
University Students' Council of the University of Western Ontario

*2014 Year-end Report
to the Board of
Directors*

*Prepared as of
September 5, 2014*



Communications to the Board of Directors

Key matters for discussion	Comments
Status of the audit	<ul style="list-style-type: none"> • PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements). • Significant outstanding items at time of mailing include the following: <ul style="list-style-type: none"> • Management representation letter • Board approval of financial statements • Subsequent events procedures
Significant reporting matters discussed with management	
Management's representations	<ul style="list-style-type: none"> • Under Canadian Auditing Standards, we are required to inform USC of the representations we are requesting from management. A copy of the management representation letter is included in Appendix C.
Significant difficulties or disagreements that occurred during the audit	<ul style="list-style-type: none"> • No difficulties or disagreements occurred while performing our audit that requires the attention of the Board of Directors.
Fraud	<ul style="list-style-type: none"> • No instances of fraud involving senior management, or employees with a significant role in internal control or that would cause a material misstatement of the financial statements, came to our attention as a result of our audit procedures. We wish to reconfirm whether the Board of Directors is aware of any known, suspected or alleged incidents of fraud.
Any matters involving known or suspected non-compliance with laws or regulations that came to our attention	<ul style="list-style-type: none"> • No instances of known or suspected non-compliance with laws or regulations came to our attention as a result of our audit procedures. We wish to reconfirm whether the Board of Directors is aware of any known or suspected incidents of non-compliance with laws or regulations.
Internal controls recommendations	<ul style="list-style-type: none"> • We have no significant internal control recommendations to report.
Other information in documents containing audited financial information	<ul style="list-style-type: none"> • We will be compiling a document that summarizes the audited financial statements to be published in the Gazette which will be issued in conjunction with the final financial statements.



<p>Subsequent events</p>	<p>We have not been made aware of any subsequent events which would impact the financial statements other than those disclosed.</p> <p>We wish to reconfirm whether the Board of Directors is aware of any other subsequent events that might affect the financial statements.</p>
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The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted, as the report has not been prepared for, and is not intended for, any other purpose. Comments and conclusions should only be taken in context of the financial statements as a whole as we do not mean to express an opinion on any individual item or accounting estimate.

Appendix A: Draft auditor's report

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

Financial Statements
May 31, 2014

DRAFT

September 12, 2014

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, 2014 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.

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, 2014 and the results of its operations, changes in fund balances and its cash flows for the year ended May 31, 2014 in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

DRAFT

University Students' Council of The University of Western Ontario

Statement of Financial Position

As at May 31, 2014

	2014 \$	2013 \$
Assets		
Current assets		
Cash and cash equivalents	6,045,628	6,521,695
Accounts receivable	285,918	232,388
Inventories	109,699	91,329
Prepaid expenses	1,359,415	1,847,086
	<hr/>	<hr/>
	7,800,660	8,692,498
Health plan insurance deposit (note 3)	124,493	124,493
Capital assets (note 4)	8,350,739	8,074,704
	<hr/>	<hr/>
	16,275,892	16,891,695
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 16)	1,873,179	2,330,466
Deferred contributions for campus organizations and associations (note 13)	447,966	363,555
Due to affiliated councils (note 13)	170,717	243,176
Due to Radio Western (notes 6 and 13)	86,388	103,137
Current portion of long-term debt (note 5)	300,000	503,268
Deferred revenue (note 2)	2,637,100	2,710,973
	<hr/>	<hr/>
	5,515,350	6,254,575
Post-retirement benefit obligation (note 14)	791,600	710,500
Long-term debt (note 5)	3,450,000	3,750,000
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	9,756,950	10,715,075
Fund balances		
Operating fund - unrestricted	2,995,797	2,653,475
Reserve - internally restricted	3,523,145	3,523,145
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	6,518,942	6,176,620
	<hr/>	<hr/>
	16,275,892	16,891,695
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, 2014

	2014 \$	2013 \$
Revenue		
Student fees	16,817,920	17,260,988
Transfers (note 6)	(11,463,818)	(10,876,529)
Net student fees	5,354,102	6,384,459
Building services and student life	3,445,097	3,572,214
Food and beverage services (note 9)	3,980,511	3,797,076
Media	373,172	335,772
President and Vice-President programs	511,683	476,521
Retail service operations (note 7)	898,646	2,087,570
Interest income	140,738	109,843
Unrealized gain on investments	201,743	238,924
Other income	688,894	68,885
	15,594,586	17,071,264
Expenses		
Building services and student life	4,110,604	4,297,655
Food and beverage services (note 9)	3,767,895	3,656,927
Media	712,085	737,199
President and Vice-President programs	1,276,505	1,067,322
Retail service operations (note 7)	824,145	2,240,326
Corporate (note 8)	4,561,030	5,621,649
	15,252,264	17,621,078
Excess (deficiency) of revenue over expenses for the year	342,322	(549,814)

