

**THE POST-GRADUATE STUDENTS' SOCIETY OF MCGILL UNIVERSITY INC./  
L'ASSOCIATION DES ÉTUDIANTS POST-GRADUÉS DE L'UNIVERSITÉ  
MCGILL INC.**

**Financial Statements  
May 31, 2016**



**THE POST-GRADUATE STUDENTS' SOCIETY OF MCGILL UNIVERSITY INC.  
L'ASSOCIATION DES ÉTUDIANTS POST-GRADUÉS DE L'UNIVERSITÉ  
MCGILL INC.**

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## **Independent auditor's report**

To The Post-Graduate Students' Society of McGill University Inc./  
L'Association des étudiants post-gradués de l'Université McGill Inc.

I have audited the accompanying financial statements of The Post-Graduate Students' Society of McGill University / L'Association des étudiants post-gradués de l'Université McGill Inc., 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*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

*Basis for qualified opinion*

My examination of membership fees, which because of its nature is not susceptible of satisfactory audit verification, was confined principally to test comparisons of recorded receipts against bank deposits. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Society and I was not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, assets and net assets.

*Qualified Opinion*

In my opinion, except for the effects of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the revenues referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of The Post-Graduate Students' Society of McGill University Inc. / L'Association des étudiants post-gradués de l'Université McGill Inc. as at May 31, 2015 and May 31, 2016, and the results of its operations and its cash flows for the years then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

*Frank Santillo CPA auditor, CA*

Frank Santillo CPA auditor, CA  
September 19, 2016

**THE POST-GRADUATE STUDENTS' SOCIETY OF MCGILL UNIVERSITY INC.**  
**L'ASSOCIATION DES ÉTUDIANTS POST-GRADUÉS DE L'UNIVERSITÉ**  
**MCGILL INC.**

**Statement of financial position**  
**as at May 31, 2016**

	2016	2015
	\$	\$
<b>Assets</b>		
Current assets		
Cash (Note 8)	758,481	870,776
Short-term investments (Note 8)	397,591	455,145
Accounts and sundry receivables	64,228	61,909
Due from McGill	12,608	12,075
Inventory	16,734	19,005
	<b>1,249,642</b>	<b>1,418,910</b>
Deposits (Note 10)	333,811	333,811
Service agreement (Note 4)	11,398	22,795
Capital assets (Note 5)	98,638	124,560
Art collection	5,750	5,750
<b>Total assets</b>	<b>1,699,239</b>	<b>1,905,826</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	641,190	976,769
<b>Net assets</b>		
Unrestricted (operating fund)	503,288	332,936
Invested in capital assets and art collection	104,387	130,310
Externally-restricted funds (Note 7)	450,374	465,811
	<b>1,058,049</b>	<b>929,057</b>
Contingencies (Note 10)		
<b>Total liabilities and net assets</b>	<b>1,699,239</b>	<b>1,905,826</b>

Approved on behalf of the Board of Directors

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

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**L'ASSOCIATION DES ÉTUDIANTS POST-GRADUÉS DE L'UNIVERSITÉ**  
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**Statement of operations**  
**for the year ended May 31, 2016**

	Unrestricted fund		Restricted funds		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Fees	546,040	514,557	2,641,103	2,644,115	3,187,143	3,158,672
Services	137,226	173,566	-	-	137,226	173,566
Sales	1,034,521	1,132,368	-	-	1,034,521	1,132,368
Investments	9,487	2,984	18,332	25,736	27,819	28,720
Other	59,601	73,067	52,985	-	112,586	73,067
	<b>1,786,875</b>	<b>1,896,542</b>	<b>2,712,420</b>	<b>2,669,851</b>	<b>4,499,295</b>	<b>4,566,393</b>
<b>Expenses</b>						
Cost of goods sold	373,463	405,026	-	-	373,463	405,026
Stipends	109,808	109,876	-	-	109,808	109,876
Executive and committee activities	6,373	9,363	-	-	6,373	9,363
Advocacy & outreach (recovery)	(3,566)	15,718	-	40,323	(3,566)	56,041
Governance	10,211	26,605	-	-	10,211	26,605
Services	127,300	201,888	32,027	25,902	159,327	227,790
Salaries and benefits	672,816	664,092	-	14,003	672,816	678,095
Contractual obligations	5,197	4,138	2,557,535	2,643,708	2,562,732	2,647,846
Operational costs	26,938	29,035	-	-	26,938	29,035
Operational consumables	7,470	8,015	-	-	7,470	8,015
Corporate management	31,474	25,875	9,174	12,859	40,648	38,734
Administrative	316,624	342,933	-	-	316,624	342,933
Special projects	-	-	43,458	214,991	43,458	214,991
Amortization of capital assets	32,603	43,369	-	-	32,603	43,369
Amortization-service agreement	11,398	11,398	-	-	11,398	11,398
	<b>1,728,109</b>	<b>1,897,331</b>	<b>2,642,194</b>	<b>2,951,786</b>	<b>4,370,303</b>	<b>4,849,117</b>
<b>Excess of revenue over expenses</b>						
<b>for the year (expenses over revenue)</b>	<b>58,766</b>	<b>(789)</b>	<b>70,226</b>	<b>(281,935)</b>	<b>128,992</b>	<b>(282,724)</b>

