

Students' Association of Mount Royal University

Financial Statements
June 30, 2021



Independent auditor's report

To the Members of Students' Association of Mount Royal University

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Students' Association of Mount Royal University (the Association) as at June 30, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Association's financial statements comprise:

- the statement of financial position as at June 30, 2021;
- the statement of revenues and expenses for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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



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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
November 22, 2021


Students' Association of Mount Royal University

Statement of Financial Position

As at June 30, 2021

	2021 \$	2020 \$
Assets		
Current assets		
Cash and cash equivalents	4,292,626	2,957,458
Accounts receivable (notes 2 and 10)	68,358	597,162
Inventories	80,313	65,616
Prepaid expenses	67,054	56,820
Funds held in trust	93,204	88,869
	4,601,555	3,765,925
Investments (note 4)	8,823,288	7,874,802
Capital assets (note 5)	11,889,578	12,452,907
	25,314,421	24,093,634
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	299,909	374,665
Deferred revenue	1,255,828	1,121,146
Current portion of promissory note (note 6)	386,432	367,801
Funds held in trust	93,204	88,869
	2,035,373	1,952,481
Deposits held	56,950	56,950
Promissory note (note 6)	8,804,405	9,190,837
Deferred contributions (note 7)	3,427,241	3,245,266
	14,323,969	14,445,534
Net assets		
Internally restricted net assets invested in capital assets	1,254,096	1,359,943
Internally restricted (note 8)	9,176,310	7,458,229
Endowment	35,000	35,000
Unrestricted (note 2)	525,046	794,928
	10,990,452	9,648,100
	25,314,421	24,093,634

Approved on Behalf of The Student Governing Board


Speaker


Governor

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, 2021

	2021 \$	2020 \$
Revenues		
Fees	3,723,181	3,569,204
Membership services	2,792,044	2,423,491
Business operations (note 2)	37,144	845,923
Government subsidies (note 12)	21,598	364,026
Interest and dividend income	264,609	238,576
Amortization of deferred contributions	132,919	132,919
Management and executive	16,498	84,851
Change in fair value of investments	744,301	49,587
Programming	-	1,188
	<hr/>	<hr/>
	7,732,294	7,709,765
Other income and gain (note 11)	-	216,053
	<hr/>	<hr/>
	7,732,294	7,925,818
Expenses		
Membership services	3,117,119	2,831,777
Management (note 9)	2,195,405	2,332,924
Amortization	578,226	583,772
Business operations – direct expenses	59,093	433,394
Executive	346,040	351,095
Programing	83,635	191,653
Business operations – cost of sales	10,424	168,794
	<hr/>	<hr/>
	6,389,942	6,893,409
Excess of revenues over expenses	<hr/>	<hr/>
	1,342,352	1,032,409

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, 2021

	2021				2020	
	Internally restricted net assets invested in capital assets \$	Internally restricted assets \$ (note 8)	Endowment \$	Unrestricted assets \$ (note 2)	Total \$	Total \$
Balance – Beginning of year	1,359,943	7,458,229	35,000	794,928	9,648,100	8,615,691
Excess of revenues over expenses	(120,744)	(1,254,516)	-	2,717,612	1,342,352	1,032,409
Transfer to internally restricted	-	2,972,597	-	(2,972,597)	-	-
Purchase of capital assets – internally funded	71,433	-	-	(71,433)	-	-
Disposal of capital assets	(56,536)	-	-	56,536	-	-
	(105,847)	1,718,081	-	(269,882)	1,342,352	1,032,409
Balance – End of year	1,254,096	9,176,310	35,000	525,046	10,990,452	9,648,100

