

Students' Association of Mount Royal University

Financial Statements
June 30, 2016



November 21, 2016

Auditors' Report

To the Members of Students' Association of Mount Royal University

We have audited the accompanying financial statements of Students' Association of Mount Royal University, which comprise the statement of financial position as at June 30, 2016 and the statement of revenues and expenses, changes in net assets and cash flows for the year then ended, and the related notes including 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.

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



We believe that the audit evidence we have obtained 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 Students' Association of Mount Royal University as at June 30, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

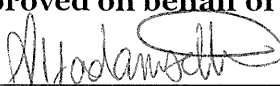
Students' Association of Mount Royal University

Statement of Financial Position

As at June 30, 2016

	2016 \$	2015 \$
Assets		
Current assets		
Cash and cash equivalents	1,490,516	1,711,227
Short-term investments (note 3)	396,078	-
Accounts receivable	265,383	314,935
Inventories	57,491	39,120
Prepaid expenses	48,212	44,218
Funds held in trust	112,667	112,391
	<u>2,370,347</u>	<u>2,221,891</u>
Investments (note 3)	6,190,193	6,058,516
Capital assets (note 4)	14,558,254	15,136,465
	<u>23,118,794</u>	<u>23,416,872</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	438,523	336,898
Deferred revenue	488,774	452,551
Current portion of promissory note (note 5)	301,836	287,283
Funds held in trust	112,667	112,391
	<u>1,341,800</u>	<u>1,189,123</u>
Advances and deposits held	45,030	45,030
Promissory note (note 5)	10,559,021	10,860,857
Deferred contributions (note 6)	3,442,357	3,540,436
	<u>15,388,208</u>	<u>15,635,446</u>
Net assets		
Internally restricted net assets invested in capital assets	1,633,652	1,753,921
Internally restricted (note 7)	6,120,528	6,022,151
Endowment	35,000	35,000
Unrestricted deficiency	(58,594)	(29,646)
	<u>7,730,586</u>	<u>7,781,426</u>
	<u>23,118,794</u>	<u>23,416,872</u>

Approved on behalf of The Student Governing Board



President



Vice President Academic

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

Students' Association of Mount Royal University

Statement of Revenues and Expenses

For the year ended June 30, 2016

	2016 \$	2015 \$
Revenues		
Fees	2,948,523	2,806,530
Membership services	1,924,453	1,972,705
Business operations	1,250,256	1,565,495
Interest income	213,877	205,985
Amortization of deferred contributions	133,380	133,509
Management and executive	102,985	105,262
Programming	19,576	30,174
	<hr/> 6,593,050	<hr/> 6,819,660
Expenses		
Management (note 8)	2,426,999	2,371,746
Membership services	2,203,539	2,013,704
Amortization	610,536	622,927
Business operations – direct expenses	545,097	765,200
Executive	375,995	338,193
Business operations – cost of sales	242,927	383,841
Programming	227,071	321,183
Change in fair value of investments	11,726	(273,362)
	<hr/> 6,643,890	<hr/> 6,543,432
(Deficiency) excess of revenues over expenses	<hr/> (50,840)	<hr/> 276,228

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

Students' Association of Mount Royal University

Statement of Changes in Net Assets

For the year ended June 30, 2016

					2016	2015
	Internally restricted net assets invested in capital assets \$	Internally restricted \$	Endowment \$	Unrestricted \$	Total \$	Total \$
Balance – Beginning of year	1,753,921	6,022,151	35,000	(29,646)	7,781,426	7,505,198
Excess of revenues over expenses	(152,594)	(580,775)	-	682,529	(50,840)	276,228
Transfer to internally restricted	-	711,655	-	(711,655)	-	-
Purchase of capital assets – internally funded	32,503	(32,503)	-	-	-	-
Disposal of capital assets	(178)	-	-	178	-	-
	(120,269)	98,377	-	(28,948)	(50,840)	276,228
Balance – End of year	1,633,652	6,120,528	35,000	(58,594)	7,730,586	7,781,426

