

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

Financial Statements
May 31, 2018



October 11, 2018

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, 2018 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, 2018 and the results of its operations 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, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash (note 3)	3,555,528	1,706,770
Short-term investments (note 3)	3,401,983	4,408,196
Accounts receivable	299,950	96,601
Inventories	119,244	88,975
Prepaid expenses	1,577,492	2,220,668
	<u>8,954,197</u>	<u>8,521,210</u>
Health plan insurance deposit (note 4)	124,493	124,493
Capital assets (note 5)	<u>7,608,172</u>	<u>7,112,603</u>
	<u>16,686,862</u>	<u>15,758,306</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 17)	2,775,606	1,561,755
Deferred contributions for campus organizations and associations (note 13)	443,131	391,773
Due to affiliated councils (note 13)	266,340	286,342
Due to Radio Western (notes 8 and 13)	69,754	87,926
Current portion of long-term debt (note 7)	300,000	300,000
Deferred revenue (note 6)	3,287,420	3,213,939
	<u>7,142,251</u>	<u>5,841,735</u>
Post-retirement benefit obligation (note 15)	958,600	927,600
Long-term debt (note 7)	<u>2,250,000</u>	<u>2,550,000</u>
	<u>10,350,851</u>	<u>9,319,335</u>
Fund Balances		
Operating fund - unrestricted	2,812,866	2,915,826
Reserve fund - internally restricted	<u>3,523,145</u>	<u>3,523,145</u>
	<u>6,336,011</u>	<u>6,438,971</u>
	<u>16,686,862</u>	<u>15,758,306</u>
Commitments and contingencies (note 14)		

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, 2018

	2018 \$	2017 \$
Revenue		
Student fees	19,714,230	19,496,216
Transfers (note 8)	(14,217,749)	(13,570,025)
Net student fees	5,496,481	5,926,191
Campus organizations	1,020,469	807,780
Events and building services	248,801	318,015
Hospitality services (note 11)	4,408,648	4,219,909
Media	219,350	295,357
Executive Committee programs	780,615	860,715
Retail and service operations (note 9)	723,752	964,434
Interest income	48,899	41,210
Change in unrealized gain/loss on short-term investments	28,788	356,962
Rental income	569,110	564,193
Other income	280,051	273,652
	<u>13,824,964</u>	<u>14,628,418</u>
Expenses (note 5)		
Campus organizations	1,020,469	807,780
Events and building services	760,886	964,972
Hospitality services (note 11)	3,969,147	3,963,768
Media	848,344	1,012,250
Executive Committee programs	1,261,709	1,666,679
Retail and service operations (note 9)	1,060,261	1,270,813
Corporate expenses (note 10)	5,005,583	4,369,510
Rental expenses	1,525	229,090
	<u>13,927,924</u>	<u>14,284,862</u>
(Deficiency) excess of revenue over expenses for the year	<u>(102,960)</u>	<u>343,556</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, 2018

			<u>2018</u>	<u>2017</u>
	Operating fund - unrestricted \$	Reserve fund - internally restricted \$	Total \$	Total \$
Balance - Beginning of year	2,915,826	3,523,145	6,438,971	6,095,415
(Deficiency) excess of revenue over expenses for the year	(102,960)	-	(102,960)	343,556
Balance - End of year	<u>2,812,866</u>	<u>3,523,145</u>	<u>6,336,011</u>	<u>6,438,971</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, 2018

	2018	2017
	\$	\$
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenue over expenses for the year	(102,960)	343,556
Items not affecting cash		
Amortization	935,005	900,253
Change in unrealized gain / loss on short-term investments	(28,788)	(356,962)
Post-retirement benefit expense	40,600	58,100
	<u>843,857</u>	<u>944,947</u>
Net change in non-cash working capital balances (note 12)	<u>1,710,074</u>	<u>191,986</u>
	<u>2,553,931</u>	<u>1,136,933</u>
Financing activities		
Repayment of long-term debt	(300,000)	(300,000)
Post-retirement benefits paid	(9,600)	(10,800)
	<u>(309,600)</u>	<u>(310,800)</u>
Investing activities		
Proceeds from short-term investments	1,035,001	-
Purchase of capital assets	(1,430,574)	(595,990)
	<u>(395,573)</u>	<u>(595,990)</u>
Change in cash during the year	1,848,758	230,143
Cash - Beginning of year	1,706,770	1,476,627
Cash - End of year	<u>3,555,528</u>	<u>1,706,770</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, 2018

1 Purpose of the organization

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 campus organizations and executive committee 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.

