

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

Financial Statements
**May 31, 2013, May 31, 2012 and
June 1, 2011**



October 24, 2013

Independent Auditor's Report

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

We have audited the accompanying financial statements of University Students' Council of The University of Western Ontario, which comprise the statement of financial position as at May 31, 2013, May 31, 2012 and June 1, 2011 and the statement of operations, statement of changes in fund balances, and statement of cash flows for the years ended May 31, 2013 and May 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*PricewaterhouseCoopers LLP
465 Richmond Street, Suite 300, London, Ontario, Canada N6A 5P4
T: +1 519 640 8000, F: +1 519 640 8015*



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of University Students' Council of The University of Western Ontario as at May 31, 2013, May 31, 2012 and June 1, 2011 and the results of its operations, changes in fund balances and its cash flows for the years ended May 31, 2013 and May 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

University Students' Council of The University of Western Ontario
Statement of Financial Position

| | May 31, 2013 \$ | May 31, 2012 \$ | June 1, 2011 \$ |
|--|-----------------------|-----------------------|-----------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6,521,695 | 6,390,175 | 7,017,930 |
| Accounts receivable | 232,388 | 448,831 | 448,404 |
| Inventories | 91,329 | 154,494 | 120,397 |
| Prepaid expenses | 1,847,086 | 1,560,216 | 136,259 |
| | <u>8,692,498</u> | <u>8,553,716</u> | <u>7,722,990</u> |
| Health plan insurance deposit (note 3) | 124,493 | 124,493 | 124,493 |
| Capital assets (note 4) | <u>8,074,704</u> | <u>7,329,466</u> | <u>5,930,234</u> |
| | <u>16,891,695</u> | <u>16,007,675</u> | <u>13,777,717</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities (note 16) | 2,330,466 | 1,506,047 | 5,033,258 |
| Deferred contributions for campus organizations and associations (note 13) | 363,555 | 327,802 | 274,124 |
| Due to affiliated councils (note 13) | 243,176 | 170,530 | 259,386 |
| Due to Radio Western (notes 6 and 13) | 103,137 | 144,943 | 70,331 |
| Current portion of long-term debt (note 5) | 503,268 | 503,269 | 203,269 |
| Deferred revenue (note 2) | 2,710,973 | 1,996,790 | 1,040,672 |
| | <u>6,254,575</u> | <u>4,649,381</u> | <u>6,881,040</u> |
| Post-retirement benefit obligation (note 14) | 710,500 | 639,800 | 578,800 |
| Long-term debt (note 5) | <u>3,750,000</u> | <u>3,992,060</u> | <u>406,537</u> |
| | <u>10,715,075</u> | <u>9,281,241</u> | <u>7,866,377</u> |
| Fund balances | | | |
| Operating fund - unrestricted | 2,653,475 | 3,203,289 | 2,388,195 |
| Reserve - internally restricted | 3,523,145 | 3,523,145 | 3,523,145 |
| | <u>6,176,620</u> | <u>6,726,434</u> | <u>5,911,340</u> |
| | <u>16,891,695</u> | <u>16,007,675</u> | <u>13,777,717</u> |
| Commitments (note 11) | | | |

Approved by the Board of Directors

_____ Director _____ Director

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

University Students' Council of The University of Western Ontario

Statements of Operations

For the years ended May 31, 2013 and May 31, 2012

| | 2013 \$ | 2012 \$ |
|--|-------------------|-------------------|
| Revenue | | |
| Student fees | 17,260,988 | 12,280,743 |
| Transfers (note 6) | (10,876,529) | (7,624,748) |
| Net student fees | 6,384,459 | 4,655,995 |
| Building services and student life | 3,572,214 | 4,129,137 |
| Food and beverage services (note 9) | 3,797,076 | 3,273,331 |
| Media | 335,772 | 405,976 |
| President and Vice-President programs | 476,521 | 395,889 |
| Retail service operations (note 7) | 2,087,570 | 2,653,383 |
| Interest income | 109,843 | 36,780 |
| Unrealized gain on investments | 238,924 | - |
| Other income | 68,885 | 725,703 |
| | <u>17,071,264</u> | <u>16,276,194</u> |
| Expenses | | |
| Building services and student life | 4,297,655 | 4,766,453 |
| Food and beverage services (note 9) | 3,656,927 | 3,157,974 |
| Media | 737,199 | 696,093 |
| President and Vice-President programs | 1,067,322 | 908,315 |
| Retail service operations (note 7) | 2,240,326 | 2,735,946 |
| Corporate (note 8) | 5,621,649 | 3,196,319 |
| | <u>17,621,078</u> | <u>15,461,100</u> |
| (Deficiency) excess of revenue over expenses for the year | <u>(549,814)</u> | <u>815,094</u> |

