

**University Students'
Council of
The University of Western
Ontario**

Financial Statements
May 31, 2016



December 5, 2016

Independent Auditor's Report

To the Members of University Students' Council of The University of Western Ontario

We have audited the accompanying financial statements of University Students' Council of The University of Western Ontario, which comprise the statement of financial position as at May 31, 2016 and the statements of operations, changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of University Students' Council of The University of Western Ontario as at May 31, 2016 and the results of its operations, its changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

University Students' Council of The University of Western Ontario

Statement of Financial Position

As at May 31, 2016

	2016 \$	2015 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	5,527,861	5,485,061
Accounts receivable	294,933	593,705
Inventories	109,675	128,056
Prepaid expenses	1,665,543	1,632,531
	<u>7,598,012</u>	<u>7,839,353</u>
Health plan insurance deposit (note 4)	124,493	124,493
Capital assets (note 5)	<u>7,416,866</u>	<u>8,083,840</u>
	<u>15,139,371</u>	<u>16,047,686</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 18)	1,425,666	1,634,835
Deferred contributions for campus organizations and associations (note 14)	359,683	397,260
Due to affiliated councils (note 14)	243,183	259,766
Due to Radio Western (notes 8 and 14)	60,872	90,000
Current portion of long-term debt (note 7)	300,000	300,000
Deferred revenue (note 6)	2,924,252	2,711,545
	<u>5,313,656</u>	<u>5,393,406</u>
Post-retirement benefit obligation (note 16)	880,300	796,100
Long-term debt (note 7)	<u>2,850,000</u>	<u>3,150,000</u>
	<u>9,043,956</u>	<u>9,339,506</u>
Fund balances		
Operating fund - unrestricted	2,572,270	3,185,035
Reserve fund - internally restricted	<u>3,523,145</u>	<u>3,523,145</u>
	<u>6,095,415</u>	<u>6,708,180</u>
	<u>15,139,371</u>	<u>16,047,686</u>
Commitments (note 15)		

Approved by the Board of Directors

_____ Director _____ Director

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

University Students' Council of The University of Western Ontario

Statement of Operations

For the year ended May 31, 2016

	2016 \$	2015 \$
Revenue		
Student fees	18,806,613	17,609,967
Transfers (note 8)	(12,897,151)	(11,639,297)
Net student fees	5,909,462	5,970,670
Events and building services	3,127,351	2,884,163
Food and beverage services (note 11)	3,989,082	3,933,090
Media	376,650	370,237
President and Vice-President programs	698,800	560,766
Retail service operations (note 9)	699,172	855,251
Interest income	12,946	22,653
Unrealized (loss) gain on investments	(19,090)	236,797
Other income	227,680	145,508
	<u>15,022,053</u>	<u>14,979,135</u>
Expenses (note 5)		
Events and building services	3,832,404	3,950,870
Food and beverage services (note 11)	3,909,440	3,797,739
Media	1,048,052	780,723
President and Vice-President programs	1,436,615	1,341,581
Retail service operations (note 9)	819,759	719,511
Corporate expenses (note 10)	4,588,548	4,199,473
	<u>15,634,818</u>	<u>14,789,897</u>
Excess of (expenses over revenue) revenue over expenses for the year	<u>(612,765)</u>	<u>189,238</u>

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

University Students' Council of The University of Western Ontario

Statement of Changes in Fund Balances

For the year ended May 31, 2016

			<u>2016</u>	<u>2015</u>
	Operating fund - unrestricted \$	Reserve fund - internally restricted \$	Total \$	Total \$
Balance - Beginning of year	3,185,035	3,523,145	6,708,180	6,518,942
Excess of (expenses over revenue) revenue over expenses for the year	(612,765)	-	(612,765)	189,238
Balance - End of year	<u>2,572,270</u>	<u>3,523,145</u>	<u>6,095,415</u>	<u>6,708,180</u>

