

**The Students' Union,  
The University of Calgary**

Financial Statements  
**June 30, 2016**



November 22, 2016

## **Independent Auditor's Report**

### **To the Members of The Students' Union, The University of Calgary**

We have audited the accompanying financial statements of The Students' Union, The University of Calgary, which comprise of the balance sheet as at June 30, 2016, and the statement of operations and changes in fund balances and statement of cash flows for the year then ended, and the related notes, which comprise 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.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Students' Union, The University of Calgary as at June 30, 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.

**Emphasis of matter**

We draw attention to note 3 of the financial statements which describes the uncertainty related to the outcome of lawsuits between The Students' Union, The University of Calgary and The University of Calgary. Our opinion is not qualified in respect of this matter.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants**

# The Students' Union, The University of Calgary

## Balance Sheet

As at June 30, 2016

	2016			2015
	Operating \$	Capital \$	Total \$	Total \$
<b>Assets</b>				
<b>Current assets</b>				
Cash	7,948,752	-	7,948,752	6,233,113
Short term investments	5,000,000	-	5,000,000	5,000,000
Funds held in trust	82,947	-	82,947	77,604
Accounts receivable	646,661	-	646,661	2,546,685
Inventories	204,030	-	204,030	185,149
Prepaid expenses	16,403	-	16,403	17,259
Due (from) to other funds	(3,072,547)	3,072,547	-	-
	10,826,246	3,072,547	13,898,793	14,059,810
<b>Interest in MacEwan Hall and MacEwan Student Centre (note 3)</b>	-	15,468,518	15,468,518	15,225,478
<b>Capital assets (note 4)</b>	-	574,069	574,069	563,863
	10,826,246	19,115,134	29,941,380	29,849,151
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued charges	1,838,484	-	1,838,484	1,788,034
Liability for funds held in trust	82,947	-	82,947	77,604
Deferred revenue	240,974	-	240,974	349,176
Current portion of long-term debt (note 5)	-	380,138	380,138	368,999
	2,162,405	380,138	2,542,543	2,583,813
<b>Tenant deposits</b>	107,380	-	107,380	107,104
<b>Deferred contributions (note 6)</b>	2,751,480	4,586,678	7,338,158	7,344,435
<b>Long-term debt (note 5)</b>	-	2,574,103	2,574,103	2,953,965
	5,021,265	7,540,919	12,562,184	12,989,317
<b>Fund Balances</b>				
Unrestricted (deficit)	(285,212)	-	(285,212)	372,353
Internally restricted (note 7)	4,260,226	-	4,260,226	3,919,694
Restricted for endowment purposes (note 8)	1,829,967	-	1,829,967	1,736,475
Internally restricted net assets invested in capital assets and Interest in MacEwan Hall and MacEwan Student Centre	-	11,574,215	11,574,215	10,831,312
	5,804,981	11,574,215	17,379,196	16,859,834
	10,826,246	19,115,134	29,941,380	29,849,151

Commitments (note 11)

Subsequent events (note 12)

Approved by the Student Legislative Council



Executive



Executive

The accompanying notes are an integral part of these financial statements.

# The Students' Union, The University of Calgary

## Statement of Operations and Changes in Fund Balances

For the year ended June 30, 2016

	2016			2015
	Operating \$	Capital \$	Total \$	Total \$
<b>Revenue</b>				
Operating	12,524,377	-	12,524,377	12,393,663
Student fees (note 9)	4,506,497	-	4,506,497	4,372,390
Amortization of deferred contributions (note 6)	1,540,303	120,933	1,661,236	752,917
Interest	99,335	-	99,335	114,189
Donations	28,633	-	28,633	20,554
	18,699,145	120,933	18,820,078	17,653,713
<b>Expenditures</b>				
Salaries	6,155,295	-	6,155,295	5,993,607
Cost of providing services	5,454,410	-	5,454,410	5,193,748
Operating	2,983,157	-	2,983,157	3,176,456
Student services	2,150,186	-	2,150,186	1,339,009
Amortization	-	706,262	706,262	637,839
Building operation	310,265	-	310,265	301,982
Donations from restricted funds	209,563	-	209,563	216,705
Legal costs related to interest in MacEwan Hall and MacEwan Student Centre	330,781	-	330,781	-
Interest	-	94,289	94,289	104,555
	17,593,657	800,551	18,394,208	16,963,901
<b>Excess (deficiency) of revenue over expenditures</b>	1,105,488	(679,618)	425,870	689,812
<b>Fund balances – Beginning of year</b>	6,028,522	10,831,312	16,859,834	16,078,114
<b>Interfund transfers</b>				
Repayment of long-term debt	(368,722)	368,722	-	-
Capital asset additions	(959,510)	959,510	-	-
Interest expense	(94,289)	94,289	-	-
	(1,422,521)	1,422,521	-	-
<b>Endowment contributions (note 8)</b>	93,492	-	93,492	91,908
<b>Fund balances – End of year</b>	5,804,981	11,574,215	17,379,196	16,859,834