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, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses	1,342,352	1,032,409
Add items not involving cash		
Amortization	578,226	583,772
Deferred contribution recorded as fees, membership services, and management and executive revenue	(913,055)	(954,402)
Amortization of deferred contributions	(132,919)	(132,919)
Unrealized (increase) decrease in market value of investments	(587,050)	66,187
Loss (gain) on disposal of capital assets	56,536	(765)
	344,090	594,282
Changes in non-cash working capital	563,799	(630)
	907,889	593,652
Financing activities		
Capital contributions received	1,125,900	1,068,520
Scholarship contributions received	97,657	102,963
Other contributions received	4,392	73,389
Repayment of promissory note	(367,801)	(350,068)
	860,148	894,804
Investing activities		
Acquisition of capital assets – internally funded	(71,433)	(129,484)
Proceeds on sale of capital assets	-	3,850
Purchase of investments	(6,040,789)	(2,600,801)
Proceeds from sale of investments	5,679,353	2,119,787
	(432,869)	(606,648)
Increase in cash and cash equivalents	1,335,168	881,808
Cash and cash equivalents – Beginning of year	2,957,458	2,075,650
Cash and cash equivalents – End of year	4,292,626	2,957,458
Cash and cash equivalents comprise the following		
Cash on hand and balances with banks	4,029,910	2,668,101
Investments in money market instruments	262,716	289,357
Total cash and cash equivalents	4,292,626	2,957,458
Supplementary cash flow information		
Interest paid	472,953	490,707

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

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2021

1 General

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 Licence of Occupation Agreement and Collateral Agreement with The Board of Governors 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 Change in accounting policies

Effective November 20, 2020, the Association adopted the amendments to Section 3065, Leases, in Accounting Standards for Private Enterprises (ASPE). The Association has applied the practical expedient to lease concessions granted to its lessees that are a direct consequence of the COVID-19 pandemic.

Lease concessions granted resulted in decreases in lease payments as compared to the payments required by the original lease contracts. The total reduction in lease payments that relates to the year ended June 30, 2021 amounted to \$470,018 (2020 – \$131,772) and has been recognized against business operations revenue in the statement of revenues and expenses.

The Association has revised the below comparative financial statement balances as the application of the practical expedient is applied retrospectively.

	2020 \$	Adjustment \$	Revised 2020 \$
Accounts receivable	710,792	(113,630)	597,162
Unrestricted net assets	908,558	(113,630)	794,928
Business operations revenue	959,553	(113,630)	845,923

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2021

3 Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Canada (ASNPO), 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 with terms to maturity of less than 90 days from the date of purchase.

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 federal and provincial bonds, corporate bonds, income funds, Canadian and international equities. 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 year 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 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, deposits held and promissory note.

- 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.

- 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.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2021

- Liquidity risk

Liquidity risk is the risk the Association will encounter difficulties in meeting its financial obligations. The Association manages its liquidity risk through cash and debt management. Despite a significant disruption to the Association's regular operations caused by COVID-19, there has been very little impact on the Association's overall cash and debt management processes and thereby no increase in its assessment of liquidity risk.

- 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 \$nil contributed capital assets (2020 – \$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.

Capital assets are tested for impairment when conditions indicate that a capital asset no longer contributes to the Association's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. The writedowns of capital assets are recognized as expenses in the statement of revenues and expenses. Writedowns are not subsequently reversed.

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 and government subsidies 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.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2021

Dividend income, interest income and change in fair value of investments are recognized as revenue in the year in which they arise.

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 ASNPO require, management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues 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 year in which they become known.

4 Investments

	2021 \$	2020 \$
Pooled funds		
Federal and provincial bonds	641,029	795,238
Corporate bonds	1,694,289	1,653,523
Income funds	877,454	644,099
Non-pooled funds		
Income funds	1,516,682	1,583,463
Equities – Canadian	1,616,531	1,226,403
Equities – International	2,477,303	1,972,076
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	8,823,288	7,874,802

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2021

5 Capital assets

	2021		2020	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and fixtures	842,477	751,688	90,789	113,857
Computers and electronics	320,251	275,888	44,363	42,915
Right to occupy Wyckham House	3,952,253	3,319,945	632,308	737,691
Wyckham House improvements	1,271,554	882,209	389,345	434,314
Wyckham House expansion and development	15,668,172	4,935,399	10,732,773	11,124,130
	<u>22,054,707</u>	<u>10,165,129</u>	<u>11,889,578</u>	<u>12,452,907</u>

6 Promissory note

	2021 \$	2020 \$
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 capital campaign fees collected by the Association	9,190,837	9,558,638
Less: Current portion of promissory note	<u>386,432</u>	<u>367,801</u>
	<u>8,804,405</u>	<u>9,190,837</u>

