

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

Financial Statements  
**June 30, 2017**



December 5, 2017

## **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, 2017, 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.

---

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



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, 2017 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, 2017

			2017	2016
	Operating \$	Capital \$	Total \$	Total \$
<b>Assets</b>				
<b>Current assets</b>				
Cash	6,584,981	-	6,584,981	7,948,752
Short term investments	-	-	-	5,000,000
Funds held in trust	78,088	-	78,088	82,947
Accounts receivable	2,480,174	-	2,480,174	646,661
Inventories	162,833	-	162,833	204,030
Prepaid expenses	52,812	-	52,812	16,403
Due (from) to other funds	(3,511,596)	3,511,596	-	-
	5,847,292	3,511,596	9,358,888	13,898,793
<b>Investments</b>				
	5,000,000	-	5,000,000	-
<b>Interest in MacEwan Hall and MacEwan Student Centre (note 3)</b>				
	-	14,975,346	14,975,346	15,468,518
<b>Capital assets (note 4)</b>				
	-	509,995	509,995	574,069
	10,847,292	18,996,937	29,844,229	29,941,380
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued charges	1,862,771	-	1,862,771	1,838,484
Liability for funds held in trust	78,088	-	78,088	82,947
Deferred revenue	328,279	-	328,279	240,974
Current portion of long-term debt (note 5)	-	391,622	391,622	380,138
	2,269,138	391,622	2,660,760	2,542,543
<b>Tenant deposits</b>				
	-	-	-	107,380
<b>Deferred contributions (note 6)</b>				
	2,166,148	4,890,575	7,056,723	7,338,158
<b>Long-term debt (note 5)</b>				
	-	2,182,512	2,182,512	2,574,103
	4,435,286	7,464,709	11,899,995	12,562,184
<b>Fund Balances</b>				
Unrestricted (deficit)	259,457	-	259,457	(285,212)
Internally restricted (note 7)	4,224,626	-	4,224,626	4,260,226
Restricted for endowment purposes (note 8)	1,927,923	-	1,927,923	1,829,967
Internally restricted net assets invested in capital assets and interest in MacEwan Hall and MacEwan Student Centre	-	11,532,228	11,532,228	11,574,215
	6,412,006	11,532,228	17,944,234	17,379,196
	10,847,292	18,996,937	29,844,229	29,941,380

Commitments (note 11)

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, 2017

	2017			2016
	Operating \$	Capital \$	Total \$	Total \$
<b>Revenue</b>				
Operating	11,294,099	-	11,294,099	12,524,377
Student fees (note 9)	4,804,541	-	4,804,541	4,506,497
Amortization of deferred contributions (note 6)	1,810,417	135,152	1,945,569	1,661,236
Interest	90,245	-	90,245	99,335
Donations	32,165	-	32,165	28,633
	<u>18,031,467</u>	<u>135,152</u>	<u>18,166,619</u>	<u>18,820,078</u>
<b>Expenditures</b>				
Salaries	5,533,626	-	5,533,626	6,155,295
Cost of providing services	5,655,578	-	5,655,578	5,454,410
Operating	2,702,868	-	2,702,868	2,983,157
Student services	2,433,592	-	2,433,592	2,150,186
Amortization	-	762,945	762,945	706,262
Building operation	151,442	-	151,442	310,265
Donations from restricted funds	223,448	-	223,448	209,563
Legal costs related to interest in MacEwan Hall and MacEwan Student Centre	153,135	-	153,135	330,781
Interest	-	82,902	82,902	94,289
	<u>16,853,689</u>	<u>845,847</u>	<u>17,699,536</u>	<u>18,394,208</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>1,177,778</u>	<u>(710,695)</u>	<u>467,083</u>	<u>425,870</u>
<b>Fund balances – Beginning of year</b>	<u>5,804,981</u>	<u>11,574,215</u>	<u>17,379,196</u>	<u>16,859,834</u>
<b>Interfund transfers</b>				
Repayment of long-term debt	(380,108)	380,108	-	-
Capital asset additions	(205,698)	205,698	-	-
Interest expense	(82,902)	82,902	-	-
	<u>(668,708)</u>	<u>668,708</u>	<u>-</u>	<u>-</u>
<b>Endowment contributions (note 8)</b>	<u>97,955</u>	<u>-</u>	<u>97,955</u>	<u>93,492</u>
<b>Fund balances – End of year</b>	<u>6,412,006</u>	<u>11,532,228</u>	<u>17,944,234</u>	<u>17,379,196</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, 2017

