

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

Financial Statements
May 31, 2015



September 25, 2015

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, 2015 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 in our audit 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, 2015 and the results of its operations, changes in fund balances and its cash flows for the year ended May 31, 2015 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, 2015

	2015 \$	2014 \$
Assets		
Current assets		
Cash and cash equivalents	5,485,061	6,045,628
Accounts receivable	593,705	285,918
Inventories	128,056	109,699
Prepaid expenses	1,632,531	1,359,415
	<u>7,839,353</u>	<u>7,800,660</u>
Health plan insurance deposit (note 3)	124,493	124,493
Capital assets (note 4)	8,083,840	8,350,739
	<u>16,047,686</u>	<u>16,275,892</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 16)	1,634,835	1,873,179
Deferred contributions for campus organizations and associations (note 13)	397,260	447,966
Due to affiliated councils (note 13)	259,766	170,717
Due to Radio Western (notes 6 and 13)	90,000	86,388
Current portion of long-term debt (note 5)	300,000	300,000
Deferred revenue (note 2)	2,711,545	2,637,100
	<u>5,393,406</u>	<u>5,515,350</u>
Post-retirement benefit obligation (note 14)	796,100	791,600
Long-term debt (note 5)	3,150,000	3,450,000
	<u>9,339,506</u>	<u>9,756,950</u>
Fund balances		
Operating fund - unrestricted	3,185,035	2,995,797
Reserve - internally restricted	3,523,145	3,523,145
	<u>6,708,180</u>	<u>6,518,942</u>
	<u>16,047,686</u>	<u>16,275,892</u>
Commitments (note 11)		

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, 2015

	2015 \$	2014 \$
Revenue		
Student fees	17,609,967	16,817,920
Transfers (note 6)	(11,639,297)	(11,463,818)
	<hr/>	<hr/>
Net student fees	5,970,670	5,354,102
Building services and student life	3,818,500	3,445,097
Food and beverage services (note 9)	3,933,090	3,980,511
Media	370,237	373,172
President and Vice-President programs	560,766	511,683
Retail service operations (note 7)	855,251	898,646
Interest income	22,653	140,738
Unrealized gain on investments	236,797	201,743
Other income	145,508	688,894
	<hr/>	<hr/>
	15,913,472	15,594,586
Expenses		
Building services and student life	4,885,207	4,110,604
Food and beverage services (note 9)	3,797,739	3,767,895
Media	780,723	712,085
President and Vice-President programs	1,341,581	1,276,505
Retail service operations (note 7)	719,511	824,145
Corporate (note 8)	4,199,473	4,561,030
	<hr/>	<hr/>
	15,724,234	15,252,264
Excess of revenue over expenses for the year	<hr/>	<hr/>
	189,238	342,322

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, 2015

	Operating fund- unrestricted \$	Reserve - internally restricted \$	2015 Total \$	2014 Total \$
Balance - Beginning of year	2,995,797	3,523,145	6,518,942	6,176,620
Excess of revenue over expenses for the year	189,238	-	189,238	342,322
Balance - End of year	<u>3,185,035</u>	<u>3,523,145</u>	<u>6,708,180</u>	<u>6,518,942</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, 2015

	2015 \$	2014 \$
Cash generated from (used in)		
Operating activities		
Excess of revenue over expenses for the year	189,238	342,322
Items not affecting cash		
Amortization	1,062,562	1,033,515
Post-retirement benefit obligation	15,300	87,000
	<u>1,267,100</u>	<u>1,462,837</u>
Net change in non-cash working capital balances (note 10)	<u>(721,204)</u>	<u>(120,186)</u>
	<u>545,896</u>	<u>1,342,651</u>
Financing activities		
Repayment of long-term debt	(300,000)	(503,268)
Post-retirement benefits paid	(10,800)	(5,900)
	<u>(310,800)</u>	<u>(509,168)</u>
Investing activities		
Purchase of capital assets	<u>(795,663)</u>	<u>(1,309,550)</u>
Decrease in cash and cash equivalents	(560,567)	(476,067)
Cash and cash equivalents - Beginning of year	<u>6,045,628</u>	<u>6,521,695</u>
Cash and cash equivalents - End of year	<u>5,485,061</u>	<u>6,045,628</u>
Cash and cash equivalents are comprised of:		
Cash	4,048,713	5,286,913
Short-term investments	1,436,348	758,715
	<u>5,485,061</u>	<u>6,045,628</u>

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, 2015

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 (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.
- providing cost effective services that meet the needs of students.

