

Students' Association of Mount Royal University

Financial Statements
June 30, 2013 and June 30, 2012



November 4, 2013

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 statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011 and the statements of revenues and expenses, changes in net assets and cash flows for the years ended June 30, 2013 and June 30, 2012, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

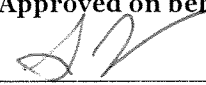

In our opinion, the financial statements present fairly, in all material respects, the financial position of Students' Association of Mount Royal University as at June 30, 2013, June 30, 2012 and July 1, 2011 and the results of its operations and cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants

Students' Association of Mount Royal University

Statements of Financial Position

	As at June 30, 2013 \$	As at June 30, 2012 \$	As at July 1, 2011 \$
Assets			
Current assets			
Cash and cash equivalents	2,189,358	2,206,181	2,345,155
Short-term investments (note 4)	334,244	-	10,000
Accounts receivable	130,399	244,513	182,435
Inventories	38,737	28,892	27,178
Prepaid expenses	31,353	54,538	47,846
Expansion and development funds (note 5)	-	-	940,254
Funds held in trust	89,203	77,470	65,463
	<hr/>	<hr/>	<hr/>
	2,813,294	2,611,594	3,618,331
Investments (note 4)	4,133,118	3,680,741	3,658,759
Capital assets (note 6)	<hr/>	<hr/>	<hr/>
	16,293,406	16,940,116	16,245,973
	<hr/>	<hr/>	<hr/>
	23,239,818	23,232,451	23,523,063
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 7)	329,955	357,431	350,217
Deferred revenue	349,176	297,066	338,124
Current portion of promissory note (note 8)	260,249	247,702	235,759
Liability for funds held in trust	89,203	77,470	65,463
	<hr/>	<hr/>	<hr/>
	1,028,583	979,669	989,563
Advances and deposits held	41,430	43,986	43,986
Promissory note (note 8)	11,421,572	11,681,821	11,929,523
Deferred contributions (note 9)	<hr/>	<hr/>	<hr/>
	3,730,059	3,823,772	4,018,151
	<hr/>	<hr/>	<hr/>
	16,221,644	16,529,248	16,981,223
Net assets			
Internally restricted net assets invested in capital assets	1,994,553	2,182,804	1,442,615
Internally restricted (note 10)	4,908,740	4,590,394	4,814,219
Endowment	35,000	35,000	35,000
Unrestricted	79,881	(104,995)	250,006
	<hr/>	<hr/>	<hr/>
	7,018,174	6,703,203	6,541,840
Approved on behalf of Students' Council	<hr/>	<hr/>	<hr/>
	23,239,818	23,232,451	23,523,063
 _____ President	 _____ Vice President Academic		

Students' Association of Mount Royal University

Statements of Revenues and Expenses

For the years ended June 30, 2013 and June 30, 2012

	2013 \$	2012 \$
Revenues		
Fees	3,009,134	3,078,241
Membership services	1,967,799	1,923,600
Business operations	1,632,112	1,591,454
Interest income	193,707	169,508
Amortization of deferred contributions	133,896	134,183
Management and executive	119,623	128,978
Programming	29,877	44,720
Realized and unrealized gains (losses) on investments	60,141	(17,886)
	<hr/> 7,146,289	<hr/> 7,052,798
Expenses		
Membership services	2,348,538	2,266,511
Management	2,088,666	2,093,023
Business operations – direct expenses	691,242	746,432
Amortization	664,106	697,297
Business operations – cost of sales	470,209	477,245
Executive	300,268	326,816
Programming	268,289	284,111
	<hr/> 6,831,318	<hr/> 6,891,435
Excess of revenues over expenses	<hr/> 314,971	<hr/> 161,363

Students' Association of Mount Royal University

Statements of Changes in Net Assets

For the years ended June 30, 2013 and June 30, 2012

	2013				
	Internally restricted net assets invested in capital assets \$	Internally restricted \$	Endowment \$	Unrestricted \$	Total \$
Balance – Beginning of year	2,182,804	4,590,394	35,000	(104,995)	6,703,203
Excess of revenues over expenses	(205,647)	-	-	520,618	314,971
Transfer to internally restricted	-	337,236	-	(337,236)	-
Purchase of capital assets – internally funded	18,890	(18,890)	-	-	-
Disposal of capital assets	(1,494)	-	-	1,494	-
	(188,251)	318,346	-	184,876	314,971
Balance – End of year	1,994,553	4,908,740	35,000	79,881	7,018,174