	2017 \$	2016 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures	467,083	425,870
Items not affecting cash		
Amortization	762,945	706,262
Amortization of deferred contributions	(1,945,569)	(1,661,236)
	(715,541)	(529,104)
Change in non-cash operating working capital items	(1,717,133)	1,824,249
	(2,432,674)	1,295,145
<b>Investing activities</b>		
Repayment of long-term debt	(380,108)	(368,722)
Additions to capital assets	(158,763)	(203,205)
Additions to interest in MacEwan Hall and MacEwan Student Centre	(46,936)	(756,304)
Endowment contributions	97,955	93,492
	(487,852)	(1,234,739)
<b>Financing activities</b>		
Increase in deferred contributions	1,664,135	1,654,958
(Decrease) increase in tenant deposits	(107,380)	275
	1,556,755	1,655,233
<b>(Decrease) increase in cash during the year</b>	(1,363,771)	1,715,639
<b>Cash – Beginning of year</b>	7,948,752	6,233,113
<b>Cash – End of year</b>	6,584,981	7,948,752

Interest paid in the year was \$82,902 (2016 – \$94,289)

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

# The Students' Union, The University of Calgary

## Notes to Financial Statements

For the year ended June 30, 2017

---

### 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 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 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 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**

**For the year ended June 30, 2017**

---

### **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, which 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 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 are 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 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

For the year ended June 30, 2017

---

### 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 one guaranteed investment certificate with terms to maturity greater than one year. As at June 30, 2017, the Students' Union's investment consists of guaranteed investment certificates held by a major bank bearing interest at 1.2% per annum (2016 – 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 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 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

For the year ended June 30, 2017

---

The 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. 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 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. 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 provides the framework for the interim arrangements of the building management of MacHall. The University agrees 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 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 of June 30, 2017, the legal dispute between the University and the Students' Union over the ownership of MacHall is ongoing.

	2017 \$	2016 \$
Redevelopment costs	24,484,126	24,437,190
Less: Accumulated amortization	(9,508,780)	(8,968,672)
Interest in MacHall	<u>14,975,346</u>	<u>15,468,518</u>

Amortization provided for in the current year totalled \$540,108 (2016 – \$513,264).

Included in redevelopment costs are construction-in-progress amounts of \$9,773 (2016 – \$29,892) that relate to assets not yet in use.

# The Students' Union, The University of Calgary

## Notes to Financial Statements

For the year ended June 30, 2017

---

### 4 Capital assets

			<u>2017</u>	<u>2016</u>
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Kitchen equipment	176,530	98,016	78,514	97,310
Furniture and equipment	1,676,593	1,245,112	431,481	476,759
	<u>1,853,123</u>	<u>1,343,128</u>	<u>509,995</u>	<u>574,069</u>

Amortization in the current year totalled \$222,837 (2016 – \$192,988).

### 5 Long-term debt

	<u>2017</u>	<u>2016</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.	2,574,134	2,954,241
Less: Amounts due within one year	<u>(391,622)</u>	<u>(380,138)</u>
	<u>2,182,512</u>	<u>2,574,103</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

For the year ended June 30, 2017

Changes in deferred contributions are as follows:

			<u>2017</u>	<u>2016</u>
	<b>Operating Fund \$</b>	<b>Capital Fund \$</b>	<b>Net \$</b>	<b>Net \$</b>
<b>Balance – Beginning of year</b>	2,751,480	4,586,678	7,338,158	7,344,435
Add: Amounts recorded for future expenditures	1,225,085	439,049	1,664,134	1,654,959
Less: Amount amortized to revenue	(1,810,417)	(135,152)	(1,945,569)	(1,661,236)
<b>Balance – End of year</b>	<u>2,166,148</u>	<u>4,890,575</u>	<u>7,056,723</u>	<u>7,338,158</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 the guaranteed investment certificate.

	<b>2017 \$</b>	<b>2016 \$</b>
MacHall Defense Fund	16,084	169,219
Student Health Plan	3,875,443	3,745,872
Refugee students	250,501	239,454
Food bank	62,704	85,339
Election campaign	10,933	10,963
Food Court Reserve	8,338	8,338
Other	318	736
Tutor referral	305	305
	<u>4,224,626</u>	<u>4,260,226</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 2017 endowment fund contribution of \$97,955 (2016 – \$93,492) represents 50% of the 2017 special student levy of \$195,910 (fiscal 2016 – \$186,984) (note 9).