2 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 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, 2015

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 UWO administration collects a fee from all full-time undergraduate students and remits this to the USC throughout the academic year. Deferred revenue of \$2,711,545 (2014 - \$2,637,100) includes amounts received pertaining to the Health Care Plan for the months of June to August 2015 totalling \$591,585 (2014 - \$580,070) amounts received pertaining to the Dental Care Plan for the months of June to August 2015 totalling \$597,760 (2014 - \$577,157), and amounts pertaining to the London Transit Commission bus passes for the months of June to August 2015 totalling \$1,464,719 (2014 - \$1,439,438). These items will be recognized as revenue in fiscal 2016.

Capital assets

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

Amortization is provided on the declining balance at the rates set out below, commencing in the month of purchase. It is expected that 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.

Declining balance basis:

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

Cash and cash equivalents

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

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2015

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.

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 members and 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 at May 31, 2015 and May 31, 2014.

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 values due to the interest structure.

3 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.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2015

4 Capital assets

	2015		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office furniture & 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	-
	<hr/> 15,565,429	<hr/> 7,481,589	<hr/> 8,083,840
			<hr/>
	2014		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office furniture & equipment	3,339,525	2,021,437	1,318,088
Leasehold improvements	8,722,988	2,275,564	6,447,424
Data processing equipment	1,608,686	1,314,558	294,128
Entertainment equipment	589,874	325,732	264,142
Radio equipment	508,693	481,736	26,957
	<hr/> 14,769,766	<hr/> 6,419,027	<hr/> 8,350,739
			<hr/>

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2015

5 Long-term debt

	2015 \$	2014 \$
Non-revolving term loan, interest payable monthly at prime plus 1.25%, principal payable in monthly instalments of \$25,000	3,450,000	3,750,000
Less: Current portion	<u>(300,000)</u>	<u>(300,000)</u>
	<u>3,150,000</u>	<u>3,450,000</u>

Principal payments required over the next five years and thereafter are as follows:

	\$
2015	300,000
2016	300,000
2017	300,000
2018	300,000
2019 and thereafter	<u>2,250,000</u>
	<u>3,450,000</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, 2015 or May 31, 2014.

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

- a) 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.
- b) 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.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2015

6 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, \$Nil (2014 - \$Nil) of these student fees are receivable from UWO and \$90,000 (2014 - \$86,388) are due to Radio Western.

	2015 \$	2014 \$
Association fees	133,350	157,102
Community Legal Services	166,013	172,832
Daycare subsidy	47,750	25,713
Radio Western	382,875	368,496
Ombudsperson	101,399	105,543
Council grants	112,872	88,742
Allocable funds / transfer to campus groups	79,982	132,659
Health plan	4,756,181	4,699,189
London Transit Commission bus passes	5,858,875	5,713,542
	11,639,297	11,463,818

7 Retail service operations

	Revenue \$	Expenses \$	2015 Excess (deficiency) of revenue over expenses \$
Creative services	522,068	374,740	147,328
Purple Store	333,183	344,771	(11,588)
	855,251	719,511	135,740

	Revenue \$	Expenses \$	2014 Excess (deficiency) of revenue over expenses \$
Creative services	571,955	485,420	86,535
Purple Store	326,691	338,725	(12,034)
	898,646	824,145	74,501