Use of 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, 2018

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 to be provided as deferred revenue and records these amounts as revenue when 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. 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%

Short-term investments

Short-term investments includes liquid, high-interest investment and savings accounts.

Income taxes

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 harmonized sales tax (HST) 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, 2018

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 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.

- Fair value

The carrying amounts of accounts receivable, accounts payable and accrued liabilities, due to affiliated councils and due to Radio Western 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 short-term investments

Included in cash and short-term investments is \$3,523,145 (2017 - \$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

	2018		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Office furniture and equipment	3,952,246	2,951,913	1,000,333
Leasehold improvements	11,016,418	4,727,081	6,289,337
Data processing equipment	1,818,545	1,624,285	194,260
Entertainment equipment	601,676	477,434	124,242
Radio equipment	508,693	508,693	-
	17,897,578	10,289,406	7,608,172

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2018

	2017		
	Cost \$	Accumulated amortization \$	Net \$
Office furniture and equipment	3,871,932	2,739,752	1,132,180
Leasehold improvements	9,552,409	4,097,044	5,455,365
Data processing equipment	1,795,415	1,560,083	235,332
Entertainment equipment	601,676	448,829	152,847
Radio equipment	508,693	508,693	-
Construction-in-progress	136,879	-	136,879
	16,467,004	9,354,401	7,112,603

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

	2018 \$	2017 \$
Events and building services	54,799	50,286
Hospitality services	85,670	89,185
Media	15,682	15,868
Retail and service operations	13,716	14,184
Corporate expenses	765,138	730,730
	935,005	900,253

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 \$3,287,420 (2017 - \$3,213,939) includes amounts received pertaining to the health-care plan for the months of June to August 2018 totalling \$700,217 (2017 - \$652,143), amounts received pertaining to the dental care plan for the months of June to August 2018 totalling \$706,059 (2017 - \$673,120) and amounts received pertaining to the London Transit Commission bus passes for the months of June to August 2018 totalling \$1,686,900 (2017 - \$1,639,895). These items will be recognized as revenue in fiscal 2019.

7 Long-term debt

	2018 \$	2017 \$
Non-revolving term loan, interest payable monthly at the prime rate plus 1.25%, principal payable in monthly instalments of \$25,000	2,550,000	2,850,000
Less: Current portion	300,000	300,000
	2,250,000	2,550,000

University Students' Council of The University of Western Ontario

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

	\$
2019	300,000
2020	300,000
2021	300,000
2022	300,000
2023	300,000
Thereafter	<u>1,050,000</u>
	<u>2,550,000</u>

An operating credit facility exists in the amount of \$300,000 and bears interest at the prime rate plus 1%. No amounts were drawn on this facility as at May 31, 2018 or May 31, 2017.

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 May 31, 2018, \$69,754 (2017 - \$87,926) of these student fees are due to Radio Western.

	2018 \$	2017 \$
Association fees	374,263	204,351
Community legal services	191,496	194,223
Daycare subsidy	47,076	33,685
Radio Western	366,850	388,406
Ombudsperson	114,953	113,754
Council grants	89,037	95,605
Allocable funds/transfer to campus groups	80,216	112,109
O-Pass revenue	552,420	573,570
Western Mustang Band	15,138	14,709
Health plan	5,709,460	5,280,015
London Transit Commission bus passes	<u>6,676,840</u>	<u>6,559,598</u>
	<u>14,217,749</u>	<u>13,570,025</u>

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2018

9 Retail and service operations

	2018		
	Revenue	Expenses	Net (expense)
	\$	\$	revenue
			\$
Promotions	72,970	201,514	(128,544)
Creative services	142,166	320,280	(178,114)
Purple Store	503,616	535,604	(31,988)
Purple Bikes	5,000	2,863	2,137
	<u>723,752</u>	<u>1,060,261</u>	<u>(336,509)</u>
	2017		
	Revenue	Expenses	Net expense
	\$	\$	\$
Promotions	162,105	283,636	(121,531)
Creative services	219,457	356,232	(136,775)
Purple Store	569,674	604,062	(34,388)
Purple Bikes	13,198	26,883	(13,685)
	<u>964,434</u>	<u>1,270,813</u>	<u>(306,379)</u>

