

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

**Financial Statements
June 30, 2019**



Independent auditor's report

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

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Students' Union, The University of Calgary (the Entity) as at June 30, 2019 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.

What we have audited

The Entity's financial statements comprise:

- the balance sheet as at June 30, 2019;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

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



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
December 3, 2019

The Students' Union, The University of Calgary

Balance Sheet

As at June 30, 2019

	2019			2018
	Operating \$	Capital \$	Total \$	Total \$
Assets				
Current assets				
Cash and cash equivalents	9,140,956	-	9,140,956	8,175,361
Short-term investments (note 7)	5,000,000	-	5,000,000	5,000,000
Funds held in trust	50,700	-	50,700	62,271
Accounts receivable	508,594	-	508,594	1,129,396
Inventories	208,795	-	208,795	185,204
Prepaid expenses	167,192	-	167,192	171,300
Due (from) to other funds	(5,911,731)	5,911,731	-	-
	9,164,506	5,911,731	15,076,237	14,723,532
Interest in MacEwan Hall and MacEwan Student Centre (note 3)	-	17,242,067	17,242,067	14,754,013
Capital assets (note 4)	-	705,945	705,945	397,823
	9,164,506	23,859,743	33,024,249	29,875,368
Liabilities				
Current liabilities				
Accounts payable and accrued charges (note 10)	2,647,621	-	2,647,621	2,107,783
Liability for funds held in trust	50,701	-	50,701	62,271
Deferred revenue	945,987	-	945,987	287,915
Long-term debt (note 5)	-	1,910,979	1,910,979	2,182,539
	3,644,309	1,910,979	5,555,288	4,640,508
Tenant deposits	100,810	-	100,810	99,865
Deferred contributions (note 6)	1,209,478	5,505,861	6,715,339	6,063,472
Long-term debt (note 5)	-	1,377,242	1,377,242	-
	4,954,597	8,794,082	13,748,679	10,803,845
Fund Balances				
Unrestricted	(1,718,843)	-	(1,718,843)	1,056,100
Internally restricted (note 7)	3,795,370	-	3,795,370	4,259,241
Restricted for endowment purposes (note 8)	2,133,382	-	2,133,382	2,028,974
Internally restricted net assets invested in capital assets and interest in MacEwan Hall and MacEwan Student Centre	-	15,065,661	15,065,661	11,727,208
	4,209,909	15,065,661	19,275,570	19,071,523
	9,164,506	23,859,743	33,024,249	29,875,368

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, 2019

			2019	2018
	Operating \$	Capital \$	Total \$	Total \$
Revenue				
Operating	13,122,096	-	13,122,096	12,563,779
Student fees (note 9)	4,559,249	-	4,559,249	4,960,087
Amortization of deferred contributions (note 6)	872,558	147,960	1,020,518	2,665,636
Interest	212,790	-	212,790	130,425
Donations	54,702	-	54,702	45,578
MacHall Defense Fund	-	-	-	168,527
	<u>18,821,395</u>	<u>147,960</u>	<u>18,969,355</u>	<u>20,534,032</u>
Expenditures				
Cost of providing services	6,064,924	-	6,064,924	6,076,672
Salaries	5,975,791	-	5,975,791	5,680,746
Operating	3,924,198	-	3,924,198	3,275,047
Amortization	-	781,531	781,531	743,091
Building operation	296,335	-	296,335	112,578
Interest	-	68,694	68,694	71,416
Student services	1,551,627	-	1,551,627	3,147,960
Donations from restricted funds	206,615	-	206,615	215,674
Legal costs related to interest in MacEwan Hall and MacEwan Student Centre	-	-	-	184,611
	<u>18,019,490</u>	<u>850,225</u>	<u>18,869,715</u>	<u>19,507,795</u>
Excess (deficiency) of revenue over expenditures for the year	<u>801,905</u>	<u>(702,265)</u>	<u>99,640</u>	<u>1,026,237</u>
Fund balances – Beginning of year	<u>7,344,315</u>	<u>11,727,208</u>	<u>19,071,523</u>	<u>17,944,234</u>
Interfund transfers				
Repayment of long-term debt	(394,317)	394,317	-	-
Capital and MacHall additions – net	(3,577,707)	3,577,707	-	-
Interest expense	(68,694)	68,694	-	-
	<u>(4,040,718)</u>	<u>4,040,718</u>	<u>-</u>	<u>-</u>
Endowment contributions (note 8)	<u>104,407</u>	<u>-</u>	<u>104,407</u>	<u>101,052</u>
Fund balances – End of year	<u>4,209,909</u>	<u>15,065,661</u>	<u>19,275,570</u>	<u>19,071,523</u>

