

Students' Association of Mount Royal University

Financial Statements
June 30, 2012



November 19, 2012

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, 2012 and the statements 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.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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, 2012 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

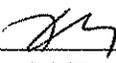
Students' Association of Mount Royal University

Statement of Financial Position

As at June 30, 2012

	2012 \$	2011 \$
Assets		
Current assets		
Cash and cash equivalents	2,206,181	2,345,155
Short-term investments (note 3)	-	10,000
Accounts receivable	244,513	182,435
Inventories	28,892	27,178
Prepaid expenses	54,538	47,846
Expansion and development funds (note 4)	-	940,254
Funds held in trust	77,470	65,463
	<u>2,611,594</u>	<u>3,618,331</u>
Investments (note 3)	3,680,741	3,658,759
Capital assets (note 5)	<u>16,940,116</u>	<u>16,245,973</u>
	<u>23,232,451</u>	<u>23,523,063</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	357,431	350,217
Deferred revenue	297,066	338,124
Current portion of promissory note (note 6)	247,702	235,759
Liability for funds held in trust	77,470	65,463
	<u>979,669</u>	<u>989,563</u>
Advances and deposits held	43,986	43,986
Promissory note (note 6)	11,681,821	11,929,523
Deferred contributions (note 7)	<u>3,823,772</u>	<u>4,018,151</u>
	<u>16,529,248</u>	<u>16,981,223</u>
Net assets		
Internally restricted net assets invested in capital assets	2,182,804	1,442,615
Internally restricted (note 8)	4,590,394	4,814,219
Endowment	35,000	35,000
Unrestricted	(104,995)	250,006
	<u>6,703,203</u>	<u>6,541,840</u>
	<u>23,232,451</u>	<u>23,523,063</u>

Approved on behalf of Students' Council



Kaylene McTavish, President



Jennifer Langille, Vice President Academic

Students' Association of Mount Royal University

Statement of Revenues and Expenses

For the year ended June 30, 2012

	2012 \$	2011 \$
Revenues		
Fees	3,078,241	3,112,694
Membership services	1,923,600	1,877,765
Business operations	1,591,454	1,402,497
Interest income	169,508	182,811
Amortization of deferred contributions	134,183	131,417
Management and executive	128,978	105,704
Programming	44,720	37,200
	<hr/> 7,070,684	<hr/> 6,850,088
Expenses		
Membership services	2,266,511	2,166,505
Management	2,093,023	2,032,421
Business operations – direct expenses	746,432	440,219
Amortization	697,297	612,142
Business operations – cost of sales	477,245	415,980
Executive	326,816	341,608
Programming	284,111	235,834
Realized and unrealized losses (gains) on investments	17,886	(159,818)
	<hr/> 6,909,321	<hr/> 6,084,891
Excess of revenues over expenses	<hr/> 161,363	<hr/> 765,197

Students' Association of Mount Royal University

Statement of Changes in Net Assets

For the year ended June 30, 2012

					2012	2011
	Internally restricted net assets invested in capital assets \$	Internally restricted \$	Endowment \$	Unrestricted \$	\$	\$
Balance – Beginning of year	1,442,615	4,814,219	35,000	250,006	6,541,840	5,776,643
Excess of revenues over expenses	(238,552)	-	-	399,915	161,363	765,197
Transfer to internally restricted	-	757,272	-	(757,272)	-	-
Purchase of capital assets – internally funded	981,097	(981,097)	-	-	-	-
Disposal of capital assets	(2,356)	-	-	2,356	-	-
	740,189	(223,825)	-	(355,001)	161,363	765,197
Balance – End of year	2,182,804	4,590,394	35,000	(104,995)	6,703,203	6,541,840

