

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

Financial Statements
May 31, 2019



Independent auditor's report

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

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of University Students' Council of The University of Western Ontario (the USC) as at May 31, 2019 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.

What we have audited

The USC's financial statements comprise:

- the statement of financial position as at May 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the USC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the USC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the USC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the USC's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 USC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the USC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the USC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP



Chartered Professional Accountants, Licensed Public Accountants

London, Ontario
December 3, 2019

University Students' Council of The University of Western Ontario

Statement of Financial Position

As at May 31, 2019

	2019 \$	2018 \$	
Assets			
Current assets			
Cash (note 4)	2,258,806	3,555,528	
Accounts receivable	351,158	299,950	
Inventories	127,326	119,244	
Prepaid expenses	1,843,663	1,577,492	
	<u>4,580,953</u>	<u>5,552,214</u>	
Health plan insurance deposit (note 3)	124,493	124,493	
Investments (note 4)	3,505,032	3,401,983	
Capital assets (note 5)	6,811,024	7,608,172	
	<u>15,021,502</u>	<u>16,686,862</u>	
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 17)	1,086,542	2,775,606	
Deferred contributions for campus organizations and associations (note 13)	515,543	443,131	
Due to affiliated councils (note 13)	265,581	266,340	
Due to Radio Western (notes 8 and 13)	72,684	69,754	
Current portion of long-term debt (note 7)	300,000	300,000	
Deferred revenue (note 6)	3,579,887	3,287,420	
	<u>5,820,237</u>	<u>7,142,251</u>	
Post-retirement benefit obligation (note 15)	1,172,700	958,600	
Long-term debt (note 7)	1,950,000	2,250,000	
	<u>8,942,937</u>	<u>10,350,851</u>	
Fund Balances			
Operating fund – unrestricted	2,555,420	2,812,866	
Reserve fund – internally restricted	3,523,145	3,523,145	
	<u>6,078,565</u>	<u>6,336,011</u>	
	<u>15,021,502</u>	<u>16,686,862</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, 2019

	2019 \$	2018 \$
Revenue		
Student fees	21,022,162	19,714,230
Transfers (note 8)	(15,210,154)	(13,865,039)
Net student fees	5,812,008	5,849,191
Campus organizations	916,853	1,020,469
Events and building services	263,159	248,801
Hospitality services (note 11)	4,657,131	4,408,648
Media	158,306	219,350
Executive Committee programs	1,621,079	780,615
Retail and service operations (note 9)	673,214	723,752
Interest income	78,932	48,899
Investment income	103,049	28,788
Rental income	547,714	569,110
Other income	193,536	280,051
	<u>15,024,981</u>	<u>14,177,674</u>
Expenses (note 5)		
Campus organizations	916,853	1,020,469
Events and building services	715,064	760,886
Hospitality services (note 11)	4,312,946	3,969,147
Media	769,123	848,344
Executive Committee programs	2,025,823	1,261,709
Retail and service operations (note 9)	1,081,429	1,060,261
Corporate expenses (note 10)	5,443,688	5,358,293
Rental expenses	17,501	1,525
	<u>15,282,427</u>	<u>14,280,634</u>
Deficiency of revenue over expenses for the year	<u>(257,446)</u>	<u>(102,960)</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, 2019

			<u>2019</u>	<u>2018</u>
	Operating fund – unrestricted \$	Reserve fund – internally restricted \$	Total \$	Total \$
Balance – Beginning of year	2,812,866	3,523,145	6,336,011	6,438,971
Deficiency of revenue over expenses for the year	(257,446)	-	(257,446)	(102,960)
Balance – End of year	<u>2,555,420</u>	<u>3,523,145</u>	<u>6,078,565</u>	<u>6,336,011</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, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(257,446)	(102,960)
Items not affecting cash		
Amortization	872,983	935,005
Change in unrealized gain/loss on investments	33,010	199,105
Post-retirement benefit expense	224,700	40,600
	<u>873,247</u>	<u>1,071,750</u>
Net change in non-cash working capital balances (note 12)	<u>(1,647,475)</u>	<u>1,710,074</u>
	<u>(774,228)</u>	<u>2,781,824</u>
Financing activities		
Repayment of long-term debt	(300,000)	(300,000)
Post-retirement benefits paid	(10,600)	(9,600)
	<u>(310,600)</u>	<u>(309,600)</u>
Investing activities		
(Acquisition of) proceeds from investments	(136,059)	807,108
Purchase of capital assets	(75,835)	(1,430,574)
	<u>(211,894)</u>	<u>(623,466)</u>
Change in cash during the year	<u>(1,296,722)</u>	<u>1,848,758</u>
Cash – Beginning of year	<u>3,555,528</u>	<u>1,706,770</u>
Cash – End of year	<u>2,258,806</u>	<u>3,555,528</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, 2019

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

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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%

Investments and investment income

Investments are recorded at fair value. Changes in fair value are recognized on the statement of operations in the period during which they are incurred.