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, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	99,640	1,026,237
Items not affecting cash		
Amortization	781,531	743,091
Amortization of deferred contributions	(1,020,518)	(2,665,636)
	(139,347)	(896,308)
Change in non-cash operating working capital items	1,799,228	1,414,568
	1,659,881	518,260
Investing activities		
Advances (repayment) of long-term debt	1,105,683	(391,595)
Additions to capital assets	(540,089)	(89,283)
Additions to interest in MacEwan Hall and MacEwan Student Centre	(3,037,618)	(320,304)
Endowment contributions	104,407	101,052
	(2,367,617)	(700,130)
Financing activities		
Increase in deferred contributions	1,672,385	1,672,385
Increase in tenant deposits	946	99,865
	1,673,331	1,772,250
Increase in cash during the year	965,595	1,590,380
Cash – Beginning of year	8,175,361	6,584,981
Cash – End of year	9,140,956	8,175,361

Interest paid during the year was \$68,698 (2018 – \$71,416)

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

The Students' Union, The University of Calgary

Notes to Financial Statements

June 30, 2019

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, 2019

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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash on deposit in interest bearing bank accounts and short-term guaranteed investment certificates held with reputable financial institutions.

Short-term investments

Short-term investments consist of guaranteed investment certificates with a term to maturity of less than one year. The guaranteed investment certificates are held by RBC bearing interest from 2.05% to 2.6% per annum (2018 – 1.2%).

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, 2019

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.

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 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.

The Students' Union, The University of Calgary

Notes to Financial Statements

June 30, 2019

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 financial impact was not deemed to be critical to the ongoing operations of the Students' Union.

Upon settlement of legal matters and as of February 6, 2018, 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. 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 management believes the Students' Union has the beneficial risks and rewards of ownership of these assets.

	2019 \$	2018 \$
Redevelopment costs	27,842,048	24,804,430
Less: Accumulated amortization	10,599,981	10,050,417
Interest in MacHall	<u>17,242,067</u>	<u>14,754,013</u>

Amortization provided for in the current year totalled \$549,564 (2018 – \$541,637).

Included in redevelopment costs are construction-in-progress amounts of \$2,664,768 (2018 – \$18,287) that relate to assets not yet in use.

The Students' Union, The University of Calgary

Notes to Financial Statements

June 30, 2019

4 Capital assets

			2019	2018
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Kitchen equipment	165,116	121,714	43,402	59,878
Furniture and equipment	1,274,547	612,004	662,543	337,945
	<u>1,439,663</u>	<u>733,718</u>	<u>705,945</u>	<u>397,823</u>

5 Long-term debt

	2019	2018
	\$	\$
RBC		
Non-revolving term facility, bearing interest at 3.25% per annum, maturing July 8, 2023 with floating instalment payments, collateralized by GICs held through RBC	1,788,221	2,182,539
Less: Amounts due within one year	<u>410,979</u>	<u>2,182,539</u>
	<u>1,377,242</u>	-
ATB		
Non-revolving term facility, bearing interest at 3.85% per annum, maturing December 31, 2019 with blended payments on the last day of each month, collateralized with \$1.5 million GIC held through ATB	1,500,000	-
Less: Amounts due within one year	<u>1,500,000</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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, 2019

Changes in deferred contributions are as follows:

			2019	2018
	Operating Fund \$	Capital Fund \$	Net \$	Net \$
Balance – Beginning of year	1,042,974	5,020,498	6,063,472	7,056,723
Add: Amounts recorded for future expenditures	1,039,062	633,323	1,672,385	1,672,385
Less: Amount amortized to revenue	872,558	147,960	1,020,518	2,665,636
Balance – End of year	1,209,478	5,505,861	6,715,339	6,063,472

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 and included in short-term investments.

	2019 \$	2018 \$
Student Health Plan	3,385,898	3,904,787
Refugee students	328,212	283,615
Food bank	70,597	58,292
Election campaign	-	2,319
Food Court Reserve	8,338	8,338
Committee 10,000	2,020	1,585
Tutor referral	305	305
	3,795,370	4,259,241

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 2019 endowment fund contribution of \$104,407 (2018 – \$101,052) represents 50% of the 2019 special student levy of \$208,814 (2018 – \$202,104) (note 9).