The accompanying notes are an integral part of these financial statements.

# The Students' Union, The University of Calgary

## Statement of Cash Flows

For the year ended June 30, 2016

	2016 \$	2015 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures	425,870	689,812
Items not affecting cash		
Amortization	706,262	637,839
Amortization of deferred contributions	(1,661,236)	(752,917)
	(529,104)	574,734
Change in non-cash operating working capital items	1,824,249	(1,899,026)
	1,295,145	(1,324,292)
<b>Investing activities</b>		
Repayment of long-term debt	(368,722)	(358,455)
Additions to capital assets	(203,205)	(137,193)
Additions to interest in MacEwan Hall and MacEwan Student Centre	(756,304)	(780,678)
Endowment contributions	93,492	91,908
	(1,234,739)	(1,184,418)
<b>Financing activities</b>		
Increase in deferred contributions	1,654,958	1,750,794
Increase in tenant deposits	275	2,407
	1,655,233	1,753,201
<b>Increase (decrease) in cash during the year</b>	1,715,639	(755,509)
<b>Cash – Beginning of year</b>	6,233,113	6,988,622
<b>Cash – End of year</b>	7,948,752	6,233,113

Interest paid in the year was \$94,289 (2015 – \$104,555)

The accompanying notes are an integral part of these financial statements.

# The Students' Union, The University of Calgary

## Notes to Financial Statements

June 30, 2016

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### 1 Authority

The Students' Union, The University of Calgary (the "Students' Union") is a body corporate created pursuant to the Post-Secondary Learning Act of the Province of Alberta, S.A. 2003, and Chapter 19.5. The Students' Union is a not-for-profit organization as defined in the Income Tax Act and therefore is not subject to income tax.

The Students' Union's mission is to provide for the administration of the affairs of the undergraduate students of The University of Calgary ("The University"). Under its By-laws, the members of the Students' Union annually elect The Student Executive Cabinet, which is responsible for, inter alia, managing the affairs of the Students' Union consistent with the decisions of The Student's Legislative Council, managing the Students' Union's personnel, and preparing the annual budget.

The Students' Union has an economic relationship with the University of Calgary through the MacEwan Student Centre (note 3) but operates as an independent, autonomous body separate and distinct from The University.

### 2 Significant accounting policies

#### Basis of accounting

The financial statements of the Students' Union have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

#### Use of estimates

The preparation of the financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### Fund accounting

The Operating Fund consists of assets, liabilities, revenue and expenditures related to the Students' Union's student government and student and commercial activities. In addition, the Operating Fund reports activities related to endowment funds as well as funds internally restricted by the Students' Union.

The Capital Fund consists of assets, liabilities, revenue and expenditures related to the Students' Union's capital assets and investment in MacEwan Hall and MacEwan Student Centre.

# **The Students' Union, The University of Calgary**

## Notes to Financial Statements

**June 30, 2016**

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### **Revenue recognition**

The Students' Union follows the deferral method of accounting for contributions.

Restricted contributions, other than those related to capital assets or interest in MacEwan Hall and MacEwan Student Centre, are recognized as revenue in the year in which the related expenses are incurred in the Operating Fund. Restricted contributions related to capital assets or interest in MacEwan Hall and MacEwan Student Centre, which are reported in the Capital Fund are recognized as revenue as the related capital assets or interest in MacEwan Hall and MacEwan Student Centre are amortized.

Unrestricted contributions are recognized as revenue of the appropriate fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Endowment contributions which are reported in the Operating Fund are recognized as direct increases in fund balances restricted for endowment purposes in the period in which they are received. Investment income from endowment funds which is restricted for use for library expenses, are initially recorded as deferred revenue then recognized as revenue in the year in which the related library expenses are incurred.