Financial instruments

Financial instruments include accounts receivable, investments, accounts payable and accrued liabilities, due to affiliated councils and due to Radio Western. Financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Financial assets are tested for impairment at the end of each reporting period when there are indications that an asset may be impaired. Any excess of the carrying amount of a financial asset over its recoverable amount is recorded as an impairment charge within the statement of operations. A previously recorded impairment charge may be reversed in future periods.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

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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.

3 Health plan insurance deposit

The USC has \$124,493 (2018 – \$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 Investments

a) Investments at May 31 are summarized as follows:

	2019		2018	
	Book value	Fair value	Book value	Fair value
	\$	\$	\$	\$
Canadian money market	196,031	196,031	28,474	28,474
Canadian bonds	484,258	491,378	488,141	472,494
Foreign bonds	414,135	445,087	418,455	448,472
Canadian equity	742,925	846,447	751,278	950,717
Foreign equity	1,428,428	1,526,089	1,443,370	1,501,826
	<u>3,265,777</u>	<u>3,505,032</u>	<u>3,129,718</u>	<u>3,401,983</u>

Included in cash and investments is \$18,113 and \$3,505,032 (2018 – \$121,162 and \$3,401,983), respectively, relating to the reserve fund.

5 Capital assets

	2019		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office furniture and equipment	4,004,208	3,143,831	860,377
Leasehold improvements	11,015,640	5,330,354	5,685,286
Data processing equipment	1,843,196	1,678,850	164,346
Entertainment equipment	601,676	500,661	101,015
Radio equipment	508,693	508,693	-
	<u>17,973,413</u>	<u>11,162,389</u>	<u>6,811,024</u>

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2019

			2018
	Cost	Accumulated amortization	Net
	\$	\$	\$
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	-
	<u>17,897,578</u>	<u>10,289,406</u>	<u>7,608,172</u>

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

	2019	2018
	\$	\$
Events and building services	46,125	54,799
Hospitality services	198,223	85,670
Media	13,023	15,682
Retail and service operations	11,749	13,716
Corporate expenses	603,863	765,138
	<u>872,983</u>	<u>935,005</u>

6 Deferred revenue

The UWO administration collects a fee from all full-time undergraduate students and remits this fee to the USC throughout the academic year. Deferred revenue of \$3,579,887 (2018 – \$3,287,420) includes amounts received pertaining to the health-care plan for the months of June to August 2019 totalling \$754,313 (2018 – \$700,217), amounts received pertaining to the dental care plan for the months of June to August 2019 totalling \$761,226 (2018 – \$706,059) and amounts received pertaining to the London Transit Commission bus passes for the months of June to August 2019 totalling \$1,800,618 (2018 – \$1,686,900). These items will be recognized as revenue in fiscal 2020.

7 Long-term debt

	2019	2018
	\$	\$
Non-revolving term loan, interest payable monthly at the prime rate plus 1.25%, principal payable in monthly instalments of \$25,000	2,250,000	2,550,000
Less: Current portion	<u>300,000</u>	<u>300,000</u>
	<u>1,950,000</u>	<u>2,250,000</u>

University Students' Council of The University of Western Ontario

Notes to Financial Statements

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

	\$
2020	300,000
2021	300,000
2022	300,000
2023	300,000
2024	300,000
Thereafter	<u>750,000</u>
	<u>2,250,000</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, 2019 or May 31, 2018.

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, 2019, \$72,684 (2018 – \$69,754) of these student fees are due to Radio Western.