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**Statement of changes in net assets  
for the year ended May 31, 2016**

	Operating fund		Restricted funds	Total
	Unrestricted	Invested in capital assets and art collection	Externally restricted	
	\$	\$	\$	\$
<b>Balance as at May 31, 2015</b>	332,936	130,310	465,811	929,057
Excess of revenue over expenses (expenses over revenue)	91,369	(32,603)	70,226	128,992
Transfer from special projects fund	85,663	-	(85,663)	-
Transfer for acquisition of capital assets (net)	(6,680)	6,680	-	-
<b>Balance as at May 31, 2016</b>	<b>503,288</b>	<b>104,387</b>	<b>450,374</b>	<b>1,058,049</b>

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**Statement of cash flows**  
**for the year ended May 31, 2016**

	2016	2015
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses (expenses over revenue)	128,992	(282,724)
Adjustments for:		
Amortization of capital assets	32,603	43,369
Amortization of service agreement	11,398	11,398
	<b>172,993</b>	<b>(227,957)</b>
Changes in non-cash working capital balances		
Accounts and sundry receivables and due from McGill	(2,852)	24,417
Inventory	2,271	(3,812)
Accounts payable and accrued liabilities	(335,580)	314,009
	<b>(336,161)</b>	<b>334,614</b>
	<b>(163,168)</b>	<b>106,657</b>
<b>Investing activities</b>		
Acquisition of capital assets	(6,680)	(23,547)
Disposition of capital assets	-	229
Short-term investments	57,553	365,585
Deposits	-	(333,811)
	<b>50,873</b>	<b>8,456</b>
Net increase (decrease) in cash	<b>(112,295)</b>	115,113
Cash, beginning of year	<b>870,776</b>	755,663
<b>Cash, end of year</b>	<b>758,481</b>	870,776



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**Notes to the financial statements  
May 31, 2016**

**1. Organization**

The Post-Graduate Students' Society of McGill University Inc. / L' Association des étudiants post-gradués de l'Université McGill Inc. (the "Society" or "PGSS") is a democratic, non-profit corporation having its head office in the City of Montreal and is incorporated under Part III of the Companies Act (Quebec) as a not-for-profit organization. The purpose of the Society is to establish, maintain and conduct a social club for the convenience of its members and their guests to promote friendship and unity among its members and to promote the educational and cultural interests of its members.

The Society receives the use of premises, referred to as Thomson House, from McGill University Inc. ("McGill"), for a nominal consideration (note 9).

**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 CICA Handbook and include the following significant accounting policies :

**Revenue recognition**

The Society follows the restricted fund method of accounting for contributions. The revenue, expenditures and capital of the Society are maintained in accordance with the principles of fund accounting and are classified into funds in accordance with activities or objectives specified. Income from the Society's various activities is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

**Financial instruments**

Financial assets and financial liabilities are initially recognized at fair value when the Society becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for the investments, which are recorded at fair value at the statement of financial position date. Fair value of the investments is based on closing prices. Gains and losses on the sale of the investments are calculated at average cost on the trade date. Change in unrealized appreciation/depreciation on the investments represents the change in fair value of the investments between the current year and the prior year.

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**2. Significant accounting policies (continued)**

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net income or net loss as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Society recognizes in net earnings or net loss an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

**Inventory**

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a specific identification basis. Net realizable value is the estimated selling price less the estimated cost necessary to make the sale.

**Capital assets**

Contributed capital assets are recorded at fair value at the date of contribution. Purchased capital assets are recorded at cost and are amortized over their estimated useful life on a declining-balance basis as follows:

Computers and software	30%
Website - database	30%
Furniture, fixtures and equipment	20%
Leasehold improvements	20%
Block assets	50%

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**Notes to the financial statements  
May 31, 2016**

**2. Significant accounting policies (continued)**

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for-not-for profit organizations require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the the reported amounts of revenues and expenses during the reporting period. Key components of the financial statements requiring management to make estimates include the useful lives of long-lived assets, inventory obsolescence and the fair value of investments. Actual results could differ from those estimates.

**3. PGSS Retirement Savings Plan**

Employee future benefits

The Society sponsors a defined contribution pension plan covering some of its employees. The Society contributes up to 6% of employees' salaries. Pension expense incurred during the year was \$14,586 (\$14,003 in 2015).

**4. Service agreement**

The Society signed a five-year service level agreement in fiscal year 2012 for the ongoing support services of the data management system and website. The amount is being expensed over the life of the agreement.

