31, 2018, an amount of \$620,654 (2017, \$492,080) was transferred from the Operating Fund to the Student Life Fund, while \$502,521 (2017, \$454,838) was transferred to the Capital Expenditures Reserve Fund as a result of the ongoing business interruption.

The due to/from other funds have no specific terms of repayment, are unsecured and non-interest bearing.

7. Capital assets

|                        | Cost<br>\$ | Accumulated<br>amortization<br>\$ | 2018<br>Net book<br>value<br>\$ | 2017<br>Net book<br>value<br>\$ |
|------------------------|------------|-----------------------------------|---------------------------------|---------------------------------|
| Land                   | 730,286    | -                                 | 730,286                         | -                               |
| Building               | 2,830,196  | 35,379                            | 2,794,817                       | -                               |
| Building improvements  | 800,235    | 367,157                           | 433,078                         | 513,101                         |
| Equipment              | 691,677    | 496,345                           | 195,332                         | 260,738                         |
| Furniture and fixtures | 194,629    | 128,129                           | 66,500                          | 41,530                          |
| Computer equipment     | 169,189    | 136,700                           | 32,489                          | 31,620                          |
| Computer software      | 215,247    | 158,737                           | 56,510                          | 10,264                          |
|                        | 5,631,459  | 1,322,447                         | 4,309,012                       | 857,253                         |

8. Accounts payable and accrued liabilities

|                                   | 2018<br>\$ | 2017<br>\$ |
|-----------------------------------|------------|------------|
| Student health insurance premiums | 895,053    | 1,486,113  |
| Accruals and other payables       | 189,787    | 331,081    |
| Government remittances            | 6,533      | 30,207     |
| Due to SSMU Daycare Centre Inc.   | -          | 39,832     |
|                                   | 1,091,373  | 1,887,233  |

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9. Long-term debt

|   | 2018      | 2017 |
|---|-----------|------|
|   | \$        | \$   |
| Long-term debt, repayable in monthly instalments of \$18,929 including interest calculated at a fixed rate of 3.72% and maturing on March 13, 2023. The loan is secured by a first-ranking hypothec of \$3,200,000 on the immovable property located at 3501 Peel Street, Montreal, Quebec. As at May 31, 2018, the property (land and building) has a net book value of \$3,525,103. | 3,182,662 | -    |
| Current portion of long-term debt   | 110,655   | -    |
|   | 3,072,007 | -    |

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

|      | \$        |
|------|-----------|
| 2019 | 110,655   |
| 2020 | 114,843   |
| 2021 | 119,188   |
| 2022 | 123,698   |
| 2023 | 2,714,278 |

10. Commitments

The commitments of SSMU under lease agreements aggregate to approximately \$1,011,163. This includes an equipment lease and property leases. Under one of the property lease agreements, SSMU will have to assume part of the energy costs. For the year ending May 31, 2018, the contribution to energy costs is \$106,812. The contribution to the energy costs will increase on an annual basis by the Energy Price Index (EPI) to a maximum of 8%. The minimum annual payments over the next three years, including the minimum energy contribution, are approximately as follows:

|      | \$      |
|------|---------|
| 2019 | 458,841 |
| 2020 | 275,944 |
| 2021 | 276,378 |

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11. Related party transactions

Included in General administration are administrative revenues received from SSMU Daycare Centre Inc., a daycare under control of SSMU, totalling \$6,000 (2017, \$6,000). These transactions were concluded in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. Financial instruments

Risks and concentration

SSMU is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of SSMU's risk exposure at the statement of financial position date of May 31, 2018.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. SSMU's main credit risks relate to its accounts receivable. SSMU provides credit to its clients in the normal course of its operations.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. SSMU is exposed to this risk mainly in respect of accounts payable and accrued liabilities, bursaries payable, miscellaneous awards payable and long-term debt.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. SSMU is mainly exposed to interest rate risk and other price risk.

Interest rate risk

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. SSMU is exposed to interest rate risk on its fixed-interest rate financial instruments. The fixed-rate investment certificates and long-term debt subject SSMU to a fair value risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. SSMU is exposed to other price risk through its investments in shares quoted in an active market.

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13. Budgeted figures

All budgeted figures have been provided by management and have not been audited nor reviewed.