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, 2014

	Operating fund- unrestricted \$	Reserve - internally restricted \$	2014 Total \$	2013 Total \$
Balance - Beginning of year	2,653,475	3,523,145	6,176,620	6,726,434
Excess (deficiency) of revenue over expenses for the year	342,322	-	342,322	(549,814)
Balance - End of year	<u>2,995,797</u>	<u>3,523,145</u>	<u>6,518,942</u>	<u>6,176,620</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, 2014

	2014 \$	2013 \$
Cash generated from (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	342,322	(549,814)
Items not affecting cash		
Amortization	1,033,515	984,418
Post retirement benefit obligation	87,000	77,400
	<u>1,462,837</u>	<u>512,004</u>
Net change in non-cash working capital balances (note 10)	<u>(120,186)</u>	<u>1,597,933</u>
	<u>1,342,651</u>	<u>2,109,937</u>
Financing activities		
Repayment of long-term debt	(503,268)	(242,061)
Post retirement benefits paid	(5,900)	(6,700)
	<u>(509,168)</u>	<u>(248,761)</u>
Investing activities		
Purchase of capital assets	(1,309,550)	(1,729,656)
(Decrease) increase in cash and cash equivalents	<u>(476,067)</u>	<u>131,520</u>
Cash and cash equivalents - Beginning of year	<u>6,521,695</u>	<u>6,390,175</u>
Cash and cash equivalents - End of year	<u>6,045,628</u>	<u>6,521,695</u>
Cash and cash equivalents are comprised of:		
Cash	5,286,913	1,618,882
Short-term investments	758,715	4,902,813
	<u>6,045,628</u>	<u>6,521,695</u>

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

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.

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. The fund also represents the USC's investment in capital assets.

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 \$2,637,100 (2013 - \$2,710,973) includes amounts received pertaining to the Health Care Plan for the months of June to August 2014 totalling \$580,070 (2013 - \$548,716) amounts received pertaining to the Dental Care Plan for the months of June to August 2014 totalling \$577,157 (2013 - \$539,930), and amounts pertaining to the London Transit Commission bus passes for the months of June to August 2014 totalling \$1,439,438 (2013 - \$1,326,362). These items will be recognized as revenue in fiscal 2015.

Capital assets

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

Amortization is provided on the declining balance and straight-line basis calculated monthly 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%

Straight-line basis:

Leasehold improvements	6 to 10 years
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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.

Financial instruments

Financial instruments are valued at fair value and subsequently reported at amortized cost at each reporting date.

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, 2014 and May 31, 2013.

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.

4 Capital assets

	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
	14,769,766	6,419,027	8,350,739
	2013		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office furniture & equipment	3,055,950	1,751,659	1,304,291
Leasehold improvements	7,854,283	1,668,552	6,185,731
Data processing equipment	1,477,664	1,224,275	253,389
Entertainment equipment	563,625	266,628	296,997
Radio equipment	508,693	474,397	34,296
	13,460,215	5,385,511	8,074,704

5 Long-term debt

	2014 \$	2013 \$
Non-revolving term loan, interest payable monthly at prime plus 1.25%, principal payable in annual instalments, matured March 31, 2014	-	203,268
Non-revolving term loan, interest payable monthly at prime plus 1.25%, principal payable in monthly instalments of \$25,000	3,750,000	4,050,000
Less: Current portion	(300,000)	(503,268)
	<u>3,450,000</u>	<u>3,750,000</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>2,550,000</u>
	<u>3,750,000</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, 2014 or May 31, 2013.

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.

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 (2013 - \$Nil) of these student fees are receivable from UWO and \$89,392 (2013 - \$103,137) are due to Radio Western.