Students' Association of Mount Royal University

Statement of Cash Flows

For the year ended June 30, 2012

	2012 \$	2011 \$
Cash flows provided by (used for) the following activities		
Operating		
Excess of revenues over expenses	161,363	765,197
Add items not involving cash:		
Interest on expansion funds held by MRU	(11,481)	(22,163)
Amortization	697,297	612,142
Deferred contribution recorded as fees, membership services, and management and executive revenue	(1,042,503)	(1,011,896)
Amortization of deferred contributions	(134,183)	(131,417)
Unrealized decrease (increase) in market value of investments	18,673	(131,354)
(Gain) loss on disposal of capital assets	(189)	255
	<u>(311,023)</u>	<u>80,764</u>
Changes in non-cash working capital	<u>(104,328)</u>	<u>(131,070)</u>
	<u>(415,351)</u>	<u>(50,306)</u>
Financing		
Capital contributions received	883,599	906,024
Scholarship contributions received	95,801	97,692
Other contributions received	2,907	72,431
Repayment of promissory note	(235,759)	(224,392)
	<u>746,548</u>	<u>851,755</u>
Investing		
Acquisition of capital assets		
Internally funded	(442,061)	(209,126)
Externally funded	-	(27,438)
Proceeds on sale of capital assets	2,545	530
Purchase of investments-net	(30,655)	(588,644)
	<u>(470,171)</u>	<u>(824,678)</u>
Decrease in cash and cash equivalents	<u>(138,974)</u>	<u>(23,229)</u>
Cash and cash equivalents – Beginning of year	<u>2,345,155</u>	<u>2,368,384</u>
Cash and cash equivalents – End of year	<u>2,206,181</u>	<u>2,345,155</u>
Cash and cash equivalents are comprised as follows:		
Cash on hand and balances with banks	1,860,029	1,196,019
Investments in money market instruments	346,152	1,149,136
Total cash and cash equivalents	<u>2,206,181</u>	<u>2,345,155</u>
Supplementary cash flow information		
Interest paid	605,269	618,799
Acquisition of capital assets paid by MRU using interest on expansion funds	(539,036)	-
Acquisition of capital assets paid by MRU using expansion funds	(412,699)	(668,444)

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2012

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 (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

Students' Council is established within the Post-Secondary Learning Act and SAMRU's bylaws constitute Students' Council as the governing board of the Association. The majority of Students' Councilors, including the four executive positions of Council, are elected annually from and by the general membership of the Students' Association. Students' Council 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.

SAMRU is also registered under the Charitable Fundraising Regulation of Alberta and has considered all required disclosures under Section 7(2) of the Regulation in preparing these financial statements.

2 Significant accounting policies

The financial statements have been prepared in accordance with generally accepted accounting principles 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. The Association does not report the revenues and expenses related to these funds.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2012

Investments

Investments consist of equities, mutual funds, income funds and government and corporate bonds. On the statement of financial position those investments expected to be realized within one year of the statement date are classified as short-term investments under the heading of current assets.

Investments are recorded at fair value as determined by reference to their quoted market prices. Gains and losses in fair value are recognized in the statements 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.

Financial instruments

The Association has chosen to follow the disclosure requirements of CICA Handbook Section 3861, instead of new expanded rules set out in Sections 3862 and 3863, in keeping with the options provided by Handbook Sections 3862.43(c) and 3863.40(c).

The Association's financial instruments recognized on the statement of financial position consist of cash and cash equivalents, short-term investments, accounts receivable, expansion and development funds, funds held in trust, investments, accounts payable and accrued liabilities, liability for funds held in trust, advances and deposits held, and the promissory note.

Category

Financial Instrument

Held for trading	Cash and cash equivalents, short-term investments, expansion and development funds, funds held in trust, and investments.
Loans or receivables	Accounts receivable
Financial liabilities	Accounts payable and accrued liabilities, liability for funds held in trust, advances and deposits held and promissory note

All financial instruments must initially be recognized at fair value on the statement of financial position. Subsequent measurement of the financial instruments is based on their classification. Held for trading financial assets are measured at fair value with unrealized gains or losses recognized in the Statement of Revenues and Expenses. Financial loans or receivables and other financial liabilities are measured at cost or amortized cost.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2012

a) Fair values

The fair values of these financial instruments, excluding the advances and deposits held, promissory note and investments, approximate their carrying amount due to their short term nature. Investments are recorded at fair market value. The fair value of the promissory note is disclosed in note 6. The fair value of advances and deposits held is not materially different than their carrying value.

b) 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.

c) Price risk

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

d) 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.

e) 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. 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, 2012

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 is 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 generally accepted accounting principles 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. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets. 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.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2012

3 Investments

	2012 \$	2011 \$
Term deposits with maturity dates greater than three months	-	10,000
Federal and Provincial bonds	449,177	648,263
Corporate bonds	1,408,475	1,501,914
Mutual funds – Canadian	65,880	-
Other income funds - Canadian	363,103	-
Equities – Canadian	762,321	679,578
Equities – International	631,785	829,004
	<u>3,680,741</u>	<u>3,668,759</u>
Investments are recorded as		
Short-term investments	-	10,000
Long-term investments	3,680,741	3,658,759
	<u>3,680,741</u>	<u>3,668,759</u>

4 Expansion and development funds

Expansion funds procured through the issuance of the promissory note (note 6) for the purpose of expansion and development were held in trust by Mount Royal University (“MRU”) and disbursed as construction costs were incurred and invoiced. Interest earned on the expansion funds held by MRU was also held in trust and internally restricted for expansion and development uses until fully expended in the 2012 fiscal year.