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

University Students' Council of The University of Western Ontario

Statement of Cash Flows

For the year ended May 31, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess of (expenses over revenue) revenue over expenses for the year	(612,765)	189,238
Items not affecting cash		
Amortization (note 5)	972,559	1,062,562
Post-retirement benefit expense	93,800	15,300
	<hr/>	<hr/>
	453,594	1,267,100
Net change in non-cash working capital balances (note 12)	204,391	(721,204)
	<hr/>	<hr/>
	657,985	545,896
Financing activities		
Repayment of long-term debt	(300,000)	(300,000)
Post-retirement benefits paid	(9,600)	(10,800)
	<hr/>	<hr/>
	(309,600)	(310,800)
Investing activities		
Purchase of capital assets	(305,585)	(795,663)
	<hr/>	<hr/>
Increase (decrease) in cash and cash equivalents during the year	42,800	(560,567)
Cash and cash equivalents - Beginning of year	5,485,061	6,045,628
	<hr/>	<hr/>
Cash and cash equivalents - End of year	5,527,861	5,485,061
	<hr/>	<hr/>
Cash and cash equivalents is comprised of:		
Cash	1,476,627	1,436,348
Short-term investments	4,051,234	4,048,713
	<hr/>	<hr/>
	5,527,861	5,485,061
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The accompanying notes are an integral part of these financial statements.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2016

1 Purpose of the organization

The University Students' Council of the University of Western Ontario (the USC) is a student representative body incorporated under the statutes of the Province of Ontario. The USC shall work to enhance the quality of life of students while attending The University of Western Ontario (the UWO) and to reinforce the best possible educational experience by:

- positively enhancing the contributions made by students to both the UWO and the community at large;
- developing and maintaining responsible student government acting as the representative of all undergraduate students in all issues affecting the student body;
- programming to enhance the social, intellectual, recreational, cultural, athletic and educational experiences of all undergraduate students;
- promoting unity and communication amongst students and providing a link to the UWO community and all levels of government; and
- providing cost effective services that meet the needs of students.

2 Summary of significant accounting policies

Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

Revenue recognition

The USC follows the deferral method of accounting for contributions. Revenue from organizations and programs is recognized when the services have been performed and programs have been made available.

Student fee revenue is derived from a levy collected from each student by the UWO. The fees are recorded as revenue in the year in which the fees relate.

Management estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Management believes its estimates to be appropriate and are not expected to change materially in the short-term, however, actual results could differ from the amounts estimated.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2016

Fund balances

The financial statements disclose the activities of the following funds maintained by the USC:

- Operating fund

The operating fund represents the results of the ongoing programs and activities.

- Reserve fund

The reserve fund represents internally restricted funds that are to be used to finance operations during periods of reduced funding and to fund the post-retirement benefit obligation.

Deferred revenue

The USC recognizes amounts received for future services as deferred revenue and amortizes the amounts to revenue as the related services are rendered.

Capital assets

Capital assets are recorded at cost. Normal maintenance and repair expenditures are expensed as incurred.

Amortization is provided on the declining balance basis at the rates set out below, commencing in the month of purchase. It is expected the amortization policies will charge activities with the total cost of the assets over their estimated useful lives. Gains or losses on disposal of individual assets are recognized in income in the year of disposal.

Office furniture and equipment	20% to 30%
Leasehold improvements	10%
Data processing equipment	30%
Entertainment equipment	25%
Radio equipment	25%

Cash and cash equivalents

Cash and cash equivalents is comprised of cash and short-term investments, which include liquid, high-interest investment and savings accounts.

Financial instruments

- Foreign exchange risk

The USC had no revenue or operating expenses during the years presented, nor monetary assets or liabilities at year-end dates, that were denominated in a foreign currency.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2016

- Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The USC is exposed to credit risk from customers and manages this risk through evaluation and monitoring.

- Interest rate risk

The USC is exposed to market interest rate fluctuations with respect to its long-term debt as at May 31, 2016 and May 31, 2015.