	2014	2013
	\$	\$
Association fees	157,102	160,498
Community Legal Services	172,832	148,457
Daycare subsidy	25,713	46,865
Radio Western	368,496	376,737
Ombudsperson	105,543	90,707
Council grants	88,742	97,126
Allocable funds / transfer to campus groups	132,659	90,774
Health plan	4,699,189	4,446,713
London Transit Commission bus passes	5,713,542	5,418,652
	<u>11,463,818</u>	<u>10,876,529</u>

7 Retail service operations

			2014
	Revenue	Expenses	Excess (deficiency) of revenue over expenses
	\$	\$	\$
Creative services	571,955	485,420	86,535
Purple Store	326,691	338,725	(12,034)
	<u>898,646</u>	<u>824,145</u>	<u>74,501</u>
			2013
	Revenue	Expenses	Deficiency of revenue over expenses
	\$	\$	\$
Creative services	1,521,165	1,634,431	(113,266)
Purple Store	340,767	341,120	(353)
Postal office	225,638	257,775	(32,137)
The Info Source	-	7,000	(7,000)
	<u>2,087,570</u>	<u>2,240,326</u>	<u>(152,756)</u>

8 Corporate expenses

	2014 \$	2013 \$
Salaries and benefits	2,164,476	1,782,855
Office	667,311	2,078,546
Insurance	130,590	140,493
Amortization	856,726	812,158
Legal and audit	67,661	75,913
Security	39,033	37,428
Occupancy	410,828	456,092
Interest & bank charges	213,866	233,289
Bad debts	8,050	4,391
Information technology	2,489	484
	4,561,030	5,621,649

9 Food and beverage services

	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

	Revenue \$	Expenses \$	2013 Excess of revenue over expenses \$
The Spoke	2,320,070	2,121,110	198,960
The Wave	1,477,006	1,535,817	(58,811)
	3,797,076	3,656,927	140,149

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

10 Statement of cash flows

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

	2014 \$	2013 \$
Accounts receivable	(53,530)	216,443
Due to Radio Western	(16,749)	(41,806)
Inventory	(18,370)	63,165
Prepaid expenses	487,671	(286,870)
Accounts payable and accrued liabilities	(457,287)	824,419
Deferred contributions for campus organizations and associations	84,411	35,753
Due to affiliated councils	(72,459)	72,646
Deferred revenue	(73,873)	714,183
	(120,186)	1,597,933

11 Commitments

Occupancy costs

The USC has an occupancy agreement with UWO that became effective on May 1, 2010 and continues for a 5-year term. 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, 2014 to May 1, 2015 is \$1,548,008 and is payable in monthly instalments of \$129,001.

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.

13 Transactions with University based organizations

The University of Western Ontario

The USC occupies office space owned by UWO. Occupancy charges during fiscal 2014 were \$1,344,781 (2013 - \$1,176,766). 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 \$418,896 for the year ended May 31, 2014 (2013 - \$386,884).

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:

	2014 \$	2013 \$
Revenue	728,750	683,909
Cost of sales	(309,854)	(297,025)
Gross profit	<u>418,896</u>	<u>386,884</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 \$368,496 (2013 - \$376,737) 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 2014 was \$8,315 (2013 - \$9,403). During the year, Radio Western was also charged \$29,258 (2013 - \$28,326) for occupancy plus an administration fee of \$6,300 (2013 - \$6,300) and \$207,514 (2013 - \$200,908) for salaries and benefits.

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, 2014, 48 (2013 - 53) members were active in the plan, and of these, 1 (2013 - 3) are retired.

As at May 31, 2014 the actuarial valuation of the post-retirement benefit obligation was \$791,600 (2013 - \$710,500) and during the year, \$88,501 (2013 - \$77,400) was recorded as an expense.

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

	2014	2013
	\$	\$
Discount rate	4.30	4.35%
Annual withdrawal rates for each of the following age categories are expected to be as follows:		
20	20.0%	20.0%
30	11.2%	11.2%
40	3.4%	3.4%
50	1.2%	1.2%
55	0.0%	0.0%

Health claim costs for the year are estimated to be \$1,835 (2013 - \$2,004) and dental claim costs for the year are estimated to be \$600 (2013 - \$655). Health care costs are expected to increase at the following rates:

Medical	4.50% per annum
Prescription drugs	8.33% 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

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, 2014, 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, \$58,378 (2013 - \$78,931) is included within accounts payable and accrued liabilities.

