

Financial Statements of

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

Year ended April 30, 2015

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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, 2015, the statements 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 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.

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 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 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 in our audit 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, 2015, and its results of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants

Lethbridge, Canada

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Statement of Financial Position

April 30, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,687,029	\$ 1,471,810
Short-term investments (note 3)	902,451	563,335
Accounts receivable	17,128	17,470
Inventories (note 4)	35,032	32,480
	<u>2,641,640</u>	<u>2,085,095</u>
Note receivable (note 5)	1	1
Long-term investments (note 6)	5,018,529	5,089,949
Capital assets (note 7)	255,411	281,068
Right of occupancy (note 8)	1,538,568	1,599,302
	<u>\$ 9,454,149</u>	<u>\$ 9,055,415</u>

See accompanying notes to financial statements.

2015

2014

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued liabilities (note 9)	\$	483,665	\$	403,454
Deferred revenue		29,991		39,033
		<u>513,656</u>		<u>442,487</u>

Net assets:

Invested in capital assets and right of occupancy		1,793,979		1,880,370
Endowments		210,668		190,397
Internally restricted (note 10)		4,412,025		4,150,276
Unrestricted		<u>2,523,821</u>		<u>2,391,885</u>
		8,940,493		8,612,928

Commitment (note 11)

	\$	9,454,149	\$	9,055,415
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See accompanying notes to financial statements.

On behalf of the Council:

_____ Member _____ Member

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Statement of Operations

Year ended April 30, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Student fees	\$ 933,715	\$ 941,742
Building revenue (schedule 1)	198,846	229,840
Activity revenue (schedule 2)	580,841	559,312
Other revenue (schedule 3)	2,130,088	1,933,079
	<u>3,843,490</u>	<u>3,663,973</u>
Expenses:		
Building expenses (schedule 4)	332,749	333,238
Activity expenses (schedule 2)	557,647	516,839
Other expenses (schedule 3)	1,764,672	1,531,158
Administration expenses (schedule 5)	630,498	629,045
Political expenses (schedule 6)	230,359	197,415
	<u>3,515,925</u>	<u>3,207,695</u>
Excess of revenue over expenses	<u>\$ 327,565</u>	<u>\$ 456,278</u>

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, 2015, with comparative information for 2014

	Invested in capital assets and right of occupancy	Endowments	Internally restricted (note 10)	Unrestricted	Total 2015	Total 2014
Balance, beginning of year	\$ 1,880,370	\$ 190,397	\$4,150,276	\$2,391,885	\$8,612,928	\$8,156,650
Excess of revenue over expenses	--	--	--	327,565	327,565	456,278
Purchase of capital assets	47,946	--	(47,946)	--	--	--
Amortization of internally funded capital assets	(134,337)	--	--	134,337	--	--
Market value adjustment of investments held for endowment purposes	--	20,271	--	(20,271)	--	--
Transfer of net assets internally restricted	--	--	309,695	(309,695)	--	--
Balance, end of year	\$ 1,793,979	\$ 210,668	\$4,412,025	\$2,523,821	\$8,940,493	\$8,612,928

See accompanying notes to financial statements

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Statement of Cash Flows

Year ended April 30, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 327,565	\$ 456,278
Items not involving cash:		
Amortization	134,337	139,318
Changes in non-cash operating working capital:		
Accounts receivable	344	285
Inventories	(2,552)	1,768
Accounts payable and accrued liabilities	80,209	(28,850)
Deferred revenue	(9,042)	9,748
	530,861	578,547
Investing:		
Increase in short-term investments	(339,116)	(94,174)
Decrease (increase) in long-term investments	71,420	(230,634)
Purchase of capital assets from capital replacement fund	(47,946)	(93,415)
	(315,642)	(418,223)
Increase in cash and cash equivalents	215,219	160,324
Cash and cash equivalents, beginning of year	1,471,810	1,311,486
Cash and cash equivalents, end of year	\$ 1,687,029	\$ 1,471,810

See accompanying notes to financial statements.

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements

Year ended April 30, 2015

Nature of operations:

The Students' Union, The University of Lethbridge (the "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:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting. The Students' Union's significant accounting policies are as follows:

(a) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Students' Union has elected to carry the mutual funds and fixed income securities at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Students' Union determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Students' Union expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2015

1. Significant accounting policies (continued):

(b) Inventories:

Inventories are measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(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.

(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.

Internally 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.