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

University Students' Council of The University of Western Ontario

Statements of Changes in Fund Balances

For the years ended May 31, 2013 and May 31, 2012

| | Operating fund- unrestricted \$ | Reserve - internally restricted \$ | 2013 Total \$ |
|--|--|---|---------------------|
| Balance - Beginning of year | 3,203,289 | 3,523,145 | 6,726,434 |
| (Deficiency) of revenue over expenses for the year | (549,814) | - | (549,814) |
| Balance - End of year | <u>2,653,475</u> | <u>3,523,145</u> | <u>6,176,620</u> |

| | Operating fund- unrestricted \$ | Reserve - internally restricted \$ | 2012 Total \$ |
|--|--|---|---------------------|
| Balance - Beginning of year | 2,388,195 | 3,523,145 | 5,911,340 |
| Excess of revenue over expenses for the year | 815,094 | - | 815,094 |
| Balance - End of year | <u>3,203,289</u> | <u>3,523,145</u> | <u>6,726,434</u> |

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

University Students' Council of The University of Western Ontario

Statements of Cash Flows

For the years ended May 31, 2013 and May 31, 2012

| | 2013 \$ | 2012 \$ |
|---|--------------------|--------------------|
| Cash generated from (used in) | | |
| Operating activities | | |
| (Deficiency) excess of revenue over expenses for the year | (549,814) | 815,094 |
| Items not affecting cash | | |
| Amortization | 984,418 | 793,563 |
| Post retirement benefit obligation | 77,400 | 69,900 |
| | <u>512,004</u> | <u>1,678,557</u> |
| Net change in non-cash working capital balances (note 10) | <u>1,597,933</u> | <u>(3,990,140)</u> |
| | <u>2,109,937</u> | <u>(2,311,583)</u> |
| Financing activities | | |
| Net (decrease) increase in long-term debt | (242,061) | 3,885,523 |
| Post retirement benefits paid | (6,700) | (8,900) |
| | <u>(248,761)</u> | <u>3,876,623</u> |
| Investing activities | | |
| Purchase of capital assets | <u>(1,729,656)</u> | <u>(2,192,795)</u> |
| Increase (decrease) in cash and cash equivalents | 131,520 | (627,755) |
| Cash and cash equivalents - Beginning of year | <u>6,390,175</u> | <u>7,017,930</u> |
| Cash and cash equivalents - End of year | <u>6,521,695</u> | <u>6,390,175</u> |
| Cash and cash equivalents are comprised of: | | |
| Cash | 1,618,882 | 3,290,905 |
| Short-term investments | 4,902,813 | 3,099,270 |
| | <u>6,521,695</u> | <u>6,390,175</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

For the year ended May 31, 2013 and May 31, 2012

1 Purpose of the organization

The University Students' Council of the University of Western Ontario (the USC) is a student representative body incorporated under the statutes of the province of Ontario. The USC shall work to enhance the quality of life of students while attending the University of Western Ontario (UWO) and to reinforce the best possible educational experience by:

- positively enhancing the contributions made by students to both the UWO and the community at large.
- developing and maintaining responsible student government acting as the representative of all undergraduate students in all issues affecting the student body.
- programming to enhance the social, intellectual, recreational, cultural, athletic and educational experiences of all undergraduate students.
- promoting unity and communication amongst students and providing a link to the UWO community and all levels of government.
- providing cost effective services that meet the needs of students.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