Appendix B: Summary of unadjusted and adjusted items

a. Unadjusted items

There are no unadjusted items noted.

b. Adjusted items

Description	<i>Earnings</i>	<i>Balance Sheet</i>	
	Over (Under) Stated \$	Assets (Over) Under Stated \$	Liabilities Over (Under) Stated \$
Reclassify from accrued charges to expenses	(130,846)		130,846
Record pension plan expense	88,501		(88,501)
Record May student fees	(50,000)	50,000	
Reclassify cash received at year-end from receivables-\$68k			
Reclassify current portion of long-term debt-\$300k			
Reclassify unrealized gain to interest income-\$348k			
Reclassify deferred contributions to due to affiliates-\$170k			
Reclassify building services revenue and expenses-\$1.65M			
Reclassify food and beverage revenue and expenses-\$729k			
Total differences	(92,345)	50,000	42,345

Appendix C: Management representation letter

PricewaterhouseCoopers LLP
465 Richmond Street, Suite 300
London, ON
N6A 5P4

September 12, 2014

We are providing this letter in connection with your audit of the financial statements of University Students' Council of the University of Western Ontario ("USC") as of May 31, 2014 and for the year then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position, the results of operations and the cash flows of USC in accordance with Canadian accounting standards for not for profit organizations (ASNPO).

Management's responsibilities

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 7, 2014. In particular, we confirm to you that:

- We are responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO;
- We are responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In this regard, we are responsible for establishing policies and procedures that pertain to the maintenance of accounting systems and records, the authorization of receipts and disbursements, the safeguarding of assets and for reporting financial information in accordance with ASNPO;
We have provided you with all relevant information and access, as agreed in the terms of the audit engagement; and
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

We confirm the following representations:

Preparation of financial statements

The financial statements include all disclosures necessary for fair presentation in accordance with ASNPO and disclosures otherwise required to be included therein by the laws and regulations to which USC is subject.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. sub ledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to a profit and loss account and vice versa. All intracompany accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

Accounting policies

We confirm that we have reviewed USC's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements is appropriate in USC's particular circumstances to present fairly in all material respects its financial position, results of operations and cash flows in accordance with ASNPO.

Internal controls over financial reporting

We have designed disclosure controls and procedures to provide reasonable assurance that material information relating to USC is made known to us by others.

We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with ASNPO.

We have disclosed to you all deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting that we are aware as of May 31, 2014.

Disclosure of information

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters including:
- Contracts and related data;
- Information regarding significant transactions and arrangements that are outside of the normal course of business;
- Minutes of the meetings of shareholders, management, directors and committees of directors;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Completeness of transactions

All contractual arrangements entered into by USC with third parties have been properly reflected in the accounting records and, where material (or potentially material) to the financial statements, have been disclosed to you. We have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

Fraud

We have disclosed to you:

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All information in relation to fraud or suspected fraud of which we are aware affecting USC involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements; and
- All information in relation to any allegations of fraud, or suspected fraud, affecting USC's financial statements, communicated by employees, former employees, analysts, regulators or others.

Compliance with laws and regulations

We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the financial statements, including actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We are not aware of any illegal or possibly illegal acts committed by USC's directors, officers or employees acting on USC's behalf.

Accounting estimates and fair value measurements

Significant assumptions used by USC in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the financial statements that incorporate fair value measurements, we confirm that:

- The measurement methods are appropriate and consistently applied;
- The significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied;
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements; and
- The significant assumptions used in determining fair value measurements are consistent with USC's planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with Canadian Institute of Chartered Accountants (CICA) Handbook Part II Section 1508, *Measurement Uncertainty* and CICA Handbook Section 3856, *Financial Instruments*, have been appropriately disclosed.

Related parties

We confirm the completeness of information provided to you regarding the identification of related parties as defined by CICA Handbook Part II Section 3840, *Related Party Transactions*, which include, but are not limited to directors, officers, senior members of management, or immediate family members of such individuals, or entities over which these individuals are able to exert significant influence.

We also confirm the completeness of information provided to you regarding the nature of USC's relationships with and transactions involving those entities.

The identity and relationship of and balances and transactions with related parties have been properly recorded and adequately disclosed in the financial statements, as required by ASNPO.

Going concern

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements (e.g. to dispose of the business or to cease operations).

Assets and liabilities

We have satisfactory title or control over all assets. There are no material liens or encumbrances on USC's assets or assets pledged as collateral.