	2012				
	Internally restricted net assets invested in capital assets \$	Internally restricted \$	Endowment \$	Unrestricted \$	Total \$
Balance – Beginning of year	1,442,615	4,814,219	35,000	250,006	6,541,840
Excess of revenues over expenses	(238,552)	-	-	399,915	161,363
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
Balance – End of year	2,182,804	4,590,394	35,000	(104,995)	6,703,203

Students' Association of Mount Royal University

Statements of Cash Flows

For the years ended June 30, 2013 and June 30, 2012

	2013 \$	2012 \$
Cash flows provided by (used for) the following activities		
Operating		
Excess of revenues over expenses	314,971	161,363
Add items not involving cash:		
Interest on expansion funds held by MRU	-	(11,481)
Amortization	664,106	697,297
Deferred contribution recorded as fees, membership services, and management and executive revenue	(998,109)	(1,042,503)
Amortization of deferred contributions	(133,896)	(134,183)
Unrealized decrease in market value of investments	59,512	18,673
Loss (gain) on disposal of capital assets	1,494	(189)
	(91,922)	(311,023)
Changes in non-cash working capital	149,532	(104,328)
	57,610	(415,351)
Financing		
Capital contributions received	871,219	883,599
Scholarship contributions received	93,017	95,801
Other contributions received	74,056	2,907
Repayment of promissory note	(247,702)	(235,759)
	790,590	746,548
Investing		
Acquisition of capital assets		
Internally funded	(18,890)	(442,061)
Proceeds on sale of capital assets	-	2,545
Purchase of investments-net	(846,133)	(30,655)
	(865,023)	(470,171)
Decrease in cash and cash equivalents	(16,823)	(138,974)
Cash and cash equivalents – Beginning of year	2,206,181	2,345,155
Cash and cash equivalents – End of year	2,189,358	2,206,181
Cash and cash equivalents are comprised as follows		
Cash on hand and balances with banks	1,864,711	1,860,029
Investments in money market instruments	324,647	346,152
Total cash and cash equivalents	2,189,358	2,206,181
Supplementary cash flow information		
Interest paid	593,413	605,269
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)

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2013 and 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.

2 Transition to accounting standards for not-for-profit organizations

Effective July 1, 2012, SAMRU adopted Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) with a transition date of July 1, 2011. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. SAMRU has not utilized any transitional exemption on the adoption of ASNPO other than to elect to measure non-equity investments at fair value.

As a result of adopting ASNPO, there were no adjustments to the June 30, 2012 and July 1, 2011 statements of financial position or the June 30, 2012 statements of revenues and expenses, changes in net assets or cash flows.

3 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.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2013 and June 30, 2012

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.

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 initially measures financial assets and financial liabilities in the statements of financial position at their fair value. It subsequently measures its financial assets and financial liabilities at amortized cost, other than short-term investments and investments, which are reported at fair value. The financial assets subsequently measured at amortized cost include cash and cash equivalents, accounts receivable, expansion and development funds, and funds held in trust assets. The financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities, liability for funds held in trust, 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.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2013 and June 30, 2012

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 (2012 - \$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.

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.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2013 and June 30, 2012

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.

4 Investments

	June 30, 2013 \$	June 30, 2012 \$	July 1, 2011 \$
Term deposits with maturity dates greater than three months	-	-	10,000
Federal and Provincial bonds	570,691	449,177	648,263
Corporate bonds	764,337	1,408,475	1,501,914
Mutual funds – Canadian	-	65,880	-
Other income funds - Canadian	1,244,166	363,103	-
Equities – Canadian	1,135,668	762,321	679,578
Equities – International	752,500	631,785	829,004
	<hr/>	<hr/>	<hr/>
	4,467,362	3,680,741	3,668,759
	<hr/>	<hr/>	<hr/>
Investments are recorded as			
Short-term investments	334,244	-	10,000
Long-term investments	4,133,118	3,680,741	3,658,759
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	4,467,362	3,680,741	3,668,759
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Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2013 and June 30, 2012

5 Expansion and development funds

Expansion funds procured through the issuance of the promissory note (note 8) 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.

	June 30, 2013 \$	June 30, 2012 \$	July 1, 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	-	(951,735)	(668,444)
	-	-	940,254

6 Capital assets

	June 30, 2013		
	Cost \$	Accumulated amortization \$	Net book value \$
Furniture and fixtures	1,463,233	1,073,650	389,583
Computers and electronics	933,337	851,447	81,890
Right to occupy Wyckham House	3,952,253	2,476,881	1,475,372
Wyckham House improvements	1,075,500	592,569	482,931
Wyckham House expansion and development	15,668,172	1,804,542	13,863,630
	23,092,495	6,799,089	16,293,406

