

Financial Statements of

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

Year ended April 30, 2018



KPMG LLP  
500 Lethbridge Centre Tower  
400-4th Avenue South  
Lethbridge Alberta T1J 4E1  
Canada  
Tel (403) 380-5700  
Fax (403) 380-5760

## **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, 2018, 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 is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

*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, 2018, 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.

*KPMG LLP*

---

Chartered Professional Accountants

Lethbridge, Canada

October 24, 2018

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

## Statement of Financial Position

April 30, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 2)	\$ 2,282,558	\$ 2,527,466
Short-term investments (note 3)	942,040	702,638
Accounts receivable	30,155	31,019
Inventories (note 4)	36,951	36,168
	<u>3,291,704</u>	<u>3,297,291</u>
Note receivable (note 5)	1	1
Long-term investments (note 6)	3,778,662	2,247,005
Short-term investments not available for current operations (note 3)	1,594,339	2,868,089
Capital assets (note 7)	209,842	216,224
Right of occupancy (note 8)	1,356,370	1,417,103
	<u>\$ 10,230,918</u>	<u>\$ 10,045,713</u>

See accompanying notes to financial statements.

---

---

2018

2017

## Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued liabilities (note 9)	\$ 605,001	\$ 580,858
Deferred revenue	60,249	74,799
	<u>665,250</u>	<u>655,657</u>

Net assets:

Invested in capital assets and right of occupancy	1,566,212	1,633,327
Endowments	243,581	238,338
Internally restricted (note 10)	5,129,420	4,876,756
Unrestricted	<u>2,626,455</u>	<u>2,641,635</u>
	9,565,668	9,390,056

Commitment (note 11)

---

---

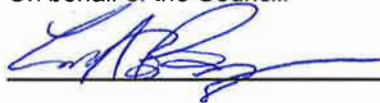
\$ 10,230,918	\$ 10,045,713
---------------	---------------

---

---

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, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Student fees	\$ 1,055,184	\$ 1,018,624
Building revenue (schedule 1)	206,584	331,572
Activity revenue (schedule 2)	609,812	562,832
Other revenue (schedule 3)	2,396,251	2,393,879
	<u>4,267,831</u>	<u>4,306,907</u>
Expenses:		
Building expenses (schedule 4)	353,441	329,983
Activity expenses (schedule 2)	702,742	617,400
Other expenses (schedule 3)	2,158,692	2,070,979
Administration expenses (schedule 5)	653,842	670,815
Political expenses (schedule 6)	223,502	216,451
	<u>4,092,219</u>	<u>3,905,628</u>
<b>Excess of revenue over expenses</b>	<b>\$ 175,612</b>	<b>\$ 401,279</b>

See accompanying notes to financial statements.

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Statement of Changes in Net Assets

Year ended April 30, 2018, with comparative information for 2017

	Invested in capital assets and right of occupancy	Endowments	Internally restricted (note 10)	Unrestricted	Total 2018	Total 2017
Balance, beginning of year	\$ 1,633,327	\$ 238,338	\$ 4,876,756	\$ 2,641,635	\$ 9,390,056	\$ 8,988,777
Excess of revenue over expenses	--	--	--	175,612	175,612	401,279
Purchase of capital assets	47,720	--	(47,720)	--	--	--
Amortization of internally funded capital assets	(114,835)	--	--	114,835	--	--
Market value adjustment of investments held for endowment purposes	--	5,243	--	(5,243)	--	--
Transfer of net assets internally restricted	--	--	300,384	(300,384)	--	--
<b>Balance, end of year</b>	<b>\$ 1,566,212</b>	<b>\$ 243,581</b>	<b>\$ 5,129,420</b>	<b>\$ 2,626,455</b>	<b>\$ 9,565,668</b>	<b>\$ 9,390,056</b>

See accompanying notes to financial statements

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

## Statement of Cash Flows

Year ended April 30, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 175,612	\$ 401,279
Items not involving cash:		
Amortization	114,835	119,451
Change in unrealized (gain) loss on financial instruments	55,527	(177,589)
Changes in non-cash operating working capital:		
Accounts receivable	864	(21,674)
Inventories	(783)	(1,345)
Accounts payable and accrued liabilities	24,143	79,189
Deferred revenue	(14,550)	27,660
	<u>355,648</u>	<u>426,971</u>
Investing:		
Decrease (increase) in short-term investments	(278,143)	501,817
Decrease (increase) in long-term investments	(1,548,443)	245,213
Decrease (increase) in short-term investments not available for current operations	1,273,750	(504,636)
Purchase of capital assets from capital replacement fund	(47,720)	(62,100)
	<u>(600,556)</u>	<u>180,294</u>
Increase (decrease) in cash and cash equivalents	(244,908)	607,265
Cash and cash equivalents, beginning of year	2,527,466	1,920,201
Cash and cash equivalents, end of year	<u>\$ 2,282,558</u>	<u>\$ 2,527,466</u>

See accompanying notes to financial statements.



# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements

Year ended April 30, 2018

---

## **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 measured 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, 2018

---

## 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, 2018

---

## 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, 2018. Revenue received for health plan premiums to August 31, 2018 has also been recognized at the yearend. The accrual for health plan premiums at April 30, 2018 has been estimated based on past experience of health plan claims. Management has also internally restricted \$1,768,584 (2017 - \$1,726,199) 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:

	2018	2017
Cash on hand	\$ 4,800	\$ 4,800
Cash on deposit	1,415,053	1,518,983
Cash deposits, bearing interest at nil% (2017 - nil%)	862,705	1,003,683
	<u>\$ 2,282,558</u>	<u>\$ 2,527,466</u>

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2018

### 3. Short-term investments:

	2018	2017
Mutual funds, Guaranteed investment certificates	\$ 2,536,379	\$ 3,570,727
Less short-term investments not available for current operations	(1,594,339)	(2,868,089)
	<u>\$ 942,040</u>	<u>\$ 702,638</u>

Mutual funds of \$2,464,367 (2017 - \$3,499,111) are measured at fair value. Guaranteed investment certificates of \$72,012 (2017 - \$71,616), which bear interest at 1.15% (2017 - 0.55%) and mature in August of 2018 (2017 - May of 2017), are measured at amortized cost.

### 4. Inventories:

	2018	2017
Pub	\$ 20,778	\$ 19,059
Service centre	16,173	17,109
	<u>\$ 36,951</u>	<u>\$ 36,168</u>

### 5. Note receivable:

	2018	2017
Receivable from CKXU Radio	\$ 81,000	\$ 81,000
Valuation allowance	(80,999)	(80,999)
	<u>\$ 1</u>	<u>\$ 1</u>

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2018

## 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:

	2018	2017
Fixed income securities, with interest rates ranging from 2.07% to 7.35% (2017 - 2.50% to 7.35%) maturing June, 2019 to October, 2029 (2017 - maturing July, 2018 to October, 2029), measured at fair value	\$ 1,607,877	\$ 1,742,005
Certificates of deposit, interest ranging from 2.00% to 2.50% (2017 - 2.00% to 2.50%) maturing July, 2019 to December, 2020 (2017 - July, 2019 to December, 2020), at amortized cost	505,000	505,000
Equities, measured at fair value	1,665,785	-
	<b>\$ 3,778,662</b>	<b>\$ 2,247,005</b>
	2018	2017
Long-term investments include assets restricted for:		
Endowment purposes	\$ 243,581	\$ 238,338
Internal restrictions	3,535,081	2,008,667
	<b>\$ 3,778,662</b>	<b>\$ 2,247,005</b>

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2018

## 7. Capital assets:

	2018		
	Cost	Accumulated amortization	Net book value
Equipment	\$ 1,223,042	\$ 1,161,588	\$ 61,454
Building improvements	679,342	530,954	148,388
	<u>\$ 1,902,384</u>	<u>\$ 1,692,542</u>	<u>\$ 209,842</u>
	2017		
	Cost	Accumulated amortization	Net book value
Equipment	\$ 1,175,324	\$ 1,114,220	\$ 61,104
Building improvements	679,342	524,222	155,120
	<u>\$ 1,854,666</u>	<u>\$ 1,638,442</u>	<u>\$ 216,224</u>

## 8. Right of occupancy:

	2018	2017
Right of occupancy	\$ 3,036,650	\$ 3,036,650
Less accumulated amortization	(1,680,280)	(1,619,547)
	<u>\$ 1,356,370</u>	<u>\$ 1,417,103</u>

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2018

## 9. Accounts payable and accrued liabilities:

	2018	2017
Trade	\$ 71,256	\$ 20,599
Accrued wages payable	4,213	2,943
Premiums payable to the Student Health Plan	346,941	431,726
Goods and services tax payable	10,068	7,179
Funds payable to:		
CKXU Radio	79,582	81,180
Lethbridge Public Interest Research Group	35,831	29,313
Campus Women's Centre	30,862	7,918
World University Service of Canada	26,248	-
	<b>\$ 605,001</b>	<b>\$ 580,858</b>

## 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:

	2018	2017
Capital replacement fund	\$ 1,084,340	\$ 1,017,805
Future building development fund	2,251,496	2,107,752
Health plan stabilization fund	1,768,584	1,726,199
Student priorities reserve fund	25,000	25,000
	<b>\$ 5,129,420</b>	<b>\$ 4,876,756</b>

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2018

---

## 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 \$187,208 (2017 - \$194,950) were made to the University of Lethbridge and are included in administration expenses. Total contributions of \$2,060,413 have been made to April 30, 2018.