Receivables recorded in the financial statements represent bona fide claims against debtors for sales or other charges arising on or before the statement of financial position dates and are not subject to discount except for normal cash discounts. Receivables classified as current do not include any material amounts that are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with ASNPO. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which USC is contingently liable in accordance with Accounting Guideline 14, *Disclosure of Guarantees*, or accounting standards for private enterprises section 3290, *Contingencies*, have been disclosed to you and are appropriately reflected in the financial statements.

Litigation and claims

All known actual or possible litigation and claims, which existed at the statement of financial position date or exist now, have been disclosed to you and accounted for and disclosed in accordance with ASNPO, whether or not they have been discussed with legal counsel.

Misstatements detected during the audit

Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the financial statements are free of material misstatements, including omissions.

The adjusted misstatements identified during your audit and summarized in the attached table (Appendix A) have been approved by us and adjusted in the financial statements.

Events after balance sheet date

We have identified all events that occurred between the statement of financial position date and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

Cash and banks

The books and records properly reflect and record all transactions affecting cash funds, bank accounts and bank indebtedness of USC.

All cash balances are under the control of USC, free from assignment or other charges, and unrestricted as to use, except as disclosed to you.

The amount shown for cash on hand or in bank accounts excludes trust or other amounts, which are not the property of USC.

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

All cash and bank accounts and all other properties and assets of USC are included in the financial statements as at May 31, 2014.

Accounts receivable

All amounts receivable by USC were recorded in the books and records.

Amounts receivable amounted to \$235,918 and is considered to be fully collectible.

Amounts receivable are not subject to discount, except for normal cash discounts, which are appropriately provided for.

All receivables were free from hypothecation or assignment as security for advances to USC, except as hereunder stated.

USC has accounted for and disclosed transfers of receivables (including securitizations) in accordance with the requirements of Canadian Institute of Chartered Accountants (CICA) Handbook, Part II, Section 3856, Appendix B – Transfers of Receivables.

Property, plant and equipment

All charges to property, plant and equipment asset accounts represented the actual cost of additions to property, plant and equipment.

No significant property, plant and equipment additions were charged to repairs and maintenance or other expense accounts.

Carrying values of property, plant and equipment sold, destroyed, abandoned or otherwise disposed of have been eliminated from the accounts.

Property, plant and equipment assets owned by USC are being depreciated on a systematic basis over their estimated useful lives and the provision for depreciation was calculated on a basis consistent with that of the previous date.

All lease agreements covering property leased by or from USC have been disclosed to you and classified as capital, operating, sales-type or direct financial leases as appropriate.

Assets held under capital leases are being amortized on a systematic basis over the period of expected use.

There have been no events or changes in circumstances that indicate the carrying value of a long-lived asset is not recoverable; accordingly, management was not required to perform an impairment test in accordance with CICA Handbook, Part II, Section 3063, Impairment of Long-lived Assets, during the period. We believe that the carrying value of USC's long-lived assets is fully recoverable.

Long-term debt

All borrowings and financial obligations of USC of which we are aware are included in the financial statements at May 31, 2014, as appropriate. We have fully disclosed to you all borrowing arrangements of which we are aware.

USC has appropriately classified as current and non-current its debt in USC's classified balance sheet as of May 31, 2014 in accordance with the appropriate authoritative guidance. In evaluating the appropriate classification of its borrowings, USC considered all relevant facts and circumstances, for example, contractual terms, the existence of call options, subjective acceleration clauses, material adverse changes clauses, lock-box arrangements, covenant violations, renewal features, conversion features, redemption features and the ability and intent to refinance.

USC has not violated any covenants on its debt during any of the periods reported. We have fully disclosed to you all covenants and information related to how we determined our compliance with the terms of the covenants.

Deferred revenue

All material amounts of deferred revenue were appropriately recorded in the books and records.

Statement of Operations and Statement of Fund Balances

All transactions entered into by USC have been recorded in the books and records presented to you.

All amounts have been appropriately classified within the financial statements of operations and fund balances.

Except as disclosed in the statements, there are no adjustments to income reported in prior periods, in material amounts.

The accounting principles and policies followed throughout the period were consistent with prior periods' practices (except as disclosed in the financial statements).

Revenue recognition

We have reviewed the criteria for revenue recognition included in CICA Handbook, Part II, Section 3400, Revenue, namely, evidence of arrangement, delivery, fixed price and collectability and are recognizing revenue in accordance with this standard.

Yours truly,

University Students' Council of the University of Western Ontario

Cathy Clarke, General Manager

Carrie Passi, Managing Director, Financial and Corporate Resources

Andrew Lalka, VP Finance