	2012 \$	2011 \$
Expansion funds held by MRU – Beginning of the year	940,254	1,586,535
Interest earned on expansion funds	11,481	22,163
Less: Construction costs paid by MRU	<u>(951,735)</u>	<u>(668,444)</u>
	<u>-</u>	<u>940,254</u>

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2012

5 Capital assets

			<u>2012</u>	<u>2011</u>
	Cost	Accumulated	Net book	Net book
	\$	amortization	value	value
		\$	\$	\$
Furniture and fixtures	1,459,410	976,255	483,155	347,981
Computers and electronics	957,297	852,460	104,837	103,140
Right to occupy Wyckham House	3,952,253	2,371,498	1,580,755	1,686,138
Wyckham House improvements	1,075,500	557,695	517,805	552,679
Wyckham House expansion and development	15,666,749	1,413,185	14,253,564	13,556,035
	<u>23,111,209</u>	<u>6,171,093</u>	<u>16,940,116</u>	<u>16,245,973</u>

Wyckham House expansion and development costs were funded as follows:

	<u>2012</u>	<u>2011</u>
	\$	\$
Funded by		
Capital expansion and development fees	1,862,847	1,862,847
Promissory note utilized	13,000,000	12,587,301
Internally restricted capital funds	803,902	127,751
Total	<u>15,666,749</u>	<u>14,577,899</u>

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2012

6 Promissory note

	2012 \$	2011 \$
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.	11,929,523	12,165,282
Less: Current portion of promissory note	<u>(247,702)</u>	<u>(235,759)</u>
	<u>11,681,821</u>	<u>11,929,523</u>

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

	\$
2013	247,702
2014	260,249
2015	273,432
2016	287,283
2017 and thereafter	10,860,857

The estimated fair market value for the promissory note as at June 30, 2012 is \$14,540,308 (2011 – \$13,297,272). The fair market value of the promissory note is determined by discounting future cash flows using market rates representing rates that the Association could obtain at June 30, 2012 for a note with similar terms, conditions and maturities.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2012

7 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.

	2012 \$	2011 \$
Contributions received for		
Scholarships	95,801	97,692
Capital expansion and development	883,599	906,024
Program support	-	62,725
Club development	2,515	5,112
Christmas hamper	392	4,594
	<hr/> 982,307	<hr/> 1,076,147
Recorded as		
Fees revenue	(982,179)	(964,460)
Membership services revenue	(57,066)	(44,557)
Management and executive revenue	(3,258)	(2,879)
Unamortized deferred capital contributions	-	(27,438)
	<hr/> (1,042,503)	<hr/> (1,039,334)
(Decrease) increase during the year	(60,196)	36,813
Deferred contributions – Beginning of year	<hr/> 908,205	<hr/> 871,392
Deferred contributions – End of year	<hr/> 848,009	<hr/> 908,205
The balance is externally restricted for the following		
Scholarships	789,544	740,790
Capital expansion and development	22,903	74,436
Program support	33,531	86,998
Club development fund	1,490	2,233
Christmas hamper	541	3,748
	<hr/> 848,009	<hr/> 908,205

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2012

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.

	2012 \$	2011 \$
Balance – Beginning of year	3,109,946	3,213,925
Add: amount transferred from deferred contributions	-	27,438
Less: amount amortized to revenue	(134,183)	(131,417)
	<hr/>	<hr/>
Balance – End of year	2,975,763	3,109,946

8 Internally restricted net assets

The Association's Students' Council has internally restricted net assets for the following:

	2012 \$	2011 \$
Capital	316,691	1,150,850
Scholarship	265,272	257,536
Capital replacement	863,626	576,946
Health and dental	760,923	672,517
Deanna Cardinal Memorial fund	6,053	5,987
Reserve	2,377,829	2,150,383
	<hr/>	<hr/>
	4,590,394	4,814,219

9 Related party transactions

Executive Committee members receive honoraria from the Association. During the year the Association paid the Executive Committee members honoraria totalling \$169,947 (2011 – \$184,584) which is included in Executive expense.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2012

10 Capital management

The Association defines capital as net assets plus deferred capital contributions. The Association receives the majority of these operating and capital funds from student fees.

The Association manages its capital structure and makes adjustments to it, based on the funds available to the Association, in order to support its ongoing programs and operations.

The Association is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outline by the funding party. As at June 30, 2012, the Association has complied with the external restrictions on any external funding provided.

