

Financial Statements of

**THE STUDENTS' UNION,  
THE UNIVERSITY OF  
LETHBRIDGE**

Year ended April 30, 2011

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# INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Students' Union, The University of Lethbridge, which comprise the statement of financial position as at April 30, 2011, the statement of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## *Auditors' 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 these 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 our 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, we consider 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.

## *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Students' Union, The University of Lethbridge as at April 30, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

October 26, 2011  
Lethbridge, Canada

October 25, 2011, 9:04 AM

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

## Statement of Financial Position

April 30, 2011, with comparative figures for 2010

	2011	2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 3)	\$ 1,651,410	\$ 1,611,647
Accounts receivable	55,337	64,019
Inventories (note 4)	32,295	34,914
	<u>1,739,042</u>	<u>1,710,580</u>
Note receivable (note 5)	1	1
Long-term investments (note 6)	4,172,299	3,677,368
Capital assets (note 7):		
Capital assets	1,818,432	1,741,620
Less accumulated amortization	<u>1,507,363</u>	<u>1,432,381</u>
	311,069	309,239
Right of occupancy:		
Right of occupancy	3,036,650	3,036,650
Less accumulated amortization	<u>1,255,149</u>	<u>1,194,416</u>
	1,781,501	1,842,234
	<u>\$ 8,003,912</u>	<u>\$ 7,539,422</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 395,740	\$ 371,285
Deferred revenue	44,570	47,281
	<u>440,310</u>	<u>418,566</u>
Net assets:		
Invested in capital assets and right of occupancy	2,092,570	2,151,474
Endowments	134,297	125,100
Internally restricted (note 9)	3,180,318	2,857,370
Unrestricted	<u>2,156,417</u>	<u>1,986,912</u>
	7,563,602	7,120,856
Commitment (note 11)		
Contingency (note 12)		
	<u>\$ 8,003,912</u>	<u>\$ 7,539,422</u>

See accompanying notes to financial statements.

On behalf of the Council:

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

## Statement of Operations

Year ended April 30, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Student fees	\$ 884,500	\$ 863,809
Building revenue (schedule 1)	258,302	230,029
Activity revenue (schedule 2)	417,620	423,926
Other revenue (schedule 3)	2,037,164	1,973,586
	<u>3,597,586</u>	<u>3,491,350</u>
Expenses:		
Building expenses (schedule 4)	322,324	313,238
Activity expenses (schedule 2)	424,436	419,457
Other expenses (schedule 3)	1,510,817	1,450,484
Administration expenses (schedule 5)	595,327	772,723
Political expenses (schedule 6)	301,936	273,553
	<u>3,154,840</u>	<u>3,229,455</u>
Excess of revenue over expenses	\$ 442,746	\$ 261,895

See accompanying notes to financial statements.

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# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

## Statement of Changes in Net Assets

Year ended April 30, 2011, with comparative figures for 2010

	Invested in capital assets and right of occupancy	Endowments	Internally restricted (note 9)	Unrestricted	2011	2010
Balance, beginning of year	\$ 2,151,474	\$ 125,100	\$ 2,857,370	\$ 1,986,912	\$ 7,120,856	\$ 6,858,961
Excess of revenue over expenses (expenses over revenue)	(135,715)	9,197	319,409	249,855	442,746	261,895
Net change in invested in capital assets	76,811	-	(76,811)	-	-	-
Transfers	-	-	80,350	(80,350)	-	-
<b>Balance, end of year</b>	<b>\$ 2,092,570</b>	<b>\$ 134,297</b>	<b>\$ 3,180,318</b>	<b>\$ 2,156,417</b>	<b>\$ 7,563,602</b>	<b>\$ 7,120,856</b>

See accompanying notes to financial statements.

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

## Statement of Cash Flows

Year ended April 30, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 442,746	\$ 261,895
Add amortization which does not involve cash	135,715	126,537
Change in non-cash operating working capital:		
Accounts receivable	8,682	(4,011)
Inventories	2,619	(1,187)
Accounts payable and accrued liabilities	24,455	16,478
Deferred revenue	(2,711)	8,635
	611,506	408,347
Investments:		
Increase in long-term investments	(494,931)	(1,606,215)
Purchase of capital assets:		
From capital replacement fund	(76,812)	(39,315)
	(571,743)	(1,645,530)
Increase (decrease) in cash and cash equivalents	39,763	(1,237,183)
Cash and cash equivalents, beginning of year	1,611,647	2,848,830
Cash and cash equivalents, end of year	\$ 1,651,410	\$ 1,611,647

See accompanying notes to financial statements.