	2019 \$	2018 \$
London Transit Commission Bus Passes	7,133,552	6,676,840
Health plan	6,022,684	5,356,750
O-Pass Revenue	668,100	552,420
Association Fees	419,360	374,263
Radio Western	360,684	366,850
Community Legal Services	199,060	191,496
Council Grants	132,199	89,037
Ombudsperson	119,550	114,953
Allocable finds/transfers to campus groups	90,983	80,216
Daycare Subsidy	48,056	47,076
Western Mustang Band	15,926	15,138
	<u>15,210,154</u>	<u>13,865,039</u>

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2019

9 Retail and service operations

	2019		
	Revenue \$	Expenses \$	Net (expense) revenue \$
Promotions	99,510	318,252	(218,742)
Creative services	126,594	233,274	(106,680)
Purple Store	440,570	527,559	(86,989)
Purple Bikes	6,540	2,344	4,196
	<u>673,214</u>	<u>1,081,429</u>	<u>(408,215)</u>
	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>

Included in the expenses of retail and service operations is \$422,470 (2018 – \$424,549) of inventory recognized as an expense during the year.

10 Corporate expenses

	2019 \$	2018 \$
Salaries and benefits	1,743,826	1,852,045
Occupancy	1,638,885	1,548,942
Administration	751,184	723,176
Amortization	603,863	765,138
Office	359,515	90,853
Interest and bank charges	132,216	143,100
Legal and audit	117,254	113,038
Insurance	88,267	92,290
Security	8,678	8,970
Bad debts	-	1,168
Information technology	-	19,573
	<u>5,443,688</u>	<u>5,358,293</u>

University Students' Council of The University of Western Ontario

Notes to Financial Statements

May 31, 2019

11 Hospitality services

	2019		
	Revenue \$	Expenses \$	Net revenue (expense) \$
Western Film	154,274	155,087	(813)
The Spoke	3,184,020	2,774,319	409,701
The Wave	1,318,837	1,383,540	(64,703)
	<u>4,657,131</u>	<u>4,312,946</u>	<u>344,185</u>
	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>

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.

Included in the expenses of hospitality services is \$1,453,385 (2018 – \$1,234,039) of inventory recognized as an expense during the year.

12 Statement of cash flows

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

	2019 \$	2018 \$
Accounts receivable	(51,208)	(203,349)
Inventories	(8,082)	(30,269)
Prepaid expenses	(266,171)	643,176
Accounts payable and accrued liabilities	(1,689,064)	1,213,851
Deferred contributions for campus organizations and associations	72,412	51,358
Due to affiliated councils	(759)	(20,002)
Due to Radio Western	2,930	(18,172)
Deferred revenue	292,467	73,481
	<u>(1,647,475)</u>	<u>1,710,074</u>

University Students' Council of The University of Western Ontario

Notes to Financial Statements

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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 2019, inclusive of HST, were \$1,843,307 (2018 – \$1,744,679). 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 \$296,070 for the year ended May 31, 2019 (2018 – \$325,453).

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:

	2019	2018
	\$	\$
Revenue	505,386	565,649
Cost of sales	(209,316)	(240,196)
	<hr/>	<hr/>
Gross profit	296,070	325,453
	<hr/>	<hr/>

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 \$360,684 (2018 – \$366,850) of student fees to Radio Western, which were collected on Radio Western's behalf.

During the year, Radio Western was charged an administration fee of \$6,300 (2018 – \$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

May 31, 2019

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, 2019 to May 1, 2020 is \$1,631,245, plus HST, and is payable in monthly instalments of \$135,939, plus HST.

Contingencies

As at May 31, 2019, 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 15 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, 2019, 35 (2018 – 51) members were active in the plan, and of these, four (2018 – two) are retired.

As at May 31, 2019, the actuarial valuation of the post-retirement benefit obligation was \$1,172,700 (2018 – \$958,600) and during the year, \$224,700 (2018 – \$40,600) was recorded as an expense. The actual post-retirement benefits paid during the year were \$10,600 (2018 – \$9,600).

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

	2019	2018
	%	%
Discount rate	3.1	3.7
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

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Health claim costs for the year per member are estimated to be \$2,165 (2018 – \$2,165) and dental claim costs for the year per member are estimated to be \$650 (2018 – \$650). 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
Other medical	4.50% per annum in and after 2031
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, 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, 2019, the USC has a surplus of cash and 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, \$33,316 (2018 – \$14,417) is included in accounts payable and accrued liabilities.

18 Financial instruments

a) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The USC is not exposed to risks from foreign exchange rate fluctuations in the normal course of operations.

b) 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.

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Notes to Financial Statements

May 31, 2019

c) Interest rate risk

The USC is exposed to market interest rate fluctuations with respect to its long-term debt.

d) 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.

19 Comparative figures

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