

Students' Association of Mount Royal University

Financial Statements
June 30, 2023



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, 2023 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, 2023;
- 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 judgement 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
October 23, 2023


Students' Association of Mount Royal University

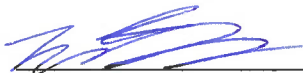
Statement of Financial Position

As at June 30, 2023

	2023 \$	2022 \$
Assets		
Current assets		
Cash and cash equivalents	3,224,981	2,670,178
Accounts receivable (note 11)	66,291	86,248
Inventories	67,728	59,618
Prepaid expenses	73,742	93,014
Funds held in trust	85,906	96,453
	<u>3,518,648</u>	<u>3,005,511</u>
Investments (note 3)	10,724,428	9,982,008
Capital assets (note 4)	<u>10,957,996</u>	<u>11,473,869</u>
	<u>25,201,072</u>	<u>24,461,388</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	312,975	335,616
Deferred revenue (note 5)	929,430	1,143,116
Current portion of promissory note (note 6)	426,573	406,007
Funds held in trust	85,906	96,453
	<u>1,754,884</u>	<u>1,981,192</u>
Deposits held	56,950	56,950
Promissory note (note 6)	7,971,825	8,398,398
Deferred contributions (note 7)	2,257,632	1,966,868
Deferred capital contributions (note 8)	<u>1,509,164</u>	<u>1,642,083</u>
	<u>13,550,455</u>	<u>14,045,491</u>
Net assets		
Internally restricted net assets invested in capital assets	1,237,479	1,295,869
Internally restricted (note 9)	10,074,837	8,842,628
Endowment	35,000	35,000
Unrestricted	<u>303,301</u>	<u>242,400</u>
	<u>11,650,617</u>	<u>10,415,897</u>
	<u>25,201,072</u>	<u>24,461,388</u>

Approved on Behalf of The Student Governing Board


Governor

 NANCY TRAN
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, 2023

	2023 \$	2022 \$
Revenues		
Fees	3,601,598	3,663,615
Membership services	3,325,066	3,207,631
Business operations (note 12)	1,041,188	386,917
Interest and dividend income	542,247	279,740
Change in fair value of investments (note 3)	447,806	(1,006,363)
Amortization of deferred capital contributions (note 8)	132,919	132,919
Management and representation	94,873	62,284
	<hr/> 9,185,697	<hr/> 6,726,743
Expenses		
Membership services	3,722,601	3,375,721
Management (note 10)	2,407,749	2,307,981
Amortization	585,157	579,363
Business operations – direct expenses	403,991	238,330
Representation	390,468	375,992
Programming	269,600	387,096
Business operations – cost of sales	171,411	36,815
	<hr/> 7,950,977	<hr/> 7,301,298
Excess (deficit) of revenues over expenses	<hr/> 1,234,720	<hr/> (574,555)

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, 2023

					2023	2022
	Internally restricted net assets invested in capital assets \$	Internally restricted \$ (note 9)	Endowment \$	Unrestricted \$	Total \$	Total \$
Balance – Beginning of year	1,295,869	8,842,628	35,000	242,400	10,415,897	10,990,452
Excess (deficit) of revenues over expenses	(127,675)	(771,278)	-	2,133,673	1,234,720	(574,555)
Transfer to internally restricted	-	2,003,487	-	(2,003,487)	-	-
Purchase of capital assets – internally funded	75,932	-	-	(75,932)	-	-
Disposal of capital assets	(6,647)	-	-	6,647	-	-
	(58,390)	1,232,209	-	60,901	1,234,720	(574,555)
Balance – End of year	1,237,479	10,074,837	35,000	303,301	11,650,617	10,415,897

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, 2023

	2023 \$	2022 \$
Cash provided by (used in)		
Operating activities		
Excess (deficit) of revenues over expenses	1,234,720	(574,555)
Add items not involving cash		
Amortization	585,157	579,363
Deferred contribution recorded as fees, membership services, and management and executive revenue	(939,948)	(925,090)
Amortization of deferred capital contributions	(132,919)	(132,919)
Unrealized (increase) decrease in market value of investments	(522,125)	1,639,221
Loss on disposal of capital assets	6,646	598
	<u>231,531</u>	<u>586,618</u>
Changes in non-cash working capital	(205,206)	(100,160)
	<u>26,325</u>	<u>486,458</u>
Financing activities		
Capital contributions received	1,114,393	1,079,476
Scholarship contributions received	107,376	91,763
Other contributions received	8,943	68,480
Repayment of promissory note	(406,007)	(386,432)
	<u>824,705</u>	<u>853,287</u>
Investing activities		
Acquisition of capital assets – internally funded	(75,932)	(164,252)
Purchase of investments	(2,634,748)	(6,601,368)
Proceeds from sale of investments	2,414,453	3,803,427
	<u>(296,227)</u>	<u>(2,962,193)</u>
Increase (decrease) in cash and cash equivalents	554,803	(1,622,448)
Cash and cash equivalents – Beginning of year	2,670,178	4,292,626
Cash and cash equivalents – End of year	<u>3,224,981</u>	<u>2,670,178</u>
Cash and cash equivalents comprise the following		
Cash on hand and balances with banks	2,930,564	2,662,710
Investments in money market instruments	294,417	7,468
Total cash and cash equivalents	<u>3,224,981</u>	<u>2,670,178</u>
Supplementary cash flow information		
Interest paid	434,644	454,252

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

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2023

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 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.