10 Corporate expenses

	2018	2017
	\$	\$
Salaries and benefits	1,852,045	1,766,619
Administration	370,466	935,138
Office	90,853	66,672
Insurance	92,290	110,109
Amortization	765,138	730,730
Legal and audit	113,038	116,141
Security	8,970	39,171
Occupancy	1,548,942	435,274
Interest and bank charges	143,100	153,260
Bad debts	1,168	-
Information technology	19,573	16,396
	<u>5,005,583</u>	<u>4,369,510</u>

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2018

11 Hospitality services

	2018		
	Revenue \$	Expenses \$	Net revenue (expense) \$
Western Film	152,890	161,775	(8,885)
The Spoke	2,843,203	2,418,997	424,206
The Wave	1,412,555	1,388,375	24,180
	<u>4,408,648</u>	<u>3,969,147</u>	<u>439,501</u>
	2017		
	Revenue \$	Expenses \$	Net revenue (expense) \$
Western Film	178,536	189,641	(11,105)
The Spoke	2,528,243	2,206,822	321,421
The Wave	1,513,130	1,567,305	(54,175)
	<u>4,219,909</u>	<u>3,963,768</u>	<u>256,141</u>

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 13.

12 Statement of cash flows

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

	2018 \$	2017 \$
Accounts receivable	(203,349)	198,332
Inventories	(30,269)	20,700
Prepaid expenses	643,176	(555,125)
Accounts payable and accrued liabilities	1,213,851	136,089
Deferred contributions for campus organizations and associations	51,358	32,090
Due to affiliated councils	(20,002)	43,159
Due to Radio Western	(18,172)	27,054
Deferred revenue	73,481	289,687
	<u>1,710,074</u>	<u>191,986</u>

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2018

13 Transactions with the UWO based organizations

The University of Western Ontario

The USC occupies office space owned by the UWO. Occupancy charges during fiscal 2018, inclusive of HST, were \$1,744,679 (2017 - \$1,693,868). 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 \$325,453 for the year ended May 31, 2018 (2017 - \$366,378).

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:

	2018 \$	2017 \$
Revenue	565,649	636,785
Cost of sales	(240,196)	(270,407)
	<hr/>	<hr/>
Gross profit	325,453	366,378

Campus organizations and associations and affiliated councils

Appropriations allotted to campus organizations and associations and affiliated councils are only recoverable by the USC where there has been no activity in the particular campus organizations, associations or affiliated councils 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 \$366,850 (2017 - \$375,600) of student fees to Radio Western, which were collected on Radio Western's behalf.

During the year, Radio Western was charged \$nil (2017 - \$29,619) for occupancy, plus an administration fee of \$6,300 (2017 - \$6,300).

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

University Students' Council of The University of Western Ontario

Notes to Financial Statements

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14 Commitments and contingencies

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, 2018 to May 1, 2019 is \$1,590,284, plus HST, and is payable in monthly instalments of \$132,522, plus HST.

Contingencies

As at May 30, 2018, the organization has legal claims outstanding for which the organization holds liability insurance that is expected to cover potential losses.

15 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, 2018, 51 (2017 - 51) members were active in the plan, and of these, two (2017 - two) are retired.

As at May 31, 2018, the actuarial valuation of the post-retirement benefit obligation was \$958,600 (2017 - \$927,600) and during the year, \$40,600 (2017 - \$58,100) was recorded as an expense.

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

	2018 %	2017 %
Discount rate	3.70	3.40
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

University Students' Council of The University of Western Ontario

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Health claim costs for the year per member are estimated to be \$2,165 (2017 - \$1,960) and dental claim costs for the year per member are estimated to be \$650 (2017 - \$685). Health-care costs are expected to increase at the following rates:

Medical	4.50% per annum
Prescription drugs	7.65% per annum in 2017 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

16 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 short-term investments and fund balances. 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, 2018, the USC has a surplus of cash and short-term investments over long-term debt. The USC is not subject to any external capital restrictions.

17 Government remittances

Government remittances consist of amounts required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$14,417 (2017 - \$48,692) is included in accounts payable and accrued liabilities.

18 Comparative figures

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