# The Students' Union, The University of Calgary

## Notes to Financial Statements

For the year ended June 30, 2017

---

### 9 Student fees

	2017 \$	2016 \$
Total student fees received through the University of Calgary	5,762,134	5,419,171
Other fees	25,739	25,387
Less: Allocations to Library Endowment Fund	(97,955)	(93,492)
Less: Amounts received on behalf of others		
Legal aid	(88,277)	(84,291)
Gauntlet	(240,404)	(229,410)
NUTV	(260,065)	(248,025)
CJSW	(296,631)	(282,843)
	<u>4,804,541</u>	<u>4,506,497</u>

Included in total student fees is \$195,910 designated for the University of Calgary Library. 50% of the funds contributed or \$97,955 (2016 – \$93,492) 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 \$9,958 (2016 – \$11,587).

### 11 Commitments

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

	\$
2018	42,617
2019	37,182
2020	37,182
2021	37,182
Thereafter	9,295

# The Students' Union, The University of Calgary

## Schedule of Operating Revenue and Expenditures

(Unaudited)

For the year ended June 30, 2017

	Student government		Student activities		Commercial services (Schedule 2)		Reserve		Total	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
<b>Revenue</b>										
Operating	-	-	125,820	176,268	11,168,279	12,348,109	-	-	11,294,099	12,524,377
Student fees (note 9)	1,512,059	1,446,573	-	-	-	-	3,292,482	3,059,924	4,804,541	4,506,497
Amortization of deferred contributions	-	-	1,810,417	1,540,303	-	-	-	-	1,810,417	1,540,303
Interest	-	-	-	-	90,245	99,335	-	-	90,245	99,335
Donations	-	-	54,800	57,933	-	-	(22,635)	(29,300)	32,165	28,633
	1,512,059	1,446,573	1,991,037	1,774,504	11,258,524	12,447,444	3,269,847	3,030,624	18,031,467	18,699,145
<b>Expenditures</b>										
Cost of providing services	-	-	58,969	61,970	2,721,746	2,796,692	2,874,864	2,595,748	5,655,579	5,454,410
Salaries	-	-	1,180,397	1,288,332	4,353,229	4,866,963	-	-	5,533,626	6,155,295
Operating	-	-	-	-	2,648,868	2,929,157	54,000	54,000	2,702,868	2,983,157
Building operation	-	-	-	-	151,442	310,265	-	-	151,442	310,265
Student services	-	-	2,433,592	2,150,186	-	-	-	-	2,433,592	2,150,186
Donations from restricted funds	-	-	-	-	-	-	223,448	209,563	223,448	209,563
MacHall legal costs	-	-	-	-	-	-	153,135	330,781	153,135	330,781
	-	-	3,672,958	3,500,488	9,875,285	10,903,077	3,305,447	3,190,092	16,853,690	17,593,657
<b>Excess (deficiency) of revenue over expenditures</b>	1,512,059	1,446,573	(1,681,921)	(1,725,984)	1,383,239	1,544,367	(35,600)	(159,468)	1,177,777	1,105,488

# The Students' Union, The University of Calgary

## Schedule of Commercial Services Revenue and Expenditures

(Unaudited)

For the year ended June 30, 2017

	<u>Business leasing</u>		<u>Retail</u>		<u>Food/beverage/events</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>	2,317,736	2,937,124	1,859,441	1,677,577	7,081,347	7,832,743	11,258,524	12,447,444
<b>Expenditures</b>								
Cost of providing services	-	-	1,186,378	983,383	1,535,368	1,813,309	2,721,746	2,796,692
Salaries	1,160,100	1,306,836	263,508	254,221	2,929,621	3,305,906	4,353,229	4,866,963
Operating	446,440	495,522	93,302	82,122	2,109,126	2,351,513	2,648,868	2,929,157
Building operation	74,099	225,829	7,795	9,331	69,548	75,105	151,442	310,265
	1,680,639	2,028,187	1,550,983	1,329,057	6,643,663	7,545,833	9,875,285	10,903,077
<b>Excess of revenue over expenditures</b>	637,097	908,937	308,458	348,520	437,684	286,910	1,383,239	1,544,367