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2015

8 Corporate expenses

	2015 \$	2014 \$
Salaries and benefits	1,844,554	2,164,476
Office	532,617	667,311
Insurance	101,887	130,590
Amortization	878,482	856,726
Legal and audit	116,296	67,661
Security	40,044	39,033
Occupancy	429,582	410,828
Interest & bank charges	202,687	213,866
Bad debts	599	8,050
Information technology	52,725	2,489
	4,199,473	4,561,030

9 Food and beverage services

	Revenue \$	Expenses \$	2015 Excess (deficiency) of revenue over expenses \$
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

	Revenue \$	Expenses \$	2014 Excess (deficiency) of revenue over expenses \$
The Spoke	2,475,809	2,236,031	239,778
The Wave	1,504,702	1,531,864	(27,162)
	3,980,511	3,767,895	212,616

Included in this revenue is the management fee and grant relating to the administration of liquor sales for The Wave and The Spoke operations as explained in note 13.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2015

10 Statement of cash flows

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

	2015 \$	2014 \$
Accounts receivable	(307,787)	(53,530)
Inventory	(18,357)	(18,370)
Prepaid expenses	(273,116)	487,671
Accounts payable and accrued liabilities	(238,344)	(457,287)
Due to Radio Western	3,612	(16,749)
Deferred contributions for campus organizations and associations	(50,706)	84,411
Due to affiliated councils	89,049	(72,459)
Deferred revenue	74,445	(73,873)
	<u>(721,204)</u>	<u>(120,186)</u>

11 Commitments

Occupancy costs

The USC has an occupancy agreement with UWO that became effective on May 1, 2010. 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 base occupancy charge net of the base occupancy credit for the period of May 1, 2015 to May 1, 2016 is \$1,644,551 and is payable in monthly instalments of \$137,046.

12 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 the Harmonized Sales Tax on its commercial activities pursuant to provisions of the Excise Tax Act.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2015

13 Transactions with University based organizations

The University of Western Ontario

The USC occupies office space owned by UWO. Occupancy charges during fiscal 2015 were \$1,384,581 (2014 - \$1,344,781). In consideration of student levies paid to the UWO, certain of the office space is provided free of occupancy charges.

Pursuant to the memorandum of understanding between 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 UWO. As compensation for the management and operation of the facilities UWO paid the USC a management fee and grant which amounted to \$375,641 for the year ended May 31, 2015 (2014 - \$418,896).

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

	2015 \$	2014 \$
Revenue	671,529	728,750
Cost of sales	(295,888)	(309,854)
Gross profit	<u>375,641</u>	<u>418,896</u>

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.

Radio Western

During the year, the USC transferred \$382,875 (2014 - \$368,496) of student fees to Radio Western, which were collected on Radio Western's behalf.

In addition, Radio Western leases certain equipment from the USC for an amount equal to the depreciation charged against this equipment by the USC. The amount of these lease payments for fiscal 2015 was \$5,790 (2014 - \$8,315). During the year, Radio Western was also charged \$29,619 (2014 - \$29,258) for occupancy plus an administration fee of \$6,300 (2014 - \$6,300) and \$192,353 (2014 - \$207,514) for salaries and benefits.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2015

14 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 10 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, 2015, 48 (2014 - 48) members were active in the plan, and of these, 1 (2014 - 1) are retired.

As at May 31, 2015 the actuarial valuation of the post-retirement benefit obligation was \$796,100 (2014 - \$791,600) and during the year, \$15,279 (2014 - \$88,501) was recorded as an expense.

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

	2015 %	2014 %
Discount rate	4.00	4.30
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	0.0	0.0

Health claim costs for the year are estimated to be \$1,960 (2014 - \$1,835) and dental claim costs for the year are estimated to be \$685 (2014 - \$600). Health care costs are expected to increase at the following rates:

Medical	4.50% per annum
Prescription drugs	8.10% per annum in 2014 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

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2015

15 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 fund balances, as well as cash and cash equivalents. 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, 2015, the USC has a surplus of cash over long-term debt. The USC is not subject to any external capital restrictions.

16 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, \$59,960 (2014 - \$58,378) is included within accounts payable and accrued liabilities.