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

	\$
2022	386,432
2023	406,007
2024	426,573
2025	448,182
2026 and thereafter	<u>7,523,643</u>
	<u>9,190,837</u>

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2021

7 Deferred contributions

Deferred contributions

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

	2021 \$	2020 \$
Contributions received for		
Capital expansion and development	1,125,900	1,068,520
Scholarships	97,657	102,963
Program support	-	70,220
Club development fund	4,392	3,169
	<u>1,227,949</u>	<u>1,244,872</u>
Contributions recorded in the year as		
Fees revenue	(873,148)	(913,642)
Membership services revenue	(35,515)	(37,591)
Management and executive revenue	(4,392)	(3,169)
	<u>(913,055)</u>	<u>(954,402)</u>
Increase during the year	314,894	290,470
Deferred contributions – Beginning of year	<u>1,337,345</u>	<u>1,046,875</u>
Deferred contributions – End of year	<u>1,652,239</u>	<u>1,337,345</u>
The balance is externally restricted for the following		
Scholarships	905,178	876,822
Capital campaigns	703,114	381,061
Program support	43,947	79,462
	<u>1,652,239</u>	<u>1,337,345</u>

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2021

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 years as the related funded assets are amortized.

	2021 \$	2020 \$
Balance – Beginning of year	1,907,921	2,040,840
Less: Amount amortized to revenue	132,919	132,919
Balance – End of year	1,775,002	1,907,921

8 Internally restricted net assets

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

	2021 \$	2020 \$
Reserve	4,562,291	3,245,294
Health and dental	2,203,213	2,051,410
Capital replacement	1,000,000	1,000,000
Scholarship	916,727	744,551
Capital	475,793	402,406
Deanna Cardinal Memorial fund	18,286	14,568
	9,176,310	7,458,229

9 Termination benefits

During the year, the Association paid a total of \$12,033 (2020 – \$20,000) in termination benefits, which is included in management expense.

10 Accounts receivable

In respect of government remittances, Goods and Services Tax (GST) of \$3,084 (2020 – \$825) is included in accounts receivable.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2021

11 Other income and gain

From February 2015 through January 2018, the Association paid a total of \$368,416 to Mount Royal University as GST related to the Association's occupation of the Wyckham House Student Centre, and received \$184,208 in GST rebates from the Canada Revenue Agency (CRA) related to this GST paid. In 2020, the CRA's decision underlying Mount Royal University's requirement to collect and remit GST related to the Association's occupation of the Wyckham House Student Centre was successfully appealed by Mount Royal University.

In 2020, Mount Royal University refunded to the Association the \$368,416 GST paid, plus \$63,690 as interest associated with the GST paid. The Association then returned to the CRA the \$184,208 associated rebates received and pending CRA's reconciliation of arrears interest due has allocated to accounts payable \$31,845 of the interest received. The Association has recorded the net amount of \$216,053 as other income and gains.

12 Government subsidies

The Association received a total of \$21,598 (2020 - \$364,026) in government subsidies for COVID-19. This consists of the current year portion of June 7, 2020 to July 4, 2021 Canada Emergency Wages Subsidies.

13 COVID-19 pandemic

Due to COVID-19 pandemic restrictions and Mount Royal University's general campus safety protocols, the Association transitioned most of its direct programming and membership services from in-person to online delivery and directed its employees to work from home unless they were required to be on-site.

Management has assessed the financial impact of COVID-19 as at June 30, 2021, including the valuation of investments, assessment of provisions and contingent liabilities, the timing of revenue recognition, reductions in business revenues and expenses, and has reflected these elements as appropriate in its financial statements as at June 30, 2021.

The long-term impact of the pandemic on the Association and the economy is not yet known and information surrounding the global economic impact of COVID-19 and the estimated length of the pandemic continues to evolve. Future impacts of the pandemic may have financial effects on the Association's future revenues and operating results including fees, membership services and business operations. It is not possible to estimate the results of future financial impacts of COVID-19 on the Association subsequent to June 30, 2021.