Student fees are recognized as revenue over the period for which services are delivered.

Operating revenue, consisting of commercial services, is recognized as revenue when products delivered or services sold are substantially provided.

### **Inventories**

Inventories are valued at the lower of cost and net realizable value.

### **Interest in MacEwan Hall and MacEwan Student Centre**

The Students' Union's interest in the student-occupied areas within MacEwan Hall and MacEwan Student Centre is recorded at cost. Amortization is charged on a straight-line basis over 40 years.

No amortization is provided on construction-in-progress included in Interest in MacEwan Hall and MacEwan Student Centre until the assets are put in use.



# The Students' Union, The University of Calgary

## Notes to Financial Statements

June 30, 2016

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### Capital assets

Capital assets are recorded at cost. Amortization is computed on the straight-line basis over the estimated useful life of the assets at the following rates:

Furniture and equipment	5 years
Kitchen equipment	10 years

No amortization is provided on construction in progress until the assets are put in use.

### Short term investments

The short term investments consists of highly liquid guaranteed investment certificates with terms to maturity greater than ninety days, but no more than one year. As at June 30, 2016, The Students' Union's short term investments consists of guaranteed investment certificates held by a major bank bearing interest at 1.15% per annum.

### Funds held in trust and liability for funds held in trust

Funds held in trust represent monies managed by the Students' Union on behalf of other organizations. The Students' Union does not report the revenue and expenses related to these funds.

### Financial instruments

The Students' Union initially measures financial assets and financial liabilities at fair value. It subsequently measures its investments at fair value. The financial assets subsequently measured at amortized cost include cash, funds held in trust, accounts receivable. The financial liabilities subsequently recorded at amortized cost include accounts payable and accrued charges, liability for funds held in trust, tenant deposits for leasehold improvements and debt.

It is the opinion of management that the Students' Union is not subject to significant credit, interest rate, price, liquidities or currency risk related to these financial instruments.

## 3 Interest in MacEwan Hall and MacEwan Student Centre

The Students' Union operates under a License of Occupation, Operating and Management Agreement (the "Agreement") with the University of Calgary (the "University"). This agreement provides the Students' Union a right to occupy space in MacEwan Hall and MacEwan Student Centre rent free, the right to retain the revenues from the use of such space for commercial activities, and the right to provide certain management services, in consideration for contributions the Students' Union made towards the cost of construction of the buildings. This agreement term expired on December 9, 2014 after considering the available renewal provisions within the agreement. Further, the agreement allowed for five additional one year extensions of the agreement subject to neither party submitting a notification to terminate the extension agreement.

# The Students' Union, The University of Calgary

## Notes to Financial Statements

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On September 23, 2014, the Governors of the University notified the Students' Union of termination of this agreement effective December 9, 2015.

On April 28, 2015, the Students' Union filed a statement of claim and on October 21, 2015 served this statement of claim to the University regarding a legal ownership interest of MacEwan Hall and MacEwan Student Centre ("MacHall") and had asked the court that the Students' Union continue to occupy and operate the building pursuant to this Agreement until the court case was resolved. On November 10, 2015 the University filed its statement of defence. On December 3, 2015 the University and the Students' Union agreed to enter mediation and legal proceedings were put on hold during this period, which extended until April 15, 2016. A hearing on the Students' Union's injunction application took place on May 5, 2016 and June 3, 2016. See subsequent events (note 12).

These financial statements do not reflect any adjustments to the carrying value of assets and liabilities and reported revenue and expenses and the statement of financial position classifications that might be necessary if the Students' Union were unsuccessful in the claim with the University and/or the discontinuance of this Agreement. Such adjustments could be material.

The Students' Union is responsible for the payment of retail operation utility costs annually under the agreement.

The Students' Union continues to record its investment in the interest in MacEwan Hall and the MacEwan Student Centre as a long-term asset as if the Students' Union has the beneficial risks and rewards of ownership of these assets.

	2016 \$	2015 \$
Redevelopment costs	24,437,190	23,680,886
Less: Accumulated amortization	<u>(8,968,672)</u>	<u>(8,455,408)</u>
	<u>15,468,518</u>	<u>15,225,478</u>

Amortization provided for in the current year totalled \$513,264 (2015 – \$489,072).

Included in redevelopment costs are construction-in-progress amounts of \$29,892 (2015 – \$347,779) that relate to assets not put in use.