**5. Capital assets**

	<b>May 31, 2016</b>		<b>May 31, 2015</b>	
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>	<b>Net book value</b>
	\$	\$	\$	\$
Computers and software	24,564	18,790	5,774	8,248
Website-database	123,896	90,101	33,795	48,279
Furniture, fixtures and equipment	617,122	568,129	48,993	55,791
Leasehold improvements	521,634	512,729	8,905	11,131
Block assets	6,055	4,884	1,171	1,111
	<b>1,293,271</b>	<b>1,194,633</b>	<b>98,638</b>	<b>124,560</b>

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**6. Credit facility**

The Society has an available credit facility of \$200,000 (2015 - \$200,000), bearing interest at the bank's prime lending rate, plus 2.5% on amounts advanced. As at May 31, 2016, nil (2015 - nil) had been drawn on this demand loan. The bank has a \$345,000 (2015 - \$345,000) charge on the Society's movable property as security for the demand loan. The last written agreement is dated in 2013, and the loan facility is reviewed on an annual basis.

**7. Externally-restricted funds**

	2016	2015
	\$	\$
MCGSS Fund	-	-
Student Health and Dental Insurance Fund	186,970	131,666
Education Bursaries Fund	592	113,844
FEUQ Fund	43,393	1,519
Grants Program Fund	45,177	31,192
Library Improvement Fund	2,011	4,826
Thomson House Fund	81,834	69,697
Student Support Services Fund	37,275	28,007
Graduate Student Fund	52,817	84,589
Midnight Kitchen	305	471
	<b>450,374</b>	<b>465,811</b>

The restricted funds consist primarily of the following:

- The Student Health and Dental Insurance Fund, the Student Support Services Fund, the Retirement Savings Fund and the Graduate Student Fund accounts for contributions received for specific purposes, as stipulated by the contributors.
- The Education Bursaries Fund accounts for the collection and disbursement of fees to support graduate and post-doctoral students in good academic standing who demonstrate financial need.
- The Library Improvement Fund accounts for the collection and disbursement of fees to improve library resources and facilities for graduate students.
- Thomson House Fund accounts for the collection and disbursement of student fees specifically designated for the basic maintenance of Thomson House.

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**Notes to the financial statements  
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**7. Externally-restricted funds (continued)**

- Special projects relate to various endeavours which among other things include disbursements for information technology, daycare subsidies, sustainability issues and litigation fees concerning the contingent liabilities referenced to in note 10. Receipts and disbursements are made in and out of the operating fund bank account respectively on behalf of the special projects fund. The net cumulative shortfall as at May 31, 2016 amounts to approximately \$525,948 (\$611,610 in 2015). \$333,811 of the disbursements for 2015 and 2016 relate to payments required to be paid to CFS in order to necessitate a referendum, and is reflected as a deposit. The net difference of approximately \$192,137 (\$277,799 in 2015) is reflected as a reduction of operating fund cash and operating fund net assets.

**8. Financial instruments**

**Credit risk**

The Society does not have a significant exposure to credit risk as the majority of its revenue has been collected within the normal terms.

**Interest rate risk**

The Society manages its short-term investments based on its cash flow needs with a view to optimizing its interest income. The interest rate on the mutual fund investments is approximately 1.25% per annum (1.25% in 2015) at year-end.

The cash balance in a savings account is \$966,787, (nil in 2015).

**9. Contractual obligations**

The Society leases its premises under a lease expiring May 31, 2024. Future payments for lease operating costs aggregate to approximately \$258,900 and will include the following payments over the next five years: 2017, \$27,600; 2018, \$28,800; 2019, \$30,000; 2020, \$31,500; 2021, \$33,000.

**10. Contingencies**

The Society is currently involved in litigation with the Canadian Federation of Students ("CFS"). CFS has refused to recognize the validity of a referendum held between March 29 and April 1, 2010 to decertify from CFS. CFS has taken the position that the Society has remained a member and hence continued to owe membership dues. The Society has not been collecting CFS dues from its members since that time.

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**10. Contingencies (continued)**

A second referendum was held January 15 and 16, 2015 and the Society ceased being a member of CFS pursuant to that second referendum as of June 30, 2015. The CFS by-laws required that all outstanding dues be paid as a condition of a referendum being held. In order for the second referendum to proceed, the Society paid, under protest, an amount of \$333,811 claimed by CFS as outstanding membership dues.

The Society is taking the position that it actually ceased being a member of CFS as of April 1, 2010 further to the first referendum and that the \$333,811 paid under protest was not actually owed. It will be claiming that amount back from CFS in the context of the litigation over the validity of the first referendum held in 2010. In that litigation, it is also claiming from CFS \$142,076 in damages. The trial is scheduled to begin on February 6, 2017.

Neither the possible outcome, nor the amount of an eventual judgment or settlement can be foreseen.

The Society is also named in other legal proceedings involving CFS but there are no monetary amounts claimed by or against the Society in those proceedings.