Student fees and health plan premiums are recognized as revenue in the year in which they are received. All other revenue is recognized as services are rendered.

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2015

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets; the carrying amount of right of occupancy; the valuation of the note receivable; and the accrual for the health plan premiums. Actual results could differ from those estimates.

The accrual for health plan premiums is an estimate of health plan claims for the period ending August 31, 2015. Revenue received for health plan premiums to August 31, 2015 has also been recognized at the yearend. The accrual for health plan premiums at April 30, 2015 has been estimated based on past experience of health plan claims. Management has also internally restricted \$1,754,642 (2014 - \$1,624,657) for potential future health plan losses.

2. Cash and cash equivalents:

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

	2015	2014
Cash on hand	\$ 4,800	\$ 4,800
Cash on deposit	749,487	489,624
Cash deposits, bearing interest at 0.25% (2014 - 0.25%)	932,742	977,386
	<u>\$ 1,687,029</u>	<u>\$ 1,471,810</u>

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2015

3. Short-term investments:

	2015	2014
Mutual funds, with an effective rate of 1.18% (2014 - 1.18%), measured at fair value	\$ 902,451	\$ 563,335

4. Inventories:

	2015	2014
Pub	\$ 17,719	\$ 16,105
Service centre	17,313	16,375
	\$ 35,032	\$ 32,480

5. Note receivable:

	2015	2014
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.

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2015

6. Long-term investments:

	2015	2014
Fixed income securities, with interest rates ranging from 2.20% to 7.35% (2014 - 1.70% to 8.10%) maturing June, 2016 to October, 2029, (2014 - maturing June, 2014 to December, 2106), measured at fair value	\$ 4,048,531	\$ 3,181,686
Certificates of deposit, interest ranging from 1.15% to 2.50% (2014 - 1.50% to 4.80%) maturing May, 2015 to July, 2019 (2014 - May, 2014 to December, 2016), at amortized cost	969,998	1,822,543
	\$ 5,018,529	\$ 5,089,949
	2015	2014
Long-term investments include assets restricted for:		
Endowment purposes	\$ 210,668	\$ 190,397
Internal restrictions	4,412,025	4,150,276
	\$ 4,622,693	\$ 4,340,673

7. Capital assets:

	2015		
	Cost	Accumulated amortization	Net book value
Equipment	\$ 1,081,123	\$ 1,008,502	\$ 72,621
Building improvements	679,342	496,552	182,790
	\$ 1,760,465	\$ 1,505,054	\$ 255,411

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2015

7. Capital assets (continued):

	2014		
	Cost	Accumulated amortization	Net book value
Equipment	\$ 1,033,177	\$ 955,170	\$ 78,007
Building improvements	679,342	476,280	203,061
	\$ 1,712,519	\$ 1,431,450	\$ 281,068

8. Right of occupancy:

	2015	2014
Right of occupancy	\$ 3,036,650	\$ 3,036,650
Less accumulated amortization	1,498,082	1,437,348
	\$ 1,538,568	\$ 1,599,302

9. Accounts payable and accrued liabilities:

	2015	2014
Trade	\$ 78,358	\$ 40,186
Accrued wages payable	6,143	5,791
Premiums payable to the Student Health Plan	336,949	295,264
Funds payable to:		
CKXU Radio	38,841	41,034
Lethbridge Public Interest Research Group	16,137	15,794
Campus Women's Centre	7,237	5,385
	\$ 483,665	\$ 403,454

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2015

10. 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:

	2015	2014
Capital replacement fund	\$ 890,840	\$ 836,688
Future building development fund	1,741,543	1,663,931
Health plan stabilization fund	1,754,642	1,624,657
Student priorities reserve fund	25,000	25,000
	<u>\$ 4,412,025</u>	<u>\$ 4,150,276</u>

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 \$181,526 (2014 - \$184,046) were made to the University of Lethbridge and are included in administration expenses. Total contributions of \$1,490,395 have been made to April 30, 2015.

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2015

12. 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 (2014 - \$24,000). The non-cash consideration has been reflected net of the services provided to the Students' Union by CKXU Radio and The Meliorist.
- iii) The Students' Union receives University of Lethbridge student fees on behalf of CKXU Radio, Lethbridge Public Interest Research Group and the Campus Women's Centre. As at April 30, 2015, \$62,215 (2014 - \$62,213), of these funds are held as cash and included in accounts payable and accrued liabilities.