For the year ended May 31, 2013 and May 31, 2012

2 Significant accounting policies

Basis of presentation

Effective June 1, 2012, the USC elected to adopt Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board. The accounting policies selected under this framework have been applied retrospectively for comparative purposes. The following adjustments and elections were made by the USC on transition to ASNPO:

| | Operating fund - unrestricted \$ | Reserve - internally restricted \$ | Total \$ |
|--|---|---|-------------|
| Fund balances as at May 31, 2011, as previously reported | 1,813,495 | 3,523,145 | 5,336,640 |
| Post retirement benefit adjustment (i) | 574,700 | - | 574,700 |
| Opening retained earnings as at June 1, 2011 under ASNPO | 2,388,195 | 3,523,145 | 5,911,340 |
| Excess of revenues over expenses for the year ended May 31, 2012, as previously reported | | | 847,794 |
| Post retirement benefit adjustment (i) | | | (32,700) |
| Excess of revenues over expenses for the year ended May 31, 2012 under ASNPO | | | 815,094 |

(i) Under ASNPO, the USC elected to adopt the "fresh start" exemption allowed under the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1501 - First Time Adoption. Under the exemption all unrecognized gains/losses and prior service costs were immediately recognized as a transition adjustment to fund balances. The credit to net assets upon transition to Part III at June 1, 2011 was \$574,700. The additional charge to the statement of operations recognized in 2012 under ASNPO was \$32,700.

Revenue recognition

The USC follows the deferral method of accounting for contributions. Revenue from organizations and programs is recognized when the services have been performed and programs have been made available.

Student fee revenue is derived from a levy collected from each student by UWO. The fees are recorded as revenue in the year in which the fees relate.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

For the year ended May 31, 2013 and May 31, 2012

Management estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Management believes its estimates to be appropriate and are not expected to change materially in the short-term; however actual results could differ from the amounts estimated.

Fund balances

The financial statements disclose the activities of the following funds maintained by the USC:

Operating fund

The operating fund represents the results of the ongoing programs and activities.

Reserve fund

The reserve fund represents internally restricted funds that are to be used to finance operations during periods of reduced funding and to fund the post-retirement benefit obligation. The fund also represents the USC's investment in capital assets.

Deferred revenue

The UWO administration collects a fee from all full-time undergraduate students and remits this to the USC throughout the academic year. Deferred revenue of \$2,710,973 (2012 - \$1,996,790; 2011 - \$1,040,672) includes amounts received pertaining to the Health Care Plan for the months of June to August 2013 totalling \$548,716 (2012 - \$509,341; 2011 - \$514,300) amounts received pertaining to the Dental Care Plan for the months of June to August 2013 totalling \$539,930 (2012 - \$Nil; 2011 - \$Nil), and amounts pertaining to the London Transit Commission bus passes for the months of June to August 2013 totalling \$1,326,362 (2012 - \$1,262,313; 2011 - \$Nil). These items will be recognized as revenue in fiscal 2014.

Capital assets

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

Amortization is provided on the declining balance and straight-line basis calculated monthly at the rates set out below, commencing in the month of purchase. It is expected that the amortization policies will charge activities

University Students' Council of The University of Western Ontario

Notes to Financial Statements

For the year ended May 31, 2013 and May 31, 2012

with the total cost of the assets over their estimated useful lives. Gains or losses on disposal of individual assets are recognized in income in the year of disposal.

Declining balance basis:

| | |
|--------------------------------|------------|
| Office furniture and equipment | 20% to 30% |
| Data processing equipment | 30% |
| Typesetting equipment | 20% |
| Musical instruments | 20% |
| Entertainment equipment | 25% |
| Radio equipment | 25% |

Straight-line basis:

| | |
|------------------------|---------------|
| Leasehold improvements | 6 to 10 years |
|------------------------|---------------|

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments, which include liquid, high-interest investment and savings accounts.

Financial instruments

Part II of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3856 establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. This standard prescribes when to recognize a financial instrument in the statement of financial position and at what amount. Depending on the balance sheet classification, fair value or cost based measures are used. The standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses on financial instruments are recognized in the statement of operations or in the statement of changes in fund balances.