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

Students' Association of Mount Royal University

Statement of Cash Flows

For the year ended June 30, 2016

	2016 \$	2015 \$
Cash flows provided by (used for)		
Operating activities		
(Deficiency) Excess of revenues over expenses	(50,840)	276,228
Add items not involving cash		
Amortization	610,536	622,927
Deferred contribution recorded as fees, membership services, and management and executive revenue	(972,073)	(908,341)
Amortization of deferred contributions	(133,380)	(133,509)
Unrealized increase (decrease) in market value of investments	44,359	(198,816)
Gain on disposal of capital assets	(372)	(5,429)
	<u>(501,770)</u>	<u>(346,940)</u>
Changes in non-cash working capital	165,035	(162,741)
	<u>(336,735)</u>	<u>(509,681)</u>
Financing activities		
Capital contributions received	844,291	815,424
Scholarship contributions received	86,715	88,175
Other contributions received	76,368	81,491
Repayment of promissory note	(287,283)	(273,432)
	<u>720,091</u>	<u>711,658</u>
Investing activities		
Acquisition of capital assets – internally funded	(32,503)	(11,860)
Proceeds on sale of capital assets	550	16,000
Purchase of investments (net)	(572,114)	(224,092)
	<u>(604,067)</u>	<u>(219,952)</u>
Decrease in cash and cash equivalents	(220,711)	(17,975)
Cash and cash equivalents – Beginning of year	1,711,227	1,729,202
Cash and cash equivalents – End of year	<u>1,490,516</u>	<u>1,711,227</u>
Cash and cash equivalents are comprised as follows		
Cash on hand and balances with banks	1,347,228	1,192,536
Investments in money market instruments	143,288	518,691
Total cash and cash equivalents	<u>1,490,516</u>	<u>1,711,227</u>
Supplementary cash flow information		
Interest paid	553,604	570,619

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

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2016

1 General

The Students' Association of Mount Royal University ("SAMRU" or the "Association") is a not-for-profit organization, which was incorporated under the authority of the Post-Secondary Learning Act of the Province of Alberta in 2005 (having incorporated under the Societies Act of the Province of Alberta in 1967). SAMRU is registered as a charitable organization under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The Student Governing Board is established within the Post-Secondary Learning Act and SAMRU's bylaws constitute the Student Governing Board as the governing board of the Association. The majority of Governors and the four Representation Executive Council Officers are elected annually from and by the general membership of the Association. The Student Governing Board is the fiduciary trustee for SAMRU and, as such, makes all of the crucial decisions regarding the Association's purpose, resources, strategic plans and policy.

SAMRU operates as an independent, autonomous body separate and distinct from Mount Royal University. SAMRU entered into a License of Occupation Agreement and Collateral Agreement with the Board of Mount Royal University, which entitles SAMRU to the exclusive use of the Wyckham House Student Centre. SAMRU records the Right to Occupy Wyckham House as a capital asset as SAMRU has the beneficial risks and rewards of this asset.

2 Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Canada, and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and investments in money market instruments.

Funds held in trust and liability for funds held in trust

Funds held in trust represent monies managed by the Association on behalf of other organizations such as student-run clubs. The Association does not report the revenues and expenses related to these funds.

Investments

Investments consist of equities, mutual funds, income funds and government and corporate bonds. Investments are recorded at fair value as determined by reference to their quoted market prices. Changes in fair value are recognized in the statement of revenues and expenses in the period in which they arise.

Inventories

Inventories are valued at the lower of cost and net realizable value. The valuation method used is first in first out.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2016

Financial instruments

The Association initially measures financial assets and financial liabilities in the statement of financial position at their fair value. It subsequently measures its financial assets and financial liabilities at amortized cost, other than investments, which are reported at fair value. The financial assets subsequently measured at amortized cost include cash and cash equivalents, accounts receivable, and funds held in trust asset. The financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities, funds held in trust liability, advances and deposits held, and the promissory note.

a) Credit risk

The Association does not have a concentration of credit exposure with any one party. The Association does not consider that it is exposed to undue credit risk.

b) Other price risk

The Association is not significantly exposed to currency risk due to changes in foreign exchange rates, or market risk from fluctuations in the marketplace.

c) Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulties in meeting its financial obligations. The Association manages its liquidity risk through cash and debt management.

d) Interest rate risk

The Association does not consider its exposure to interest rate risk as a result of changes in market interest rates or cash flow risk to be significant.

Capital assets

SAMRU records capital assets at cost, including installation costs. Contributed capital assets are recorded at fair value at the date of contribution, determined by reference to cost for similar assets. During the year, there were no contributed capital assets (2015 – \$nil). SAMRU records amortization using the following methods and rates, intended to recognize the cost of property and equipment over their useful lives:

	Method	Rate
Furniture and fixtures	Declining balance	20%
Computers and electronics	Declining balance	30%
Right to occupy Wyckham House	Straight-line	40 years
Wyckham House improvements	Straight-line	40 years
Wyckham House expansion and development	Straight-line	40 years

Amortization is not provided on capitalized costs relating to major additions until the respective additions are substantially complete and put into use.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2016

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Contributions externally restricted by third parties and related to general operations are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions related to capital assets or repayments of debt obtained to purchase capital assets are recognized as revenue as the related capital assets are amortized. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Dividend income, interest income, realized and unrealized investment gains and losses, are recognized as revenue in the period in which it arises.