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

13. Financial risks and concentration of risk:

Financial risks:

The Students' Union manages its investment portfolio to earn investment income and invests according to an investment policy approved by Executive Council. The Students' Union is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Students' Union is exposed to interest rate risk on its fixed interest rate financial instruments as a result of investments in bonds. Fixed interest instruments subject the Students' Union to a fair value risk, however, the risk associated is reduced to a minimum since these assets are invested mainly in government securities.

The Students' Union believes it is not exposed to significant credit or currency risk arising from its financial instruments.

Additionally, the Students' Union believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments.

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Building Revenue

Schedule 1

Year ended April 30, 2015, with comparative information for 2014

	2015	2014
Lease revenue	\$ 149,753	\$ 148,245
Tenant chargebacks	54,133	53,813
Investment income	40,072	41,729
Realized gain (loss) on investments	7,282	(872)
Change in unrealized gain (loss) on investments	(52,394)	(13,075)
	<hr/>	<hr/>
	\$ 198,846	\$ 229,840

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THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Activity Revenue (Loss)

Schedule 2

Year ended April 30, 2015, with comparative information for 2014

	Revenue	Direct expenses	2015 Net revenue (loss)
Handbook advertising	\$ 28,670	\$ 31,956	\$ (3,286)
Pub and cabarets	552,171	525,691	26,480
	\$ 580,841	\$ 557,647	\$ 23,194

	Revenue	Direct expenses	2014 Net revenue (loss)
Handbook advertising	\$ 36,654	\$ 32,354	\$ 4,300
Pub and cabarets	522,658	484,485	38,173
	\$ 559,312	\$ 516,839	\$ 42,473

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THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Other Revenue (Loss)

Schedule 3

Year ended April 30, 2015, with comparative information for 2014

	Revenue	Direct expenses	2015 Net revenue (loss)
Service centre:			
Sales	\$ 474,805	\$ 449,162	\$ 25,643
Photocopier	277	-	277
Recycling projects	5,733	-	5,733
Student health plan	989,470	1,008,817	(19,347)
Fresh Fest	136,835	130,561	6,274
Investment income	191,870	-	191,870
Change in unrealized gain (loss) on investments	73,129	-	73,129
Realized gain (loss) on investments	13,834	-	13,834
Grants and sponsorships	244,135	176,132	68,003
	\$ 2,130,088	\$ 1,764,672	\$ 365,416
	Revenue	Direct expenses	2014 Net revenue (loss)
Service centre:			
Sales	\$ 459,912	\$ 437,129	\$ 22,783
Photocopier	363	-	363
Recycling projects	3,084	-	3,084
Student health plan	974,547	823,371	151,176
Fresh Fest	114,727	115,547	(820)
Investment income	153,835	-	153,835
Change in unrealized gain (loss) on investments	(31,544)	-	(31,544)
Realized gain (loss) on investments	(3,488)	-	(3,488)
Grants and sponsorships	261,643	155,111	106,532
	\$ 1,933,079	\$ 1,531,158	\$ 401,921

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Building Expenses

Schedule 4

Year ended April 30, 2015, with comparative information for 2014

	2015	2014
University operating chargeback	\$ 51,326	\$ 50,484
Facility management	136,500	136,500
Vehicle	1,976	-
Insurance	35,017	34,383
Maintenance	22,387	24,518
Renovations	881	5,502
Bad debts	1,004	847
Amortization	81,007	81,004
Miscellaneous	2,651	-
	<u>\$ 332,749</u>	<u>\$ 333,238</u>

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THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Administration Expenses

Schedule 5

Year ended April 30, 2015, with comparative information for 2014

	2015	2014
Wages and related costs	\$ 176,137	\$ 167,548
Honoraria	165,310	166,975
Office, telephone and postage	17,638	17,461
Advertising	196	-
Computer expenses	175	2,339
Professional fees	17,428	18,680
Bank charges and interest	5,083	4,600
Travel, parking and miscellaneous	12,671	8,235
Bad debt	1,004	847
Contributions to the University of Lethbridge (note 11)	181,526	184,046
Amortization	53,330	58,314
	<u>\$ 630,498</u>	<u>\$ 629,045</u>

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THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Political Expenses

Schedule 6

Year ended April 30, 2015, with comparative information for 2014

	2015	2014
Conferences and events	\$ 62,138	\$ 74,397
Elections	577	320
Executive expenses	73,988	53,094
Special projects and clubs	93,656	69,604
	<u>\$ 230,359</u>	<u>\$ 197,415</u>

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