The USC has made the following classifications:

- i) Cash and cash equivalents are classified as "held for trading". They are measured at fair value and any gains or losses resulting from the re-measurement at the end of each period are recognized in the statement of operations. The carrying value of these instruments approximates fair value, due to their short-term maturity.
- ii) Accounts receivable are classified as "loans and receivables". They are recorded at cost, which upon their initial measurement is equal to their fair value. The carrying value of these instruments approximates fair value, due to their short-term maturity.
- iii) Accounts payable and accrued liabilities are classified as "other financial liabilities". They are recorded at their cost which upon their initial measurement is equal to their fair value. The carrying value of these instruments approximates fair value, due to their short-term maturity.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

For the year ended May 31, 2013 and May 31, 2012

- iv) Long-term debt is classified as "other financial liabilities". It is initially recorded at cost, which upon its initial measurement, is equal to its fair value. The carrying value of this instrument approximates its fair value due to the floating interest rate associated with the instrument (note 5).

Foreign exchange risk

The USC had no revenue or operating expenses during the years presented, nor monetary assets or liabilities at year-end dates, that were denominated in a foreign currency.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The USC is exposed to credit risk from members and customers and manages this risk through evaluation and monitoring.

Interest rate risk

The USC is exposed to market interest rate fluctuations with respect to its long-term debt at May 31, 2013, May 31, 2012 and June 1, 2011.

3 Health plan insurance deposit

In fiscal 1998, the USC contributed \$124,493 as a reserve to a health plan trust which provides health coverage to participating students. The USC collects and remits student fees to the trust which has an August 31 year-end.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

For the year ended May 31, 2013 and May 31, 2012

4 Capital assets

| | 2013 | | |
|------------------------------|-------------------|-------------------------------------|------------------|
| | Cost | Accumulated amortization | Net |
| | \$ | \$ | \$ |
| Office furniture & equipment | 3,055,950 | 1,751,659 | 1,304,291 |
| Leasehold improvements | 7,854,283 | 1,668,552 | 6,185,731 |
| Data processing equipment | 1,477,664 | 1,224,275 | 253,389 |
| Entertainment equipment | 563,625 | 266,628 | 296,997 |
| Radio equipment | 508,693 | 474,397 | 34,296 |
| | 13,460,215 | 5,385,511 | 8,074,704 |
| | 2012 | | |
| | Cost | Accumulated amortization | Net |
| | \$ | \$ | \$ |
| Office furniture & equipment | 2,630,271 | 1,682,367 | 947,904 |
| Leasehold improvements | 7,031,877 | 939,520 | 6,092,357 |
| Data processing equipment | 1,310,424 | 1,187,291 | 123,133 |
| Entertainment equipment | 305,415 | 200,894 | 104,521 |
| Radio equipment | 449,703 | 388,152 | 61,551 |
| | 11,727,690 | 4,398,224 | 7,329,466 |
| | 2011 | | |
| | Cost | Accumulated amortization | Net |
| | \$ | \$ | \$ |
| Office furniture & equipment | 3,555,884 | 3,076,268 | 479,616 |
| Leasehold improvements | 5,494,335 | 4,077,380 | 1,416,955 |
| Construction in progress | 3,798,683 | - | 3,798,683 |
| Data processing equipment | 1,759,128 | 1,631,438 | 127,690 |
| Typesetting equipment | 54,975 | 54,975 | - |
| Musical instruments | 15,515 | 15,515 | - |
| Entertainment equipment | 226,288 | 190,350 | 35,938 |
| Radio equipment | 469,300 | 397,948 | 71,352 |
| | 15,374,108 | 9,443,874 | 5,930,234 |

University Students' Council of The University of Western Ontario

Notes to Financial Statements

For the year ended May 31, 2013 and May 31, 2012

5 Long-term debt

| | 2013 \$ | 2012 \$ | 2011 \$ |
|---|------------------|------------------|----------------|
| Non-revolving term loan, interest payable monthly at prime plus 1.25%, principal payable in annual instalments, maturing March 31, 2014 | 203,268 | 406,538 | 609,806 |
| Non-revolving term loan, interest payable monthly at prime plus 1.25%, principal payable in monthly instalments of \$25,000 | 4,050,000 | 4,088,791 | - |
| Less: Current portion | (503,268) | (503,269) | (203,269) |
| | <u>3,750,000</u> | <u>3,992,060</u> | <u>406,537</u> |