# The Students' Union, The University of Calgary

## Notes to Financial Statements

June 30, 2016

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### 4 Capital assets

			<u>2016</u>	<u>2015</u>
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Kitchen equipment	176,530	79,220	97,310	116,106
Furniture and equipment	1,524,237	1,047,478	476,759	447,757
	<u>1,700,767</u>	<u>1,126,698</u>	<u>574,069</u>	<u>563,863</u>

Amortization provided for in the current year totalled \$192,988 (2015 – \$148,767).

### 5 Long-term debt

	<u>2016</u>	<u>2015</u>
	\$	\$
Non-revolving term facility, bearing interest at 2.98% per annum, maturing July 8, 2018, with floating instalment payments, collateralized by an assignment of student fees.	2,954,241	3,322,964
Less: Amounts due within one year	<u>(380,138)</u>	<u>(368,999)</u>
	<u>2,574,103</u>	<u>2,953,965</u>

### 6 Deferred contributions

Deferred contributions of the Operating Fund are comprised of contributions received that were restricted by the contributor and remain unspent at year end.

Deferred contributions of the Capital Fund are comprised of a student levy imposed January 1, 1996 and other funds which have been designated for the purpose of the redevelopment project to the MacEwan Student Centre.

# The Students' Union, The University of Calgary

## Notes to Financial Statements

June 30, 2016

Changes in deferred contributions are as follows:

			<u>2016</u>	<u>2015</u>
	<b>Operating Fund \$</b>	<b>Capital Fund \$</b>	<b>Net \$</b>	<b>Net \$</b>
<b>Balance – Beginning of year</b>	2,628,414	4,716,021	7,344,435	6,346,559
Add: Amounts recorded for future expenditures	1,663,369	(8,410)	1,654,959	1,750,793
Less: Amount amortized to revenue	(1,540,303)	(120,933)	(1,661,236)	(752,917)
<b>Balance – End of year</b>	<u>2,751,480</u>	<u>4,586,678</u>	<u>7,338,158</u>	<u>7,344,435</u>

### 7 Internally restricted reserve funds

Certain funds have been restricted for use by the Students' Union for the following purposes. These restricted funds are invested in short-term deposits.

	<b>2016 \$</b>	<b>2015 \$</b>
MacHall Defense Fund	169,219	-
Student Health Plan	3,745,872	3,559,118
Refugee students	239,454	218,817
Food bank	85,339	114,640
Election campaign	10,963	18,354
Food Court Reserve	8,338	8,338
Other	736	122
Tutor referral	305	305
	<u>4,260,226</u>	<u>3,919,694</u>

### 8 Endowment Funds

Funds contributed through a special Students' Union levy are designated to assist the University of Calgary Library. 50% of all funds contributed through the special levy must be permanently maintained for the University of Calgary Library and are classified as endowment funds. The fiscal 2016 endowment fund contribution of \$93,492 (2015 – \$91,908) represents 50% of the fiscal 2016 special student levy of \$186,984 (fiscal 2015 – \$183,817) (note 9).

# The Students' Union, The University of Calgary

## Notes to Financial Statements

June 30, 2016

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### 9 Student fees

	2016 \$	2015 \$
Total student fees received through the University of Calgary	5,419,171	5,269,577
Other fees	25,387	27,849
Less: Allocations to Library Endowment Fund	(93,492)	(91,908)
Less: Amounts received on behalf of others		
Legal aid	(84,291)	(83,108)
Gauntlet	(229,410)	(225,508)
NUTV	(248,025)	(246,577)
CJSW	(282,843)	(277,934)
	<u>4,506,497</u>	<u>4,372,391</u>

Included in total student fees is \$186,984 designated for the University of Calgary Library. 50% of the funds contributed or \$93,492 (2015 – \$91,908) are recorded as contributions to endowment funds (note 8) as these contributions must be permanently maintained.

### 10 Government remittances

Accounts payable and accrued charges include government remittances payable of \$11,587 (2015 – \$17,168).

### 11 Commitments

Minimum payments in respect of operating leases for photocopy equipment are as follows:

	\$
2017	41,864
2018	41,864
2019	41,864
2020	6,977
Thereafter	-

### 12 Subsequent events

On Oct. 7, 2016 the Court ruled against the Students' Union in their injunction application to prevent the University from taking over the management of MacHall. Effective October 17, 2016 University has assumed the management and operational responsibilities for MacHall and will collect approximately \$1.9M in annual revenues from the leases to third parties, primarily the food court that were previously recorded by the Students' Union.

