

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

Financial Statements  
**June 30, 2018**



January 16, 2019

## **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 the balance sheet as at June 30, 2018 and the statements of operations and changes in fund balances and 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.

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**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, 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants**

# The Students' Union, The University of Calgary

## Balance Sheet

As at June 30, 2018

	2018		2017
	Operating \$	Capital \$	Total \$
<b>Assets</b>			
<b>Current assets</b>			
Cash	8,175,361	-	8,175,361
Short-term investments	5,000,000	-	5,000,000
Funds held in trust	62,271	-	62,271
Accounts receivable	1,129,396	-	1,129,396
Inventories	185,204	-	185,204
Prepaid expenses	171,300	-	171,300
Due (from) to other funds	(3,778,409)	3,778,409	-
	10,945,123	3,778,409	14,723,532
<b>Interest in MacEwan Hall and MacEwan Student Centre (note 3)</b>	-	14,754,013	14,754,013
	-	397,823	397,823
<b>Capital assets (note 4)</b>	10,945,123	18,930,245	29,875,368
			29,844,229
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued charges	2,107,783	-	2,107,783
Liability for funds held in trust	62,271	-	62,271
Deferred revenue	287,915	-	287,915
Long-term debt (note 5)	-	2,182,539	2,182,539
	2,457,969	2,182,539	4,640,508
<b>Tenant deposits</b>	99,865	-	99,865
<b>Deferred contributions (note 6)</b>	1,042,974	5,020,498	6,063,472
	-	-	-
<b>Long-term debt (note 5)</b>			2,182,512
	3,600,808	7,203,037	10,803,845
			11,899,995
<b>Fund Balances</b>			
<b>Unrestricted</b>	1,056,100	-	1,056,100
<b>Internally restricted (note 7)</b>	4,259,241	-	4,259,241
<b>Restricted for endowment purposes (note 8)</b>	2,028,974	-	2,028,974
<b>Internally restricted net assets invested in capital assets and interest in MacEwan Hall and MacEwan Student Centre</b>	-	11,727,208	11,727,208
	7,344,315	11,727,208	19,071,523
	10,945,123	18,930,245	29,875,368
			29,844,229

Commitments (note 11)

Approved by the Board of Directors

 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, 2018

	2018		2017
	Operating \$	Capital \$	Total \$
<b>Revenue</b>			
Operating	12,563,779	-	12,563,779
Student fees (note 9)	4,960,087	-	4,960,087
Amortization of deferred contributions (note 6)	2,528,746	136,890	2,665,636
Interest	130,425	-	130,425
Donations	45,578	-	45,578
MacHall Defense Fund	168,527	-	168,527
	20,397,142	136,890	20,534,032
			18,166,619
<b>Expenditures</b>			
Cost of providing services	6,076,672	-	6,076,672
Salaries	5,680,746	-	5,680,746
Operating	3,275,047	-	3,275,047
Amortization	-	743,091	743,091
Building operation	112,578	-	112,578
Interest	-	71,416	71,416
Student services	3,147,960	-	3,147,960
Donations from restricted funds	215,674	-	215,674
Legal costs related to interest in MacEwan Hall and MacEwan Student Centre	184,611	-	184,611
	18,693,288	814,507	19,507,795
			17,699,536
<b>Excess (deficiency) of revenue over expenditures for the year</b>	1,703,854	(677,617)	1,026,237
			467,083
<b>Fund balances - Beginning of year</b>	6,412,006	11,532,228	17,944,234
			17,379,196
<b>Interfund transfers</b>			
Repayment of long-term debt	(391,595)	391,595	-
FFE and MacHall additions - net	(409,586)	409,586	-
Interest expense	(71,416)	71,416	-
	(872,597)	872,597	-
			-
<b>Endowment contributions (note 8)</b>	101,052	-	101,052
			97,955
<b>Fund balances - End of year</b>	7,344,315	11,727,208	19,071,523
			17,944,234

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, 2018

	2018 \$	2017 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures for the year	1,026,237	467,083
Items not affecting cash	743,091	762,945
Amortization	(2,665,636)	(1,945,569)
Amortization of deferred contributions	(896,308)	(715,541)
	1,414,568	(1,717,133)
Change in non-cash operating working capital items	518,260	(2,432,674)
<b>Investing activities</b>		
Repayment of long-term debt	(391,595)	(380,108)
Additions to capital assets	(89,283)	(158,763)
Additions to interest in MacEwan Hall and MacEwan Student Centre	(320,304)	(46,936)
Endowment contributions	101,052	97,955
	(700,130)	(487,852)
<b>Financing activities</b>		
Increase in deferred contributions	1,672,385	1,664,135
Increase (decrease) in tenant deposits	99,865	(107,380)
	1,772,250	1,556,755
<b>Increase (decrease) in cash during the year</b>	1,590,380	(1,363,771)
<b>Cash - Beginning of year</b>	6,584,981	7,948,752
<b>Cash - End of year</b>	8,175,361	6,584,981

Interest paid during the year was \$71,416 (2017 - \$82,902)

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

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

## **Notes to Financial Statements**

**June 30, 2018**

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### **1 Authority**

The Students' Union, The University of Calgary (the Students' Union) is a corporate body 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 Students' Legislative Council, managing the Students' Union's personnel and preparing the annual budget.