Revenue from fees, membership services, business operations, programming, and management and executive are recognized as services are provided.

Contributed services

SAMRU receives contributed services from Mount Royal University in the form of utilities for the non-revenue generating areas of Wyckham House. Volunteers contribute a significant number of hours per year to assist SAMRU in carrying out its program activities. Because of the difficulty of determining their value, contributed services are not recognized in the financial statements.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of revenues and expenses in the period in which they become known.

3 Investments

	2016 \$	2015 \$
Short-term notes	232,864	-
Federal and Provincial bonds	1,288,415	1,030,296
Corporate bonds	2,523,147	2,323,143
Equities – Canadian	1,498,065	1,503,631
Equities – International	1,043,780	1,201,446
	<u>6,586,271</u>	<u>6,058,516</u>

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2016

Investments are recorded as:

	2016 \$	2015 \$
Short-term investments	396,078	-
Long-term investments	6,190,193	6,058,516
	<u>6,586,271</u>	<u>6,058,516</u>

4 Capital assets

	2016		2015	
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Furniture and fixtures	1,501,856	1,277,343	224,513	263,250
Computers and electronics	961,507	911,922	49,585	55,902
Right to occupy Wyckham House	3,952,253	2,793,030	1,159,223	1,264,606
Wyckham House improvements	1,137,194	701,820	435,374	471,791
Wyckham House expansion and development	15,668,172	2,978,613	12,689,559	13,080,916
	<u>23,220,982</u>	<u>8,662,728</u>	<u>14,558,254</u>	<u>15,136,465</u>

5 Promissory note

	2016 \$	2015 \$
Debenture repayable in semi-annual instalments of \$420,738 including interest at 5.003%, due June 2037 and secured in the event of default by way of a Capital Levy against annual capital campaign fees collected by the Association	10,860,857	11,148,140
Less: Current portion of promissory note	<u>(301,836)</u>	<u>(287,283)</u>
	<u>10,559,021</u>	<u>10,860,857</u>

Principal repayments on long-term debt in each of the next five years are estimated as follows:

	\$
2017	301,836
2018	317,125
2019	333,190
2020	350,068
2021 and thereafter	<u>9,558,638</u>
Total	<u>10,860,857</u>

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2016

6 Deferred contributions

a) Deferred contributions

Deferred contributions represent amounts received that have not been spent and are externally restricted. The balance will be recognized as the related expenses are incurred or classified as unamortized deferred capital contributions once expended for capital expansion and development.

	2016 \$	2015 \$
Contributions received for		
Scholarships	86,715	88,175
Capital expansion and development	844,291	815,424
Program support	72,280	76,467
Christmas hamper	4,088	5,024
	<u>1,007,374</u>	<u>985,090</u>
Recorded as		
Fees revenue	(939,765)	(867,710)
Membership services revenue	(32,308)	(40,631)
	<u>(972,073)</u>	<u>(908,341)</u>
Increase during the year	35,301	76,749
Deferred contributions – Beginning of year	965,755	889,006
Deferred contributions – End of year	<u>1,001,056</u>	<u>965,755</u>
The balance is externally restricted for the following		
Scholarships	906,157	914,916
Program support	93,522	48,652
Christmas hamper	1,377	2,187
	<u>1,001,056</u>	<u>965,755</u>

b) Unamortized deferred capital contributions

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized in revenue, as earned capital contributions, in future periods as the related funded assets are amortized.

	2016 \$	2015 \$
Balance – Beginning of year	2,574,681	2,708,190
Less: Amount amortized to revenue	(133,380)	(133,509)
Balance – End of year	<u>2,441,301</u>	<u>2,574,681</u>

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2016

7 Internally restricted net assets

The Association's Student Governing Board has internally restricted net assets for the following:

	2016	2015
	\$	\$
Reserve	2,106,262	2,238,241
Capital replacement	1,690,919	1,638,687
Health and dental	1,632,089	1,441,436
Scholarship	514,840	491,834
Capital	163,467	198,320
Deanna Cardinal Memorial fund	12,951	13,633
	<hr/>	<hr/>
	6,120,528	6,022,151
	<hr/>	<hr/>

8 Termination benefits

During the year, the Association paid a total of \$20,000 (2015 – \$104,500) in termination benefits which is included in Management expense.

9 Government remittances

In respect of government remittances, Goods and Services Tax of \$2,754 (2015 – \$nil) and payroll source deduction withholdings of \$30,428 (2015 – \$nil) are included in accounts payable and accrued liabilities.