	June 30, 2012		
	Cost \$	Accumulated amortization \$	Net book value \$
Furniture and fixtures	1,459,410	976,255	483,155
Computers and electronics	957,297	852,460	104,837
Right to occupy Wyckham House	3,952,253	2,371,498	1,580,755
Wyckham House improvements	1,075,500	557,695	517,805
Wyckham House expansion and development	15,666,749	1,413,185	14,253,564
	23,111,209	6,171,093	16,940,116

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2013 and June 30, 2012

	July 1, 2011		
	Cost \$	Accumulated amortization \$	Net book value \$
Furniture and fixtures	1,269,946	921,965	347,981
Computers and electronics	924,558	821,418	103,140
Right to occupy Wyckham House	3,952,253	2,266,115	1,686,138
Wyckham House improvements	1,075,500	522,821	552,679
Wyckham House expansion and development	14,577,899	1,021,864	13,556,035
	<u>21,800,156</u>	<u>5,554,183</u>	<u>16,245,973</u>

Wyckham House expansion and development costs were funded as follows:

	June 30, 2013 \$	June 30, 2012 \$	July 1, 2011 \$
Funded by			
Capital expansion and development fees	1,862,847	1,862,847	1,862,847
Promissory note utilized	13,000,000	13,000,000	12,587,301
Internally restricted capital funds	805,325	803,902	127,751
Total	<u>15,668,172</u>	<u>15,666,749</u>	<u>14,577,899</u>

7 Government remittances

Government remittances consist of amounts to be paid to government authorities and are recognized when the amounts are due. In respect of government remittances, Goods and Services Tax of \$8,031 (June 30, 2012 – \$5,689; July 1, 2011 – \$2,485) are included in accounts payable and accrued liabilities.

8 Promissory note

	June 30, 2013 \$	June 30, 2012 \$	July 1, 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.	11,681,821	11,929,523	12,165,282
Less: Current portion of promissory note	<u>(260,249)</u>	<u>(247,702)</u>	<u>(235,759)</u>
	<u>11,421,572</u>	<u>11,681,821</u>	<u>11,929,523</u>

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2013 and June 30, 2012

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

	\$
2014	260,249
2015	273,432
2016	287,283
2017	301,836
2018 and thereafter	10,559,021

9 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.

	June 30, 2013 \$	June 30, 2012 \$	July 1, 2011 \$
Contributions received for			
Scholarships	93,017	95,801	97,692
Capital expansion and development	871,219	883,599	906,024
Program support	68,292	-	62,725
Club development	2,065	2,515	5,112
Christmas hamper	3,699	392	4,594
	<u>1,038,292</u>	<u>982,307</u>	<u>1,076,147</u>
Recorded as			
Fees revenue	(939,992)	(982,179)	(964,460)
Membership services revenue	(54,753)	(57,066)	(44,557)
Management and executive revenue	(3,364)	(3,258)	(2,879)
Unamortized deferred capital contributions	-	-	(27,438)
	<u>(998,109)</u>	<u>(1,042,503)</u>	<u>(1,039,334)</u>
Increase (decrease) during the year	40,183	(60,196)	36,813
Deferred contributions – Beginning of year	<u>848,009</u>	<u>908,205</u>	<u>871,392</u>
Deferred contributions – End of year	<u>888,192</u>	<u>848,009</u>	<u>908,205</u>
The balance is externally restricted for the following			
Scholarships	836,692	789,544	740,790
Capital expansion and development	-	22,903	74,436
Program support	51,133	33,531	86,998
Club development fund	190	1,490	2,233
Christmas hamper	177	541	3,748
	<u>888,192</u>	<u>848,009</u>	<u>908,205</u>

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2013 and 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.

	June 30, 2013 \$	June 30, 2012 \$	July 1, 2011 \$
Balance – Beginning of year	2,975,763	3,109,946	3,213,925
Add: amount transferred from deferred contributions	-	-	27,438
Less: amount amortized to revenue	(133,896)	(134,183)	(131,417)
Balance – End of year	<u>2,841,867</u>	<u>2,975,763</u>	<u>3,109,946</u>

10 Internally restricted net assets

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

	June 30, 2013 \$	June 30, 2012 \$	July 1, 2011 \$
Capital	292,951	316,691	1,150,850
Scholarship	302,035	265,272	257,536
Capital replacement	1,269,311	863,626	576,946
Health and dental	892,998	760,923	672,517
Deanna Cardinal Memorial fund	7,169	6,053	5,987
Reserve	2,144,276	2,377,829	2,150,383
	<u>4,908,740</u>	<u>4,590,394</u>	<u>4,814,219</u>

11 Related party transactions

Executive Committee members receive honoraria from the Association. During the year the Association paid the Executive Committee members honoraria totalling \$177,456 (2012 – \$169,947) which is included in Executive expense.