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

### **2 Summary of 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 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 reporting 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 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 interest in MacEwan Hall and MacEwan Student Centre (MacHall).

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

## **Notes to Financial Statements**

**June 30, 2018**

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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 MacHall, 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 MacHall that are reported in the Capital Fund are recognized as revenue as the related capital assets or interest in MacHall 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 that 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 that is restricted for use for library expenses is 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 MacHall 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 MacHall until the assets are put in use.



# The Students' Union, The University of Calgary

## Notes to Financial Statements

June 30, 2018

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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.

### Investments

The investment consists of a guaranteed investment certificate with a term to maturity of less than one year. The guaranteed investment certificate is held by a major bank bearing interest at 1.2% per annum (2017 - 1.2%).

### 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 and accounts receivable. The financial liabilities subsequently recorded at amortized cost include accounts payable and accrued charges, liability for funds held in trust and long-term debt.

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

## 3 Interest in MacEwan Hall and MacEwan Student Centre

Until December 9, 2015, The Students' Union operated under a License of Occupation, Operating and Management Agreement (the agreement) with the University. The agreement provided the Students' Union a right to occupy space in MacHall 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. In accordance with the agreement, the Students' Union has historically capitalized investments in the interest in MacHall as the Students' Union was deemed to have the risks and rewards associated with ownership.

# The Students' Union, The University of Calgary

## Notes to Financial Statements

June 30, 2018

The agreement term expired on December 9, 2014 but allowed for five additional one year extensions of the agreement subject to neither party submitting a notification to terminate the extension agreement. On September 23, 2014, the Governors of the University notified the Students' Union of termination of the 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 MacHall, and had asked the court that the Students' Union continue to occupy and operate the building pursuant to the agreement until the court case was resolved. On October 7, 2016, the Court ruled against the Students' Union in their injunction application to prevent the University from taking over MacHall, and the University assumed management as of October 17, 2016.

A Letter of Intent was sent to the Students' Union on March 21, 2017. The Letter of Intent provided the framework for the interim arrangements of the building management of MacHall. The University agreed to support the Students' Union programs and services in MacHall, through the net proceeds received from third party tenants. The Students' Union has been receiving about 72% of the estimated gross rent since October 2016. The financial impact is not deemed to be critical to the ongoing operations of the Students' Union.

The Students' Union now operates under a Stakeholders' Rights Agreement and MacEwan Building Management and Use of Space Agreement (MUSA) with the Governors of the University of Calgary as of February 6, 2018. The primary term of MUSA is ten years. The agreement provides the Students' Union the appointment of a Building Manager, the right to occupy space in MacEwan Building rent free, the right to retain the revenues from the use of such space for commercial activities and the right to provide management services, in consideration for contributions the Students' Union made towards the cost of construction of the buildings.

Under MUSA, The Students' Union continues to record its investment in the interest in MacHall as a long-term asset as if the Students' Union has the beneficial risks and rewards of ownership of these assets. As at June 30, 2018, the legal dispute between the University and the Students' Union has been resolved.

	2018 \$	2017 \$
Redevelopment costs	24,804,430	24,484,126
Less: Accumulated amortization	10,050,417	9,508,780
Interest in MacHall	14,754,013	14,975,346

Amortization provided for in the current year totalled \$541,637 (2017 - \$540,108).

Included in redevelopment costs are construction-in-progress amounts of \$18,287 (2017 - \$9,773) that relate to assets not yet in use.

# The Students' Union, The University of Calgary

## Notes to Financial Statements

June 30, 2018

### 4 Capital assets

	2018		2017	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Kitchen equipment	176,530	116,652	59,878	78,514
Furniture and equipment	1,717,113	1,379,168	337,945	431,481
	1,893,643	1,495,820	397,823	509,995

### 5 Long-term debt

	2018 \$	2017 \$
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	2,182,539	2,574,134
Less: Amounts due within one year	2,182,539	391,622
	-	2,182,512

The long-term debt was payable in full on July 8, 2018. This loan was renewed with for a 60-month term and is payable in full July 8, 2023 (interest rate 3.25% per annum).

### 6 Deferred contributions

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

Deferred contributions of the Capital Fund comprise 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, 2018

Changes in deferred contributions are as follows:

	2018		2017	
	Operating Fund \$	Capital Fund \$	Net \$	Net \$
<b>Balance - Beginning of year</b>	2,166,148	4,890,575	7,056,723	7,338,158
Add: Amounts recorded for future expenditures	1,405,572	266,813	1,672,385	1,664,134
Less: Amount amortized to revenue	2,528,746	136,890	2,665,636	1,945,569
<b>Balance - End of year</b>	<b>1,042,974</b>	<b>5,020,498</b>	<b>6,063,472</b>	<b>7,056,723</b>

### 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 the guaranteed investment certificate.

	2018 \$	2017 \$
MacHall Defense Fund	-	16,084
Student Health Plan	3,904,787	3,875,443
Refugee students	283,615	250,501
Food bank	58,292	62,704
Election campaign	2,319	10,933
Food Court Reserve	8,338	8,338
Committee 10,000	1,585	-
Other	-	318
Tutor referral	305	305
	<b>4,259,241</b>	<b>4,224,626</b>

### 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 2018 endowment fund contribution of \$101,052 (2017 - \$97,955) represents 50% of the 2018 special student levy of \$202,104 (2017 - \$195,910) (note 9).