- Fair value

The carrying amounts of accounts receivable, due to Radio Western, due to affiliated councils, and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The fair value of long -term debt does not differ from its carrying value due to the interest structure.

3 Cash and cash equivalents

Included in cash and cash equivalents is \$3,523,145 (2015 - \$3,523,145) relating to the reserve fund.

4 Health plan insurance deposit

The USC has \$124,493 in a health plan trust, which provides health coverage to participating students. The USC remits a portion of its student fees to the trust, which has an August 31 year-end.

5 Capital assets

	2016		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office furniture and equipment	3,585,346	2,517,892	1,067,454
Leasehold improvements	9,464,147	3,525,308	5,938,839
Data processing equipment	1,722,954	1,487,857	235,097
Entertainment equipment	589,874	414,398	175,476
Radio equipment	508,693	508,693	-
	15,871,014	8,454,148	7,416,866

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2016

	2015		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	\$
Office furniture and equipment	3,519,118	2,285,821	1,233,297
Leasehold improvements	9,255,498	2,903,117	6,352,381
Data processing equipment	1,692,246	1,409,361	282,885
Entertainment equipment	589,874	374,597	215,277
Radio equipment	508,693	508,693	-
	<u>15,565,429</u>	<u>7,481,589</u>	<u>8,083,840</u>

Included within expenses on the statement of operations are the following amounts of amortization:

	2016	2015
	\$	\$
Events and building services	50,244	30,763
Food and beverage services	88,641	99,192
Media	8,841	7,150
President and Vice-President programs	-	27,159
Retail service operations	15,506	19,816
Corporate expenses	809,327	878,482
	<u>972,559</u>	<u>1,062,562</u>

6 Deferred revenue

The UWO administration collects a fee from all full-time undergraduate students and remits this fee to the USC throughout the academic year. Deferred revenue of \$2,924,252 (2015 - \$2,711,545) includes amounts received pertaining to the health-care plan for the months of June to August 2016 totalling \$619,885 (2015 - \$591,285), amounts received pertaining to the dental care plan for the months of June to August 2016 totalling \$621,626 (2015 - \$597,760), and amounts pertaining to the London Transit Commission bus passes for the months of June to August 2016 totalling \$1,549,533 (2015 - \$1,464,719). These items will be recognized as revenue in fiscal 2017.

7 Long-term debt

	2016	2015
	\$	\$
Non-revolving term loan, interest payable monthly at prime plus 1.25%, principal payable in monthly instalments of \$25,000	3,150,000	3,450,000
Less: Current portion	<u>(300,000)</u>	<u>(300,000)</u>
	<u>2,850,000</u>	<u>3,150,000</u>

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2016

Principal payments required in each of the next five years and thereafter are as follows:

	\$
2017	300,000
2018	300,000
2019	300,000
2020	300,000
2021 and thereafter	<u>1,950,000</u>
	<u>3,150,000</u>

An operating credit facility exists in the amount of \$300,000, and bears interest at prime rate plus 1%. No amounts were drawn on this facility as at May 31, 2016 or May 31, 2015.

Security for borrowings and all other obligations to the bank include the following:

- Letter of Undertaking signed by the USC to direct up to \$240,000 plus interest annually for the next five years of funding from UWO to the bank; and
- Letter of Direction from the USC to direct up to \$240,000 plus interest annually for the next five years of UWO's funding to the bank.

8 Transfers

The USC collects student fees on behalf of various organizations and programs. These student fees are transferred to these organizations and programs throughout the year. As at year-end, \$60,872 (2015 - \$90,000) of these student fees is due to Radio Western.