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements

Year ended April 30, 2011

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The Students' Union, The University of Lethbridge ("Students' Union") is established in accordance with the Post-Secondary Learning Act of the Province of Alberta. The primary objective of the Students' Union is to administer the affairs of the students of The University of Lethbridge. The Students' Union is exempt from tax under Section 149(1)(l) of the Income Tax Act.

## 1. Significant accounting policies:

### (a) Financial instruments:

Initial measurement of financial instruments is at fair value and subsequent measurement and recognition of changes in value depend upon the classification. Financial assets and financial liabilities classified as "held for trading" are measured at fair value with changes as financial income. "Loans and receivables", and financial liabilities classified as "other financial liabilities" and financial assets classified as "held to maturity" are measured at amortized cost using the effective interest method.

The Students' Union has classified its financial assets and financial liabilities as follows:

<u>Financial assets and liabilities</u>	<u>Classification</u>
Cash and cash equivalents	Held for trading
Accounts receivable	Loans and receivables
Note receivable	Loans and receivables
Long-term investments	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities

The Students' Union as a Non-Profit Organization has elected not to apply the standards for embedded derivatives in non-financial contracts.

The carrying value of the financial assets and liabilities approximate their fair value because of the short-term nature of these items. The Students' Union's exposure to interest rate risk relates to its investment in a managed future note included in long-term investments (note 6). This note has a guaranteed return of principal, and carries a fixed rate of interest of 1%. The return on this investment, in excess of 1%, is dependant upon the performance of the related index. Unless otherwise noted, it is management's opinion that the Students' Union is not exposed to significant currency or credit risk arising from its financial instruments.

The Students' Union has also opted to apply the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3861 Financial Instruments - Disclosures and Presentation in place of CICA Handbook Section 3862 Financial Instruments - Disclosures and 3863 Financial Instruments - Presentation as allowed under generally accepted accounting principles.

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements

Year ended April 30, 2011

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## 1. Significant accounting policies (continued):

### (b) Inventories:

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

### (c) Capital assets:

Capital assets are recorded at cost. Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Equipment	30%
Building improvements	2% and 14%

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the asset no longer has any long-term service potential to the Students' Union. Any such impairment is measured by a comparison of the carrying amount of an asset to estimated residual value.

### (d) Right of occupancy:

The Students' Union, in consideration for direct and indirect funds advanced to The University of Lethbridge for construction of The Students' Union building, was granted the right to use 56% of the space of the building for a period of 50 years. Amortization is provided for on a straight-line basis over the term of the agreement.



# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements

Year ended April 30, 2011

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## 1. Significant accounting policies (continued):

### (e) Revenue recognition:

The Students' Union follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Revenue is recognized in accordance with the principle that matches revenues and expenses, except for student fees and health plan premiums, which are recognized in the year they are received.

### (f) Capital disclosure:

The Students' Union objectives for managing capital are as follows:

- (i) In the short term to safeguard the Students' Union's financial ability to continue to deliver services to the students of the University of Lethbridge.
- (ii) In the long-term to plan and build a sufficient asset base to meet the future needs of the students of the University of Lethbridge.

The Students' Union monitors its working capital and cash flow forecasts.

### (g) Use of estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

A significant area requiring the use of management's estimates is the accrual for the health plan costs at April 30, 2011. The accrual for health plan costs is an estimate of health plan claims for the period ending August 31, 2011. Revenue received for health plan premiums to August 31, 2011 has also been recognized at the year-end. The accrual for health plan costs at April 30, 2011 has been estimated based on past experience of health plan claims. Management has also internally restricted \$1,309,533 for potential future health plan losses.