# The Students' Union, The University of Calgary

## Notes to Financial Statements

June 30, 2018

### 9 Student fees

	2018 \$	2017 \$
Total student fees received through the University of Calgary	5,946,427	5,762,134
Other fees	27,929	25,739
Less: Allocations to Library Endowment Fund	101,052	97,955
Less: Amounts received on behalf of others		
Legal aid	90,781	88,277
Gauntlet	248,020	240,404
NUTV	268,304	260,065
CJSW	306,112	296,631
	<u>4,960,087</u>	<u>4,804,541</u>

Included in total student fees is \$202,104 (2017 - \$195,910) designated for the University of Calgary Library. 50% of the funds contributed or \$101,052 (2017 - \$97,955) 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 \$34,996 (2017 - \$9,958).

### 11 Commitments

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

	\$
2019	42,617
2020	37,182
2021	37,182
Thereafter	<u>9,295</u>
	<u>126,276</u>

# The Students' Union, The University of Calgary

## Schedule of Operating Revenue and Expenditures

(Unaudited)

For the year ended June 30, 2018

	Student government			Student activities			Commercial services (Schedule 2)			Reserve		Total	
	2018 \$	2017 \$		2018 \$	2017 \$		2018 \$	2017 \$		2018 \$	2017 \$	2018 \$	2017 \$
<b>Revenue</b>													
Operating	-	-		144,326	125,820		12,419,453	11,168,279		-	-	12,563,779	11,294,099
Student fees (note 9)	1,551,821	1,512,059		-	-		-	-		3,292,482	3,408,266	4,960,087	4,804,541
Amortization of deferred contributions	-	-		2,528,746	1,810,417		130,425	90,245		-	-	2,528,746	1,810,417
Interest	-	-		-	-		-	-		-	-	130,425	90,245
Donations	-	-		49,989	54,800		-	-		(22,635)	(4,411)	45,578	32,165
MacHall Defense Fund	-	-		-	-		-	-		-	168,527	168,527	-
	1,551,821	1,512,059		2,723,061	1,991,037		12,549,878	11,258,524		3,269,847	3,572,382	20,397,142	18,031,467
<b>Expenditures</b>													
Cost of providing services	-	-		53,848	58,969		2,939,341	2,721,746		2,874,864	3,083,483	6,076,672	5,655,579
Salaries	-	-		1,148,401	1,180,397		4,532,345	4,353,229		-	-	5,680,746	5,533,626
Operating	-	-		-	-		3,221,047	2,648,868		54,000	54,000	3,275,047	2,702,868
Building operation	-	-		-	-		112,578	151,442		-	-	112,578	151,442
Student services	-	-		3,147,960	2,433,592		-	-		-	-	3,147,960	2,433,592
MacHall legal costs	-	-		-	-		-	-		184,611	184,611	184,611	153,135
Donations from restricted funds	-	-		-	-		-	-		223,448	215,674	215,674	223,448
	-	-		4,350,209	3,672,958		10,805,311	9,875,285		3,305,447	3,537,768	18,693,288	16,853,690
<b>Excess (deficiency) of revenue over expenditures for the year</b>	1,551,821	1,512,059		(1,627,148)	(1,681,921)		1,744,567	1,383,239		34,614	(35,600)	1,703,854	1,177,777

# The Students' Union, The University of Calgary

## Schedule of Commercial Services Revenue and Expenditures

(Unaudited)

For the year ended June 30, 2018

	Business leasing		Retail		Food/beverage/events		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
	2,618,642	2,317,736	1,878,997	1,859,441	8,052,239	7,081,347	12,549,878	11,258,524
<b>Expenditures</b>								
Cost of providing services	-	-	1,249,809	1,186,378	1,689,532	1,535,368	2,939,341	2,721,746
Salaries	1,144,029	1,160,100	269,150	263,508	3,119,166	2,929,621	4,532,345	4,353,229
Operating	625,486	446,440	86,557	93,302	2,509,004	2,109,126	3,221,047	2,648,868
Building operation	39,778	74,099	7,307	7,795	65,493	69,548	112,578	151,442
	1,809,293	1,680,639	1,612,823	1,550,983	7,383,195	6,643,663	10,805,311	9,875,285
<b>Excess of revenue over expenditures for the year</b>	<b>809,349</b>	<b>637,097</b>	<b>266,174</b>	<b>308,458</b>	<b>669,044</b>	<b>437,684</b>	<b>1,744,567</b>	<b>1,383,239</b>