14. Comparative figures

Certain figures for 2017 have been reclassified to conform to the presentation adopted in 2018.



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## Appendix A

## Statements of Operations Compared to Budget - Operating Fund

|  | 2018             |  | 2017             |  |
|--|------------------|--|------------------|--|
|  | Actual<br>\$     | Budget<br>(unaudited -<br>see Note 13)<br>\$ | Actual<br>\$     | Budget<br>(unaudited -<br>see Note 13)<br>\$ |
| <b>Revenues</b>                          |                  |  |                  |  |
| Student fees                             | 1,819,641        | 1,677,831                                    | 1,763,847        | 1,746,152                                    |
| Gerts Bar                                | 440,687          | 345,346                                      | 405,778          | 366,552                                      |
| Student run café                         | -                | -  | 250,423          | 160,391                                      |
| University centre building<br>operations | 413,775          | 259,169                                      | 325,872          | 229,400                                      |
| General administration                   | 103,362          | 86,600                                       | 94,743           | 82,921                                       |
| Funding                                  | 480,268          | 273,293                                      | 378,108          | 266,186                                      |
| Programming activities                   | 230,582          | 230,800                                      | 259,492          | 210,693                                      |
| Publications and<br>communication        | 45,234           | 41,400                                       | 41,295           | 59,000                                       |
| Services                                 | 864,983          | 493,557                                      | 763,043          | 546,514                                      |
| Clubs - net gain                         | 59,480           | 17,878                                       | 37,688           | -  |
|  | <b>4,458,012</b> | <b>3,425,874</b>                             | <b>4,320,289</b> | <b>3,667,809</b>                             |
| <b>Expenses</b>                          |                  |  |                  |  |
| Gerts Bar                                | 418,582          | 380,781                                      | 382,398          | 315,710                                      |
| Student run café                         | 6,151            | -  | 329,585          | 260,419                                      |
| University centre building<br>operations | 688,339          | 470,330                                      | 451,526          | 415,568                                      |
| General administration                   | 935,748          | 1,111,403                                    | 915,344          | 1,427,880                                    |
| Governances                              | 315,898          | 377,518                                      | 337,614          | 124,139                                      |
| Funding                                  | 229,729          | 273,293                                      | 156,918          | 266,186                                      |
| Programming activities                   | 175,893          | 182,789                                      | 263,357          | 189,893                                      |
| Publications and<br>communication        | 25,216           | 23,560                                       | 33,453           | 20,000                                       |
| Services                                 | 539,281          | 493,555                                      | 503,176          | 548,014                                      |
|  | <b>3,334,837</b> | <b>3,313,229</b>                             | <b>3,373,371</b> | <b>3,567,809</b>                             |

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## Appendix A (continued)

## Statements of Operations Compared to Budget - Operating Fund

|  | 2018             |  | 2017           |  |
|--|------------------|--|----------------|--|
|  | Actual<br>\$     | Budget<br>(unaudited -<br>see Note 13)<br>\$ | Actual<br>\$   | Budget<br>(unaudited -<br>see Note 13)<br>\$ |
| Excess (deficiency) of revenues<br>over expenses |                  |  |                |  |
| Student fees                                     | 1,819,641        | 1,677,831                                    | 1,763,847      | 1,746,152                                    |
| Gerts Bar  | 22,105           | (35,435)                                     | 23,380         | 50,842                                       |
| Student run café                                 | (6,151)          | -  | (79,162)       | (100,028)                                    |
| University centre building<br>operations         | (274,564)        | (211,161)                                    | (125,654)      | (186,168)                                    |
| General administration                           | (832,386)        | (1,024,803)                                  | (820,601)      | (1,344,959)                                  |
| Governances                                      | (315,898)        | (377,518)                                    | (337,614)      | (124,139)                                    |
| Funding  | 250,539          | -  | 221,190        | -  |
| Programming activities                           | 54,689           | 48,011                                       | (3,865)        | 20,800                                       |
| Publications and<br>communication                | 20,018           | 17,840                                       | 7,842          | 39,000                                       |
| Services   | 325,702          | 2  | 259,867        | (1,500)                                      |
| Clubs - net gain                                 | 59,480           | 17,878                                       | 37,688         | -  |
|  | <b>1,123,175</b> | <b>112,645</b>                               | <b>946,918</b> | <b>100,000</b>                               |