

Financial Statements of

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

Year ended April 30, 2016

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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, 2016, 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, 2016, 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 Professional Accountants

September 22, 2016
Lethbridge, Canada

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Statement of Financial Position

April 30, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,920,201	\$ 1,687,029
Short-term investments (note 3)	1,087,059	1,298,287
Accounts receivable	9,345	17,128
Inventories (note 4)	34,823	35,032
	<u>3,051,428</u>	<u>3,037,476</u>
Note receivable (note 5)	1	1
Long-term investments (note 6)	2,432,026	3,614,622
Short-term investments not available for current operations (note 3)	2,363,453	1,008,071
Capital assets (note 7)	212,842	255,411
Right of occupancy (note 8)	1,477,835	1,538,568
	<u>\$ 9,537,585</u>	<u>\$ 9,454,149</u>

See accompanying notes to financial statements.

2016

2015

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued liabilities (note 9)	\$ 501,669	\$ 483,665
Deferred revenue	47,139	29,991
	<u>548,808</u>	<u>513,656</u>

Net assets:

Invested in capital assets and right of occupancy	1,690,677	1,793,979
Endowments	231,606	210,668
Internally restricted (note 10)	4,563,873	4,412,025
Unrestricted	2,502,621	2,523,821
	<u>8,988,777</u>	<u>8,940,493</u>

Commitment (note 11)

	\$ 9,537,585	\$ 9,454,149
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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, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Student fees	\$ 986,695	\$ 933,715
Building revenue (schedule 1)	195,188	198,846
Activity revenue (schedule 2)	589,706	580,841
Other revenue (schedule 3)	1,935,712	2,130,088
	<u>3,707,301</u>	<u>3,843,490</u>
Expenses:		
Building expenses (schedule 4)	358,822	332,749
Activity expenses (schedule 2)	586,130	557,647
Other expenses (schedule 3)	1,842,469	1,764,672
Administration expenses (schedule 5)	665,399	630,498
Political expenses (schedule 6)	206,197	230,359
	<u>3,659,017</u>	<u>3,515,925</u>
Excess of revenue over expenses	\$ 48,284	\$ 327,565

See accompanying notes to financial statements.

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Statement of Changes in Net Assets

Year ended April 30, 2016, with comparative information for 2015

	Invested in capital assets and right of occupancy	Endowments	Internally restricted (note 10)	Unrestricted	Total 2016	Total 2015
Balance, beginning of year	\$ 1,793,979	\$ 210,668	\$4,412,025	\$2,523,821	\$8,940,493	\$8,612,928
Excess of revenue over expenses	--	--	--	48,284	48,284	327,565
Purchase of capital assets	32,100	--	(32,100)	--	--	--
Amortization of internally funded capital assets	(135,402)	--	--	135,402	--	--
Market value adjustment of investments held for endowment purposes	--	20,938	--	(20,938)	--	--
Transfer of net assets internally restricted	--	--	183,948	(183,948)	--	--
Balance, end of year	\$ 1,690,677	\$ 231,606	\$4,563,873	\$2,502,621	\$8,988,777	\$8,940,493

See accompanying notes to financial statements

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Statement of Cash Flows

Year ended April 30, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 48,284	\$ 327,565
Items not involving cash:		
Amortization	135,402	134,337
Change in unrealized (gain) loss on financial instruments	140,970	(20,735)
Changes in non-cash operating working capital:		
Accounts receivable	7,783	344
Inventories	209	(2,552)
Accounts payable and accrued liabilities	18,004	80,209
Deferred revenue	17,148	(9,042)
	<u>367,800</u>	<u>510,126</u>
Investing:		
Increase in short-term investments	(564,922)	(294,674)
Decrease in long-term investments	462,394	47,713
Purchase of capital assets from capital replacement fund	(32,100)	(47,946)
	<u>(134,628)</u>	<u>(294,907)</u>
Increase in cash and cash equivalents	233,172	215,219
Cash and cash equivalents, beginning of year	1,687,029	1,471,810
Cash and cash equivalents, end of year	<u>\$ 1,920,201</u>	<u>\$ 1,687,029</u>

See accompanying notes to financial statements.

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements

Year ended April 30, 2016

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, 2016

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, 2016

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, 2016. Revenue received for health plan premiums to August 31, 2016 has also been recognized at the yearend. The accrual for health plan premiums at April 30, 2016 has been estimated based on past experience of health plan claims. Management has also internally restricted \$1,717,801 (2015 - \$1,754,642) 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:

	2016	2015
Cash on hand	\$ 4,800	\$ 4,800
Cash on deposit	791,132	749,487
Cash deposits, bearing interest at 0.25% (2015 - 0.25%)	1,124,269	932,742
	<u>\$ 1,920,201</u>	<u>\$ 1,687,029</u>

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

3. Short-term investments:

	2016	2015
Mutual funds, Guaranteed investment certificates	\$ 3,450,512	\$ 2,306,358
Less short-term investments not available for current operations	(2,363,453)	(1,008,071)
	\$ 1,087,059	\$ 1,298,287

Mutual funds of \$2,979,430 (2015 - \$2,306,358) are measured at fair value. Guaranteed investment certificates of \$471,082 (2015 - \$nil), which bear interest at 2.0% and mature in May and December of 2016, are measured at amortized cost.