Principal payments required over the next five years and thereafter are as follows:

| | \$ |
|---------------------|------------------|
| 2014 | 503,268 |
| 2015 | 300,000 |
| 2016 | 300,000 |
| 2017 | 300,000 |
| 2018 and thereafter | <u>2,850,000</u> |
| | <u>4,253,268</u> |

An operating credit facility exists in the amount of \$300,000, and bears interest at prime rate plus 1%. No amounts have been drawn on this facility as at May 31, 2013, May 31, 2012 and June 1, 2011.

Security for borrowings and all other obligations to the bank include the following:

- a) Letter of Undertaking signed by the USC to direct up to \$240,000 plus interest annually for the next five years of funding from UWO to the bank.
- b) Letter of Direction from the USC to direct up to \$240,000 plus interest annually for the next five years of UWO's funding to the bank.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

For the year ended May 31, 2013 and May 31, 2012

6 Transfers

The USC collects student fees on behalf of various organizations and programs. These student fees are transferred to these organizations and programs throughout the year. As at year end, \$Nil (2012 - \$209,075; 2011 - \$158,000) of these student fees are receivable from UWO and \$103,137 (2012 - \$144,943; 2011 - \$70,331) are due to Radio Western.

| | 2013 | 2012 |
|---|-------------|-------------|
| | \$ | \$ |
| Association fees | 160,498 | 163,733 |
| Community Legal Services | 148,457 | 159,697 |
| Daycare subsidy | 46,865 | 50,431 |
| Radio Western | 376,737 | 405,127 |
| Ombudsperson | 90,707 | 100,862 |
| Council grants | 97,126 | 93,863 |
| Allocable funds / transfer to campus groups | 90,774 | 83,867 |
| Health plan | 4,446,713 | 2,780,216 |
| London Transit Commission bus passes | 5,418,652 | 3,786,952 |
| | <hr/> | <hr/> |
| | 10,876,529 | 7,624,748 |
| | <hr/> | <hr/> |

University Students' Council of The University of Western Ontario

Notes to Financial Statements

For the year ended May 31, 2013 and May 31, 2012

7 Retail service operations

| | | | 2013 |
|------------------------|------------------|------------------|---|
| | Revenue | Expenses | Excess (deficiency) of revenue over expenses |
| | \$ | \$ | \$ |
| Inprint | 1,099,665 | 1,181,454 | (81,789) |
| Purple Store | 340,767 | 341,120 | (353) |
| Postal office | 225,638 | 257,775 | (32,137) |
| The Info Source | - | 7,000 | (7,000) |
| Purple Door Promotions | 421,500 | 452,977 | (31,477) |
| | 2,087,570 | 2,240,326 | (152,756) |
| | | | 2012 |
| | Revenue | Expenses | Excess (deficiency) of revenue over expenses |
| | \$ | \$ | \$ |
| Inprint | 1,432,263 | 1,517,956 | (85,693) |
| Purple Store | 366,778 | 361,077 | 5,701 |
| Used Book Store | - | - | - |
| Postal office | 273,924 | 287,566 | (13,642) |
| The Info Source | - | 6,197 | (6,197) |
| Purple Door Promotions | 580,418 | 563,150 | 17,268 |
| | 2,653,383 | 2,735,946 | (82,563) |

University Students' Council of The University of Western Ontario

Notes to Financial Statements

For the year ended May 31, 2013 and May 31, 2012

8 Corporate expenses

| | 2013 \$ | 2012 \$ |
|-------------------------|------------|------------|
| Salaries and benefits | 1,782,855 | 1,267,624 |
| Office | 2,078,546 | 388,859 |
| Insurance | 140,493 | 119,581 |
| Amortization | 812,158 | 793,820 |
| Legal and audit | 75,913 | 70,198 |
| Security | 37,428 | 38,065 |
| Occupancy | 456,092 | 353,395 |
| Interest & bank charges | 233,289 | 162,699 |
| Bad debts | 4,391 | 131 |
| Information technology | 484 | 1,947 |
| | 5,621,649 | 3,196,319 |