For fiscal 2017, the estimated amount the University will collect from these third party leases is approximately \$1,460,000 (October 18, 2016 to June 30, 2017). The Students' Union anticipates cost savings of approximately \$290,000 in fiscal 2017 related to direct expense of managing these 3rd party leases (including utilities, cleaning costs, repairs, supplies etc.).

# **The Students' Union, The University of Calgary**

## Notes to Financial Statements

**June 30, 2016**

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The University has publicly committed to working with the Students' Union to continue to support student programs and services in MacHall through their net proceeds received from third-party tenants, however the terms and conditions of this commitment is currently uncertain and under negotiation, and the expected financial benefit to the Students' Union is unknown.

# The Students' Union, The University of Calgary

## Schedule of Operating Revenue and Expenditures

(Unaudited)

For the year ended June 30, 2016

	Student government		Student activities		Commercial services (schedule 2)		Reserve		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
<b>Revenue</b>										
Operating	-	-	176,268	184,727	12,348,109	12,208,936	-	-	12,524,377	12,393,663
Student fees (note 9)	1,446,573	1,424,653	-	-	-	-	3,059,924	2,947,737	4,506,497	4,372,390
Amortization of deferred contributions	-	-	1,540,303	641,101	-	-	-	-	1,540,303	641,101
Interest	-	-	-	-	99,335	114,189	-	-	99,335	114,189
Donations	-	-	57,933	37,294	-	-	(29,300)	(16,740)	28,633	20,554
	<u>1,446,573</u>	<u>1,424,653</u>	<u>1,774,504</u>	<u>863,122</u>	<u>12,447,444</u>	<u>12,323,125</u>	<u>3,030,624</u>	<u>2,930,997</u>	<u>18,699,145</u>	<u>17,541,897</u>
<b>Expenditures</b>										
Cost of providing services	-	-	61,970	39,787	2,796,692	2,591,406	2,595,748	2,562,554	5,454,410	5,193,748
Salaries	-	-	1,288,332	1,283,301	4,866,963	4,710,306	-	-	6,155,295	5,993,607
Operating	-	-	-	-	2,929,157	3,129,957	54,000	46,500	2,983,157	3,176,457
Building operation	-	-	-	-	310,265	301,982	-	-	310,265	301,982
Student services	-	-	2,150,186	1,339,010	-	-	-	-	2,150,186	1,339,010
Donations from restricted funds	-	-	-	-	-	-	209,563	216,704	209,563	216,704
MacHall legal costs	-	-	-	-	-	-	330,781	-	330,781	-
	<u>-</u>	<u>-</u>	<u>3,500,488</u>	<u>2,662,098</u>	<u>10,903,077</u>	<u>10,733,651</u>	<u>3,190,092</u>	<u>2,825,758</u>	<u>17,593,657</u>	<u>16,221,508</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>1,446,573</u>	<u>1,424,653</u>	<u>(1,725,984)</u>	<u>(1,798,976)</u>	<u>1,544,367</u>	<u>1,589,474</u>	<u>(159,468)</u>	<u>105,239</u>	<u>1,105,488</u>	<u>1,320,389</u>

# The Students' Union, The University of Calgary

## Schedule of Commercial Services Revenue and Expenditures

(Unaudited)

For the year ended June 30, 2016

	Business leasing		Retail		Food/beverage/events		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
<b>Revenue</b>	2,937,124	2,899,028	1,677,577	1,488,045	7,832,743	7,936,051	12,447,444	12,323,125
<b>Expenditures</b>								
Cost of providing services	-	-	983,383	842,875	1,813,309	1,748,531	2,796,692	2,591,406
Salaries	1,306,836	1,251,779	254,221	243,039	3,305,906	3,215,488	4,866,963	4,710,306
Operating	495,522	682,056	82,122	75,764	2,351,513	2,372,137	2,929,157	3,129,956
Building operation	225,829	206,966	9,331	5,208	75,105	89,808	310,265	301,982
	2,028,187	2,140,801	1,329,057	1,166,886	7,545,833	7,425,964	10,903,077	10,733,650
<b>Excess of revenue over expenditures</b>	908,937	758,227	348,520	321,159	286,910	510,087	1,544,367	1,589,475