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements

Year ended April 30, 2011

## 2. Accounting pronouncement:

On November 30, 2010, Canada's Accounting Standards Board ("AcSB") issued new accounting standards for Not-For-Profit Organizations ("NPOs"). NPOs will have the choice of adopting either International Financial Reporting Standards ("IFRS") or i) in the case of Government NPOs ("GNFPOs"), the Public Sector Accounting Handbook ("PSAB"), with the option to apply standards for NPOs; or ii) in the case of Non-Government NPOs, Accounting Standards for NPOs with Accounting Standards for Private Enterprises ("ASPE"). These standards are effective for years beginning on or after January 1, 2012. Management has indicated the impact of the adoption of these standards is being evaluated and is not known or reasonably estimable at this time.

## 3. Cash and cash equivalents:

The Students' Union considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents. The major components of cash and cash equivalents are as follows:

	2011	2010
Cash on hand	\$ 4,800	\$ 4,800
Cash on deposit	505,627	411,729
Cash deposits, bearing interest at monthly average prime less 2.75%	771,429	908,705
Mutual funds	369,554	286,413
	<u>\$ 1,651,410</u>	<u>\$ 1,611,647</u>

## 4. Inventories:

	2011	2010
Pub	\$ 13,497	\$ 16,003
Service centre	18,798	18,911
	<u>\$ 32,295</u>	<u>\$ 34,914</u>

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements

Year ended April 30, 2011

## 5. Note receivable:

	2011	2010
Receivable from CKXU Radio	\$ 81,000	\$ 81,000
Valuation allowance	(80,999)	(80,999)
	\$ 1	\$ 1

In August of 2000, CKXU Radio ("CKXU") became independent from the Students' Union, and certain assets were transferred to CKXU at this time. The note receivable is due from CKXU for assets previously purchased by the Students' Union on behalf of CKXU and is secured by specific equipment.

No payments of interest or principal have been received since the issuance of the note receivable. As there is significant doubt as to the collectibility of the amount, a valuation allowance of \$80,999 has been taken against the receivable and as a result, the receivable is reflected at a nominal amount.

## 6. Long-term investments:

	2011	2010
Held for trading:		
Fixed income securities, with interest rates ranging from 1.66% to 8.1%, maturing June 2011 to June 2037	\$ 2,477,731	\$ 2,264,441
Certificates of deposit, interest ranging from 1.5% to 2.0%, maturing May and June, 2011	1,580,000	1,300,024
Managed future note, maturing September, 2011	114,568	112,903
	\$ 4,172,299	\$ 3,677,368

	2011	2010
Long-term investments are comprised of assets invested for:		
Endowment purposes	\$ 134,297	\$ 125,100
Internal restrictions	3,180,318	2,857,370
	\$ 3,314,615	\$ 2,982,470

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements

Year ended April 30, 2011

## 7. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 1,164,090	\$ 1,088,326	\$ 75,764	\$ 57,235
Building improvements	654,342	419,037	235,305	252,004
	\$ 1,818,432	\$ 1,507,363	\$ 311,069	\$ 309,239

## 8. Accounts payable and accrued liabilities:

	2011	2010
Trade	\$ 33,584	\$ 36,278
Accrued wages payable	4,288	5,194
Payable to CKXU Radio	47,234	48,625
Payable to Lethbridge Public Interest Research Group	17,654	13,118
Premiums payable to the Student Health Plan	292,980	268,070
	\$ 395,740	\$ 371,285

## 9. Net assets internally restricted:

Net assets internally restricted are established at the discretion of the executive council to set aside funds for future operating and capital expenditures.

Net assets internally restricted consists of:

	2011	2010
Capital replacement	\$ 685,461	\$ 665,129
Future building development	1,185,324	1,012,573
Health Plan Stabilization Fund	1,309,533	1,179,668
	\$ 3,180,318	\$ 2,857,370

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements

Year ended April 30, 2011

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## 10. Related party transactions:

- (i) The Students' Union has an economic interest in the University of Lethbridge, since the University of Lethbridge collects student fees on behalf of the Students' Union and owns the building from which the Students' Union operates.
- (ii) The Students' Union subleases a portion of its premises to both CKXU Radio and The Meliorist for non-cash consideration of approximately \$1,000 each per month. The aggregate consideration for the year was approximately \$24,000 (2010 - \$24,000). The non-cash consideration has been reflected net of the services provided to the Students' Union by CKXU Radio and The Meliorist.