9 Food and beverage services

| | 2013 | | |
|-----------|---------------|----------------|---|
| | Revenue \$ | Expenses \$ | Excess (deficiency) of revenue over expenses \$ |
| The Spoke | 2,320,070 | 2,121,110 | 198,960 |
| The Wave | 1,477,006 | 1,535,817 | (58,811) |
| | 3,797,076 | 3,656,927 | 140,149 |
| | 2012 | | |
| | Revenue \$ | Expenses \$ | Excess of revenue over expenses \$ |
| The Spoke | 1,891,163 | 1,778,334 | 112,829 |
| The Wave | 1,382,168 | 1,379,640 | 2,528 |
| | 3,273,331 | 3,157,974 | 115,357 |

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

University Students' Council of The University of Western Ontario

Notes to Financial Statements

For the year ended May 31, 2013 and May 31, 2012

10 Statement of cash flows

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

| | 2013 \$ | 2012 \$ |
|--|------------------|--------------------|
| Accounts receivable | 216,443 | (427) |
| Due to Radio Western | (41,806) | 74,612 |
| Inventory | 63,165 | (34,097) |
| Prepaid expenses | (286,870) | (1,423,957) |
| Accounts payable and accrued liabilities | 824,419 | (3,527,211) |
| Deferred contributions for campus organizations and associations | 35,753 | 53,678 |
| Due to affiliated councils | 72,646 | (88,856) |
| Deferred revenue | 714,183 | 956,118 |
| | <u>1,597,933</u> | <u>(3,990,140)</u> |

11 Commitments

Occupancy costs

The USC has an occupancy agreement with UWO that became effective on May 1, 2010 and continues for a 5-year term. Under the occupancy agreement, the USC will pay an annual base charge, which will be updated and communicated annually in accordance with rates set by UWO. Additionally, a base occupancy credit will be deducted from the total occupancy charges in lieu of an allowance for USC offices and common areas. These credits will be indexed annually by the percentage change in the base occupancy rates and caretaking rates applied to calculate all campus occupancy charges. The base occupancy charge net of the base occupancy credit for the period of May 1, 2013 to May 1, 2014 is \$1,344,781 (2012 - 2013 - \$1,302,446) and is payable in monthly instalments of \$112,065 (2012 - \$108,537).

Lease obligations

Future minimum payments under operating leases, exclusive of occupancy costs are as follows:

| | \$ |
|---------------------|---------------|
| 2014 | 25,486 |
| 2015 and thereafter | <u>-</u> |
| | <u>25,486</u> |

University Students' Council of The University of Western Ontario

Notes to Financial Statements

For the year ended May 31, 2013 and May 31, 2012

12 Taxation

Under the provisions of the Income Tax Act, Canada and the Corporations Tax Act, Ontario, the USC is exempt from federal and provincial income taxes. The USC is subject to the Harmonized Sales Tax on its commercial activities pursuant to provisions of the Excise Tax Act.

13 Transactions with University based organizations

The University of Western Ontario

The USC occupies office space owned by UWO. Occupancy charges during fiscal 2013 were \$1,176,766 (2012 - \$1,139,410). In consideration of student levies paid to the UWO, certain of the office space is provided free of occupancy charges.

Pursuant to the memorandum of understanding between UWO and the USC dated March 1, 2004 results of operations relating to liquor sales for the Wave and the Spoke are not included in the financial statements of the USC and are recorded in the financial records of UWO. As compensation for the management and operation of the facilities UWO paid the USC a management fee and grant which amounted to \$386,884 for the year ended May 31, 2013 (2012 - \$348,381).