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2023

Inventories

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

Financial instruments

A financial asset or a financial liability is initially recognized when the Association becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished. The Association initially measures financial assets and financial liabilities assumed in an arm's length transaction 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.

Financial assets originated or acquired and financial liabilities issued or assumed in a related party transaction are initially measured at cost. For financial instruments with repayment terms, cost is determined as the sum of undiscounted cash flows less any impairment losses previously recognized by the transferor. For financial instruments with no repayment terms, cost is determined by reference to the consideration transferred or received by the Association in the transaction.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method.

With respect to financial assets measured at amortized cost, the Association recognizes an impairment loss, if any, in the statement of revenues and expenses and changes in net assets, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statements of revenues and expenses and changes in net assets in the period the reversal occurs.

- 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, 2023

- 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 (2022 – \$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	27 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, 2023

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 and management and representation 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 requires 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.

3 Investments

	2023 \$	2022 \$
Pooled funds		
Federal and provincial bonds	1,105,293	1,233,437
Corporate bonds	1,949,998	2,136,607
Income funds	2,050,747	1,188,499
Non-pooled funds		
Income funds	1,446,465	1,485,901
Equities – Canadian	1,795,578	1,844,890
Equities – International	2,376,347	2,092,674
	<u>10,724,428</u>	<u>9,982,008</u>
Realized (loss) gain on investments	(74,319)	632,858
Unrealized gain (loss) on investments	522,125	(1,639,221)
Change in fair value of investments	<u>447,806</u>	<u>(1,006,363)</u>

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2023

4 Capital assets

			<u>2023</u>	<u>2022</u>
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Furniture and fixtures	884,870	781,181	103,689	78,522
Computers and electronics	254,790	209,623	45,167	46,329
Right to occupy Wyckham House	3,952,253	3,530,711	421,542	526,925
Wyckham House improvements	1,406,023	968,484	437,539	480,677
Wyckham House expansion and development	15,668,172	5,718,113	9,950,059	10,341,416
	<u>22,166,108</u>	<u>11,208,112</u>	<u>10,957,996</u>	<u>11,473,869</u>

5 Deferred revenue

	<u>2023</u>	<u>2022</u>
	\$	\$
Health and dental fees	918,682	1,094,378
Gift certificates	8,098	7,810
Tenant rent	2,650	600
Commercial partnership revenue	-	40,328
	<u>929,430</u>	<u>1,143,116</u>

6 Promissory note

	<u>2023</u>	<u>2022</u>
	\$	\$
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	8,398,398	8,804,405
Less: Current portion of promissory note	426,573	406,007
	<u>7,971,825</u>	<u>8,398,398</u>

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

	\$
2024	426,573
2025	448,182
2026	470,885
2027	494,738
2028 and thereafter	<u>6,558,020</u>
	<u>8,398,398</u>

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2023

7 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 deferred capital contributions once expended for capital expansion and development.

	2023 \$	2022 \$
Contributions received for		
Capital expansion and development	1,114,393	1,079,476
Scholarships	107,376	91,763
Club development fund	8,943	5,944
Program support	-	62,536
	<hr/> 1,230,712	<hr/> 1,239,719
Contributions recorded in the year as		
Fees revenue	(873,667)	(887,803)
Membership services revenue	(57,338)	(31,343)
Management and representation revenue	(8,943)	(5,944)
	<hr/> (939,948)	<hr/> (925,090)
Increase during the year	290,764	314,629
Deferred contributions – Beginning of year	<hr/> 1,966,868	<hr/> 1,652,239
Deferred contributions – End of year	<hr/> <hr/> 2,257,632	<hr/> <hr/> 1,966,868
The balance is externally restricted for the following		
Capital expansion and development	1,346,405	997,796
Scholarships	893,425	893,933
Program support	17,802	75,139
	<hr/> 2,257,632	<hr/> 1,966,868

8 Deferred capital contributions

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.

	2023 \$	2022 \$
Balance – Beginning of year	1,642,083	1,775,002
Less: Amount amortized to revenue	<hr/> 132,919	<hr/> 132,919
Balance – End of year	<hr/> <hr/> 1,509,164	<hr/> <hr/> 1,642,083

Students' Association of Mount Royal University

Notes to Financial Statements

June 30, 2023

9 Internally restricted net assets

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

	2023 \$	2022 \$
Reserve	5,592,870	4,783,828
Health and dental	2,125,714	1,977,800
Capital replacement	1,000,000	919,357
Scholarship	871,725	768,477
Capital	469,926	380,383
Deanna Cardinal Memorial fund	14,602	12,783
	<hr/> 10,074,837	<hr/> 8,842,628

10 Termination benefits

During the year, the Association paid a total of \$5,798 (2022 – \$28,124) in termination benefits, which is included in management expense.

11 Government remittances

In respect of government remittances, Goods and Services Tax (GST) of \$2,661 (2022 – \$1,498 accounts receivable) is included in accounts payable and accrued liabilities.

12 Covid-19 lease modifications

Effective November 20, 2020, the Association adopted the amendments to Section 3065, Leases, in Accounting Standards for Private Enterprises (ASPE). In 2022, the Association has applied the practical expedient to lease concessions granted to its lessees that are a direct consequence of the COVID-19 pandemic. In 2023, the Association did not have any Covid-19 lease concessions.

In 2022, 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, 2022 amounted to \$333,690 and was recognized against business operations revenue in the statement of revenues and expenses.