4. Inventories:

	2016	2015
Pub	\$ 17,439	\$ 17,719
Service centre	17,383	17,313
	\$ 34,823	\$ 35,032

5. Note receivable:

	2016	2015
Receivable from CKXU Radio	\$ 81,000	\$ 81,000
Valuation allowance	(80,999)	(80,999)
	\$ 1	\$ 1

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

5. Note receivable (continued):

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:

	2016	2015
Fixed income securities, with interest rates ranging from 2.25% to 7.35% (2015 - 2.20% to 7.35%) maturing August, 2017 to October, 2029, (2015 - maturing to October, 2029), measured at fair value	\$ 1,927,026	\$ 2,644,624
Certificates of deposit, interest ranging from 1.15% to 2.50% (2015 - 1.15% to 2.50%) maturing July, 2019 to December, 2020 (2015 - to July, 2019), at amortized cost	505,000	969,998
	\$ 2,432,026	\$ 3,614,622
	2016	2015
Long-term investments include assets restricted for:		
Endowment purposes	\$ 231,606	\$ 210,668
Internal restrictions	2,200,420	3,403,954
	\$ 2,432,026	\$ 3,614,622

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

7. Capital assets:

	2016		
	Cost	Accumulated amortization	Net book value
Equipment	\$ 1,113,224	\$ 1,062,234	\$ 50,990
Building improvements	679,342	517,490	161,852
	\$ 1,792,566	\$ 1,579,724	\$ 212,842
	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

8. Right of occupancy:

	2016	2015
Right of occupancy	\$ 3,036,650	\$ 3,036,650
Less accumulated amortization	(1,558,814)	(1,498,082)
	\$ 1,477,836	\$ 1,538,568

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

9. Accounts payable and accrued liabilities:

	2016	2015
Trade	\$ 20,059	\$ 40,186
Accrued wages payable	5,079	6,143
Premiums payable to the Student Health Plan	385,463	336,949
Funds payable to:		
CKXU Radio	64,215	38,841
Lethbridge Public Interest Research Group	19,119	16,137
Campus Women's Centre	7,734	7,237
	\$ 501,669	\$ 483,665

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:

	2016	2015
Capital replacement fund	\$ 969,461	\$ 890,840
Future building development fund	1,851,611	1,741,543
Health plan stabilization fund	1,717,801	1,754,642
Student priorities reserve fund	25,000	25,000
	\$ 4,563,873	\$ 4,412,025

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 enrolment, which commenced in 2008. During the year, contributions of \$189,750 (2015 - \$181,526) were made to the University of Lethbridge and are included in administration expenses. Total contributions of \$1,679,855 have been made to April 30, 2016.

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

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, 2016, \$91,069 (2015 - \$62,215), 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.

The Students' Union is exposed to currency risk as its investment portfolio includes investments in foreign mutual funds. The risk associated is reduced as the Students' Union invests in foreign content according to its investment policy.

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

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

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2016

14. Comparative information:

Certain comparative information has been reclassified to conform with the presentation adopted in 2016. The reclassification does not affect excess of revenue over expenses.

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THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Building Revenue

Schedule 1

Year ended April 30, 2016, with comparative information for 2015

	2016		2015
Lease revenue	\$ 146,614	\$	149,753
Tenant chargebacks	51,572		54,133
Investment income	49,093		40,072
Realized gain (loss) on investments	(29,035)		7,282
Change in unrealized gain (loss) on investments	(23,056)		(52,394)
	\$ 195,188	\$	198,846

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THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Activity Revenue (Loss)

Schedule 2

Year ended April 30, 2016, with comparative information for 2015

	Revenue	Direct expenses	2016 Net revenue (loss)
Handbook advertising	\$ 22,630	\$ 30,296	\$ (7,666)
Pub and cabarets	567,076	555,834	11,242
	\$ 589,706	\$ 586,130	\$ 3,576

	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

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Other Revenue (Loss)

Schedule 3

Year ended April 30, 2016, with comparative information for 2015

	Revenue	Direct expenses	2016 Net revenue (loss)
Service centre:			
Sales	\$ 490,604	\$ 468,908	\$ 21,696
Recycling projects	1,147	-	1,147
Student health plan	1,087,827	1,107,686	(19,859)
Fresh Fest	132,191	132,236	(45)
Investment income	119,895	-	119,895
Change in unrealized gain (loss) on investments	(117,914)	-	(117,914)
Realized gain (loss) on investments	(525)	-	(525)
Grants and sponsorships	222,487	133,639	88,848
	\$ 1,935,712	\$ 1,842,469	\$ 93,243
	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

THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Building Expenses

Schedule 4

Year ended April 30, 2016, with comparative information for 2015

	2016	2015
University operating chargeback	\$ 48,947	\$ 51,326
Facility management	138,000	136,500
Vehicle	3,104	1,976
Insurance	36,788	35,017
Maintenance	37,180	22,387
Renovations	12,095	881
Bad debts	1,037	1,004
Amortization	81,671	81,007
Miscellaneous	-	2,651
	<u>\$ 358,822</u>	<u>\$ 332,749</u>

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THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Administration Expenses

Schedule 5

Year ended April 30, 2016, with comparative information for 2015

	2016	2015
Wages and related costs	\$ 192,913	\$ 176,137
Honoraria	172,828	165,310
Office, telephone and postage	17,386	17,638
Advertising	80	196
Computer expenses	2,464	175
Professional fees	19,532	17,428
Bank charges and interest	5,769	5,083
Travel, parking and miscellaneous	9,909	12,671
Bad debt	1,037	1,004
Contributions to the University of Lethbridge (note 11)	189,750	181,526
Amortization	53,731	53,330
	\$ 665,399	\$ 630,498

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THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Political Expenses

Schedule 6

Year ended April 30, 2016, with comparative information for 2015

	2016	2015
Conferences and events	\$ 64,584	\$ 62,138
Elections	918	577
Executive expenses	60,648	73,988
Special projects and clubs	80,047	93,656
	<u>\$ 206,197</u>	<u>\$ 230,359</u>

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