The Students' Union, The University of Calgary

Notes to Financial Statements

June 30, 2019

9 Student fees

	2019 \$	2018 \$
Total student fees received through the University of Calgary	6,186,873	5,946,427
Other fees	31,903	27,929
Less: Allocations to Library Endowment Fund	104,407	101,052
Less: Health & Dental fees (deferred)	610,855	-
Less: Amounts received on behalf of others		
Legal aid	93,361	90,781
Gauntlet	256,356	248,020
NUTV	277,606	268,304
CJSW	316,942	306,112
	<u>4,559,249</u>	<u>4,960,087</u>

Included in total student fees is \$208,814 (2018 – \$202,104) designated for the University of Calgary Library. 50% of the funds contributed or \$104,407 (2018 – \$101,052) 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 \$34,555 (2018 – \$34,996).

11 Commitments

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

	\$
2020	42,617
2021	37,182
2022	9,295
Thereafter	-
	<u>89,094</u>

The Students' Union, The University of Calgary

Schedule of Operating Revenue and Expenditures

(Unaudited)

For the year ended June 30, 2019

	Student government			Student activities			Commercial services (Schedule 2)			Reserve			Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue														
Operating	-	-	142,700	144,326	12,979,396	12,419,453	-	-	13,122,096	-	13,122,096	-	13,122,096	12,563,779
Student fees (note 9)	1,583,195	1,551,821	-	-	-	-	-	-	4,559,249	3,408,266	2,976,054	-	4,559,249	4,960,087
Amortization of deferred contributions	-	-	872,558	2,528,746	-	-	-	-	872,558	-	-	-	872,558	2,528,746
Interest	-	-	-	-	212,790	130,425	-	-	212,790	-	-	-	212,790	130,425
Donations	-	-	42,398	49,989	-	-	-	-	-	-	12,304	-	54,702	45,578
MacHall Defense Fund	-	-	-	-	-	-	-	-	-	(4,411)	-	-	-	168,527
	1,583,195	1,551,821	1,057,656	2,723,061	13,192,186	12,549,878	2,988,358	3,572,382	18,821,395	20,397,142				
Expenditures														
Cost of providing services	-	-	43,815	53,848	2,829,495	2,939,341	3,191,614	3,083,483	6,064,924	6,076,672				
Salaries	-	-	1,242,190	1,148,401	4,733,601	4,532,345	-	-	5,975,791	5,680,746				
Operating	-	-	-	-	3,870,198	3,221,047	54,000	54,000	3,924,198	3,275,047				
Building operation	-	-	-	-	296,335	112,578	-	-	296,335	112,578				
Student services	-	-	1,551,627	3,147,960	-	-	-	-	1,551,627	3,147,960				
MacHall legal costs	-	-	-	-	-	-	-	184,611	-	184,611				
Donations from restricted funds	-	-	-	-	-	-	206,615	215,674	206,615	215,674				
	-	-	2,837,632	4,350,209	11,729,629	10,805,311	3,452,229	3,537,768	18,019,490	18,693,288				
Excess (deficiency) of revenue over expenditures for the year	1,583,195	1,551,821	(1,779,976)	(1,627,148)	1,462,557	1,744,567	(463,871)	34,614	801,905	1,703,854				

The Students' Union, The University of Calgary

Schedule of Commercial Services Revenue and Expenditures (Unaudited)

For the year ended June 30, 2019

	Business leasing		Retail		Food/beverage/events		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	\$ 4,228,298	\$ 2,618,642	\$ 1,825,855	\$ 1,878,997	\$ 7,138,032	\$ 8,052,239	\$ 13,192,185	\$ 12,549,878
Expenditures								
Cost of providing services	-	-	1,215,045	1,249,809	1,614,451	1,689,532	2,829,496	2,939,341
Salaries	1,173,660	1,144,029	294,276	269,150	3,265,665	3,119,166	4,733,601	4,532,345
Operating	1,723,619	625,486	81,480	86,557	2,065,099	2,509,004	3,870,198	3,221,047
Building operation	237,844	39,778	5,810	7,307	52,681	65,493	296,335	112,578
	3,135,123	1,809,293	1,596,611	1,612,823	6,997,896	7,383,195	11,729,630	10,805,311
Excess of revenue over expenditures for the year	1,093,175	809,349	229,244	266,174	140,136	669,044	1,462,555	1,744,567