## 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 (2017 - \$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, the Campus Women's Centre, and the World University Service of Canada. As at April 30, 2018, \$172,523 (2017 - \$118,411), 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.



# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Notes to Financial Statements (continued)

Year ended April 30, 2018

---

## 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 and equities. 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

Schedule of Building Revenue

Schedule 1

Year ended April 30, 2018, with comparative information for 2017

---

---

	2018		2017
Lease revenue	\$ 153,988	\$	151,780
Tenant chargebacks	51,996		51,075
Investment income	33,456		75,282
Realized gain (loss) on investments	(27,864)		(1,071)
Change in unrealized gain (loss) on investments	(4,992)		54,506
	\$ 206,584	\$	331,572

---

---

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Activity Revenue (Loss)

Schedule 2

Year ended April 30, 2018, with comparative information for 2017

	Revenue	Direct expenses	2018 Net revenue (loss)
Handbook advertising	\$ 10,070	\$ 16,032	\$ (5,962)
Pub and cabarets	599,742	686,710	(86,968)
	\$ 609,812	\$ 702,742	\$ (92,930)
	Revenue	Direct expenses	2017 Net revenue (loss)
Handbook advertising	\$ 12,007	\$ 31,854	\$ (19,847)
Pub and cabarets	550,825	585,546	(34,721)
	\$ 562,832	\$ 617,400	\$ (54,568)

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Other Revenue (Loss)

Schedule 3

Year ended April 30, 2018, with comparative information for 2017

	Revenue	Direct expenses	2018 Net revenue (loss)
Service centre:			
Sales	\$ 678,264	\$ 646,779	\$ 31,485
Recycling projects	11,468	-	11,468
Student health plan	1,186,864	1,188,368	(1,504)
Fresh Fest	143,013	160,768	(17,755)
Investment income	134,236	-	134,236
Change in unrealized gain (loss) on investments	(50,535)	-	(50,535)
Realized gain on investments	26,967	-	26,967
Grants and sponsorships	262,498	162,777	99,721
Foreign exchange gain	3,476	-	3,476
	<b>\$ 2,396,251</b>	<b>\$ 2,158,692</b>	<b>\$ 237,559</b>
	Revenue	Direct expenses	2017 Net revenue (loss)
Service centre:			
Sales	\$ 578,253	\$ 549,747	\$ 28,506
Recycling projects	1,514	-	1,514
Student health plan	1,122,466	1,216,317	(93,851)
Fresh Fest	155,682	151,195	4,487
Investment income	128,588	-	128,588
Change in unrealized gain (loss) on investments	123,083	-	123,083
Realized gain on investments	7,341	-	7,341
Grants and sponsorships	276,952	153,720	123,232
	<b>\$ 2,393,879</b>	<b>\$ 2,070,979</b>	<b>\$ 322,900</b>

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Building Expenses

Schedule 4

Year ended April 30, 2018, with comparative information for 2017

	2018	2017
University operating chargeback	\$ 48,079	\$ 48,699
Facility management	144,000	138,000
Vehicle	2,585	1,747
Insurance	37,618	37,038
Maintenance	37,917	37,059
Renovations (recovery)	15,778	(762)
Bad debts	-	737
Amortization	67,464	67,465
	<u>\$ 353,441</u>	<u>\$ 329,983</u>

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Administration Expenses

Schedule 5

Year ended April 30, 2018, with comparative information for 2017

	2018	2017
Wages and related costs	\$ 199,549	\$ 194,527
Honoraria	169,422	172,136
Office, telephone and postage	16,360	15,706
Advertising	20	55
Computer expenses	1,131	315
Professional fees	16,164	20,090
Bank charges and interest	5,738	5,395
Travel, parking and miscellaneous	10,879	14,918
Bad debt	-	737
Contributions to the University of Lethbridge (note 11)	187,208	194,950
Amortization	47,371	51,986
	<b>\$ 653,842</b>	<b>\$ 670,815</b>

# THE STUDENTS' UNION, THE UNIVERSITY OF LETHBRIDGE

Schedule of Political Expenses

Schedule 6

Year ended April 30, 2018, with comparative information for 2017

	2018	2017
Conferences and events	\$ 82,725	\$ 67,933
Elections	283	1,253
Executive expenses	47,532	74,807
Special projects and clubs	92,962	72,458
	<u>\$ 223,502</u>	<u>\$ 216,451</u>