	2016 \$	2015 \$
Association fees	132,913	133,350
Community Legal Services	177,749	166,013
Daycare subsidy	35,252	47,750
Radio Western	366,472	382,877
Ombudsperson	108,624	101,399
Council grants	99,392	112,870
Allocable funds/transfer to campus groups	78,519	79,982
O-Pass revenue	538,629	-
Western Mustang Band	14,196	-
Health plan	5,102,790	4,756,181
London Transit Commission bus passes	<u>6,242,615</u>	<u>5,858,875</u>
	<u>12,897,151</u>	<u>11,639,297</u>

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2016

9 Retail service operations

	2016		
	Revenue	Expenses	Net (expense)
	\$	\$	revenue
			\$
Promotions	193,008	394,088	(201,080)
Creative services	172,544	109,474	63,070
Purple Store	333,620	316,197	17,423
	<u>699,172</u>	<u>819,759</u>	<u>(120,587)</u>
	2015		
	Revenue	Expenses	Net revenue
	\$	\$	(expense)
			\$
Creative services	522,068	374,740	147,328
Purple Store	333,183	344,771	(11,588)
	<u>855,251</u>	<u>719,511</u>	<u>135,740</u>

10 Corporate expenses

	2016	2015
	\$	\$
Salaries and benefits	2,126,678	1,844,554
Office	793,430	532,617
Insurance	103,999	101,887
Amortization	809,327	878,482
Legal and audit	109,594	116,296
Security	40,461	40,044
Occupancy	422,122	429,582
Interest and bank charges	160,573	202,687
Bad debts	3,064	599
Information technology	19,300	52,725
	<u>4,588,548</u>	<u>4,199,473</u>

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2016

11 Food and beverage services

	2016		
	Revenue	Expenses	Net revenue
	\$	\$	(expense)
			\$
Western Film	11,254	4,299	6,955
The Spoke	2,495,864	2,361,571	134,293
The Wave	1,481,964	1,543,570	(61,606)
	3,989,082	3,909,440	79,642
	2015		
	Revenue	Expenses	Net revenue
	\$	\$	(expense)
			\$
Western Film	6,239	2,828	3,411
The Spoke	2,439,596	2,274,255	165,341
The Wave	1,487,255	1,520,656	(33,401)
	3,933,090	3,797,739	135,351

Included in this revenue are the management fee and grant relating to the administration of liquor sales for The Wave and The Spoke operations as explained in note 14.

12 Statement of cash flows

The net change in non-cash working capital balances consists of the following:

	2016	2015
	\$	\$
Accounts receivable	298,772	(307,787)
Inventories	18,381	(18,357)
Prepaid expenses	(33,012)	(273,116)
Accounts payable and accrued liabilities	(209,169)	(238,344)
Due to Radio Western	(29,128)	3,612
Deferred contributions for campus organizations and associations	(37,577)	(50,706)
Due to affiliated councils	(16,583)	89,049
Deferred revenue	212,707	74,445
	204,391	(721,204)

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2016

13 Taxation

Under the provisions of the Income Tax Act, Canada and the Corporations Tax Act, Ontario, the USC is exempt from federal and provincial income taxes. The USC is subject to HST on its commercial activities pursuant to provisions of the Excise Tax Act.

14 Transactions with University based organizations

The University of Western Ontario

The USC occupies office space owned by the UWO. Occupancy charges during fiscal 2016, inclusive of HST, were \$1,693,868 (2015 - \$1,564,577). In consideration of student levies paid to the UWO, a certain portion of the office space is provided free of occupancy charges. No amount related to the free occupancy charges has been recorded in these financial statements.

Pursuant to the memorandum of understanding between the UWO and the USC dated March 1, 2004, results of operations relating to liquor sales for The Wave and The Spoke are not included in the financial statements of the USC and are recorded in the financial records of the UWO. As compensation for the management and operation of the facilities, UWO paid the USC a management fee and grant, which amounted to \$385,157 for the year ended May 31, 2016 (2015 - \$375,641).