These transactions are in the normal course of operations and have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 11. Commitment:

The Students' Union committed to a total contribution of \$2.5 million to the First Choice Savings Centre for Sport and Wellness at the University of Lethbridge. The contribution will be made in annual amounts of approximately \$225,000, based on enrollment, which commenced in 2008. During the year, contributions of \$188,252 (2010 - \$189,998) were made to the University of Lethbridge and are included in administration expenses. Total contributions of \$749,616 have been made to April 30, 2011.

The Students' Union also made a \$200,000 contribution to the University of Lethbridge Daycare in 2010. No further contributions have been made or committed to the Daycare in 2011.

## 12. Contingency:

The Students' Union has been named as a defendant in a legal action. Management is of the opinion that there is a strong defence against this claim. Accordingly, no provision for loss has been reflected in the accounts for this matter.

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Building Revenue

Schedule 1

Year ended April 30, 2011, with comparative figures for 2010

	2011	2010
Lease revenues	\$ 142,922	\$ 142,717
Tenant chargebacks	49,517	46,964
Investment income	65,863	34,083
Unrealized gain on investments	-	6,265
	\$ 258,302	\$ 230,029

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# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Activity Revenue (Loss)

Schedule 2

Year ended April 30, 2011, with comparative figures for 2010

	Revenue		Direct Expenses		2011 Net revenue (loss)
Handbook advertising	\$	45,524	\$	39,894	\$ 5,630
Pubs and cabarets		372,096		384,542	(12,446)
	\$	417,620	\$	424,436	\$ (6,816)

	Revenue		Direct Expenses		2010 Net revenue (loss)
Handbook advertising	\$	43,123	\$	43,338	\$ (215)
Pubs and cabarets		380,803		376,119	4,684
	\$	423,926	\$	419,457	\$ 4,469

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# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Other Revenue (loss)

Schedule 3

Year ended April 30, 2011, with comparative figures for 2010

	Revenue	Direct Expenses	2011 Net revenue (loss)
Service centre:			
Photocopier	\$ 379	\$ -	\$ 379
Sales	553,789	513,118	40,671
Recycling projects	13,774	-	13,774
Student health plan	998,745	868,880	129,865
New Student Preview	110,413	-	110,413
Investment income	124,021	-	124,021
Grants and sponsorships	236,043	128,819	107,224
	\$ 2,037,164	\$ 1,510,817	\$ 526,347

	Revenue	Direct Expenses	2010 Net revenue (loss)
Service centre:			
Photocopier	\$ 623	\$ -	\$ 623
Sales	579,747	531,707	48,040
Recycling projects	16,489	-	16,489
Student health plan	946,206	794,608	151,598
New Student Preview	93,574	5,374	88,200
Investment income	60,014	-	60,014
Unrealized gain on investments	61,598	-	61,598
Grants and sponsorships	215,335	118,795	96,540
	\$ 1,973,586	\$ 1,450,484	\$ 523,102



# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Building Expenses

Schedule 4

Year ended April 30, 2011, with comparative figures for 2010

	2011	2010
University operating chargeback	\$ 42,282	\$ 44,846
Facility management	120,000	120,000
Insurance	25,026	30,473
Maintenance	28,420	30,936
Renovations	28,224	8,329
Bad debts	939	1,221
Amortization	77,433	77,433
	<u>\$ 322,324</u>	<u>\$ 313,238</u>

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# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Administration Expenses

Schedule 5

Year ended April 30, 2011, with comparative figures for 2010

	2011	2010
Wages and related costs	\$ 183,943	\$ 172,702
Honouraria	105,639	106,098
Office, telephone and postage	16,977	16,863
Advertising	564	621
Computer expenses	9,293	2,300
Professional fees	15,984	15,754
Bank charges and interest	4,354	4,592
Travel, parking and miscellaneous	11,446	13,470
Bad debts	593	1,221
Contributions to the University of Lethbridge (note 11)	188,252	389,998
Amortization	58,282	49,104
	\$ 595,327	\$ 772,723

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# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Political Expenses

Schedule 6

Year ended April 30, 2011, with comparative figures for 2010

	2011	2010
Conferences and events	\$ 86,589	\$ 70,979
Elections	2,723	1,791
Executive expenses	146,995	137,989
Special projects and clubs	65,629	62,794
	\$ 301,936	\$ 273,553

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