Revenue, cost of sales and gross profit associated with liquor sales at the Wave and the Spoke included by UWO in their financial records are as follows:

| | 2013 \$ | 2012 \$ |
|---------------|------------|------------|
| Revenue | 683,909 | 615,405 |
| Cost of sales | (297,025) | (267,024) |
| | <hr/> | <hr/> |
| Gross profit | 386,884 | 348,381 |
| | <hr/> | <hr/> |

Clubs, organizations and affiliated councils

Appropriations allotted to clubs, organizations and affiliated councils are only recoverable by the USC where there has been no activity in the particular clubs, organization or affiliated council during the year. All other appropriations remain a liability of the USC until the funds are expended by the respective organization. Disbursements made in excess of total expendable funds are recoverable through the following year's appropriations.

University Students' Council of The University of Western Ontario

Notes to Financial Statements

For the year ended May 31, 2013 and May 31, 2012

Radio Western

During the year, the USC transferred \$376,737 (2012 - \$405,127) of student fees to Radio Western, which were collected on Radio Western's behalf.

In addition, Radio Western leases certain equipment from the USC for an amount equal to the depreciation charged against this equipment by the USC. The amount of these lease payments for fiscal 2013 was \$9,403 (2012 - \$12,511). During the year, Radio Western was also charged \$28,326 (2012 - \$24,642) for occupancy plus an administration fee of \$6,300 (2012 - \$5,775) and \$200,908 (2012 - \$191,879) for salaries and benefits.

14 Post-retirement benefit obligation

The USC has an unfunded post-retirement health and dental benefit plan available to full-time employees. Employees that retire with the USC will receive full health and dental benefits to a maximum age of 65. Employees must have 10 years of service in order to become eligible for the benefits, and no benefits will be received if retirement occurs prior to the age of 55. As at May 31, 2013, 53 (2012 and 2011 - 53) members were active in the plan, and of these, 3 (2012 and 2011 - 3) are retired.

As at May 31, 2013 the actuarial valuation of the post-retirement benefit obligation was \$710,500 (2012 - \$639,800; 2011 - \$578,800) and during the year, \$77,400 (2012 - \$69,900) was recorded as an expense.

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

| | 2013 \$ | 2012 \$ | 2011 \$ |
|---|------------|------------|------------|
| Discount rate | 4.35% | 4.90% | 5.30% |
| Annual withdrawal rates for each of the following age categories are expected to be as follows: | | | |
| 20 | 20.0% | 20.0% | 20.0% |
| 30 | 11.2% | 11.2% | 11.2% |
| 40 | 3.4% | 3.4% | 3.4% |
| 50 | 1.2% | 1.2% | 1.2% |
| 55 | 0.0% | 0.0% | 0.0% |

Health claim costs for the year are estimated to be \$2,004 (2012 - \$1,918; 2011 - \$1,835) and dental claim costs for the year are estimated to be \$655 (2012 - \$627; 2011 - \$600). Health care costs are expected to increase at the following rates:

| | |
|--------------------|---|
| Medical | 4.50% per annum |
| Prescription drugs | 9.00% per annum in 2013 grading down to 4.50% per annum in and after 2031 |
| Other medical | 4.50% per annum |
| Vision care | 4.50% per annum |
| Dental | 4.50% per annum |

University Students' Council of The University of Western Ontario

Notes to Financial Statements

For the year ended May 31, 2013 and May 31, 2012

15 Capital management

The USC's objective, when managing capital, is to safeguard its ability to continue as a going concern in order to pursue the delivery of a variety of services to the students of UWO.

In managing its capital, the USC considers the fund balances, as well as cash and cash equivalents. The USC manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the USC may attempt to raise additional funds or reduce expenses.

In order to facilitate the management of its capital requirements, the USC prepares annual expenditure budgets that are updated as necessary depending on various factors, including student fees, fundraising campaigns and general governmental conditions. The annual and updated budgets are approved by the Board of Directors.

The USC has not changed its approach to capital management during the current year, and does not use specific quantitative measures to manage capital. As at May 31, 2013, the USC has a surplus of cash over long-term debt. The USC is not subject to any external capital restrictions.

16 Government remittances

Government remittances consist of amounts required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, \$78,931 (2012 - \$61,073; 2011 - \$5,837) is included within accounts payable and accrued liabilities.