Revenue, cost of sales and gross profit associated with liquor sales at The Wave and The Spoke included by the UWO in its financial records are as follows:

	2016 \$	2015 \$
Revenue	684,716	671,529
Cost of sales	(299,559)	(295,888)
	<hr/>	<hr/>
Gross profit	385,157	375,641
	<hr/>	<hr/>

Clubs, organizations and affiliated councils

Appropriations allotted to clubs, organizations and affiliated councils are only recoverable by the USC where there has been no activity in the particular clubs, organization or affiliated council during the year. All other appropriations remain a liability of the USC until the funds are expended by the respective organization. Disbursements made in excess of total expendable funds are recoverable through the following year's appropriations.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2016

Radio Western

During the year, the USC transferred \$366,472 (2015 - \$382,877) of student fees to Radio Western, which were collected on Radio Western's behalf.

During the year, Radio Western was charged \$29,619 (2015 - \$29,619) for occupancy, plus an administration fee of \$6,300 (2015 - \$6,300) and \$nil (2015 - \$192,353) for salaries and benefits.

The amount due to Radio Western is due on demand and is non-interest bearing.

15 Commitments

Occupancy costs

The USC has a signed occupancy agreement with the UWO, which is renewed every five years, with the next renewal occurring on May 1, 2020. Under the occupancy agreement, the USC will pay an annual base charge, which will be updated and communicated annually in accordance with rates set by UWO. Additionally, a base occupancy credit will be deducted from the total occupancy charges in lieu of an allowance for USC offices and common areas. These credits will be indexed annually by the percentage change in the base occupancy rates and caretaking rates applied to calculate all campus occupancy charges. The occupancy charge net of the base occupancy credit for the period from May 1, 2016 to May 1, 2017 is \$1,498,998, plus harmonized sales tax (HST) and is payable in monthly instalments of \$124,917, plus HST.

16 Post-retirement benefit obligation

The USC has an unfunded post-retirement health and dental benefit plan available to full-time employees. Employees that retire with the USC will receive full health and dental benefits to a maximum age of 65. Employees must have ten years of service in order to become eligible for the benefits, and no benefits will be received if retirement occurs prior to the age of 55. As at May 31, 2016, 48 (2015 - 48) members were active in the plan, and of these, 3 (2015 - 2) are retired.

As at May 31, 2016, the actuarial valuation of the post-retirement benefit obligation was \$880,300 (2015 - \$796,100) and during the year, \$93,800 (2015 - \$15,300) was recorded as an expense.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2016

In determining the post-retirement benefit obligation, the following significant assumptions were used:

	2016 %	2015 %
Discount rate	3.90	4.00
Annual withdrawal rates for each of the following age categories are expected to be as follows:		
25	20.0	20.0
30	11.2	11.2
35	6.3	6.3
40	3.4	3.4
45	1.8	1.8
50	1.2	1.2
55	-	-

Health claim costs for the year per member are estimated to be \$1,960 (2015 - \$1,960) and dental claim costs for the year per member are estimated to be \$685 (2015 - \$685). Health-care costs are expected to increase at the following rates:

Medical	4.50% per annum
Prescription drugs	7.88% per annum in 2016 grading down to 4.50% per annum in and after 2031
Other medical	4.50% per annum
Vision care	4.50% per annum
Dental	4.50% per annum

17 Capital management

The USC's objective, when managing capital, is to safeguard its ability to continue as a going concern in order to pursue the delivery of a variety of services to the students of UWO.

In managing its capital, the USC considers the available cash and cash equivalents and members' capital. The USC manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the USC may attempt to raise additional funds or reduce expenses.

In order to facilitate the management of its capital requirements, the USC prepares annual expenditure budgets that are updated as necessary depending on various factors, including student fees, fundraising campaigns and general governmental conditions. The annual and updated budgets are approved by the Board of Directors.

The USC has not changed its approach to capital management during the current year, and does not use specific quantitative measures to manage capital. As at May 31, 2016, the USC has a surplus of cash over long-term debt. The USC is not subject to any external capital restrictions.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2016

18 Government remittances

Government remittances consist of amounts required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, \$53,829 (2015 - \$59,960) is included within accounts payable and accrued liabilities.

19 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

