

**SOCIETY OF GRADUATE STUDENTS
UNIVERSITY OF WESTERN ONTARIO
COMBINED FINANCIAL STATEMENTS**

APRIL 30, 2013

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Society of Graduate Students

I have audited the combined financial statements of Society of Graduate Students which comprise the combined statement of financial position as at April 30, 2013, April 30, 2012 and May 1, 2011 and the combined statements of income (loss) and cash flows for the years ended April 30, 2013 and April 30, 2012 and 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Non Qualified Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of Society of Graduate Students as at April 30, 2013, April 30, 2012 and May 1, 2011 and the results of its operations and the changes in its financial position for the years ended April 30, 2013 and April 30, 2012 in accordance with Canadian accounting standards for not for profit organizations.

London, Canada
date of board approval

MICHAEL A. KING, CPA, CA
Licensed Public Accountant

**SOCIETY OF GRADUATE STUDENTS
UNIVERSITY OF WESTERN ONTARIO**

Combined Statement of Financial Position

As at April 30

	2013	2012
Assets		
Current assets:		
Cash	\$ 916,208	\$ 877,633
Loans receivable	5,135	3,344
Accounts receivable	12,873	23,083
Inventory	39,263	37,029
Prepaid expenses	130,681	126,503
	1,104,160	1,067,592
Capital assets (note 2)	111,530	159,787
Other assets:		
Long-term investments (note 3)	200,000	200,000
	\$1,415,690	\$1,427,379
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 172,962	\$ 157,587
Government remittances payable	26,156	29,812
Deferred revenue	688,441	738,076
	887,559	925,475
Members' equity:		
Restricted Fund	200,000	200,000
Unrestricted Fund:		
Balance, beginning of year	301,904	588,361
Add (deduct) net income (loss) for the year	26,227	(86,457)
Deduct transfer to restricted fund	-	(200,000)
Unrestricted fund balance, end of year	328,131	301,904
Total members' equity	528,131	501,904
	\$1,415,690	\$1,427,379

Commitments (note 6)

See accompanying notes to the financial statements.

**SOCIETY OF GRADUATE STUDENTS
UNIVERSITY OF WESTERN ONTARIO**

Combined Statement of Income (Loss)

Year ended April 30

	2013	2012
Revenues:		
Health insurance fees	\$2,266,081	\$2,194,761
Grad Club sales	1,240,183	1,243,861
Bus pass fees	812,653	767,778
Membership fees - full-time	238,299	234,790
CFS membership dues	70,387	68,149
Membership fees - part-time	26,285	23,747
Associate memberships	9,440	8,160
Advertising	9,345	-
Investment	9,301	12,157
Research forum	1,800	10,500
Sundry	919	6,461
	\$4,684,693	\$4,570,364

See accompanying notes to the financial statements.

**SOCIETY OF GRADUATE STUDENTS
UNIVERSITY OF WESTERN ONTARIO**

Combined Statement of Income (Loss) - continued

Year ended April 30

	2013	2012
Operating expenses:		
Health insurance	\$2,137,459	\$2,165,048
Bus pass fees	803,105	763,694
Grad Club cost of goods sold	608,958	618,824
Wages and employee benefits	590,042	576,312
Occupancy costs	123,243	120,053
Grants, bursaries and donations	72,347	75,358
CFS membership fees	70,387	68,149
Amortization	54,892	59,094
Supplies	42,897	40,045
Entertainment	25,789	25,309
Professional services	23,781	23,703
Bank charges	19,174	14,103
Travel, conferences and executives	17,807	20,015
Office supplies and telephone	14,688	15,656
Repairs, maintenance and rentals	14,266	19,012
Handbook	12,480	11,911
T.A. expenses	7,501	12,628
Research forum	5,231	6,670
Social committee	3,746	8,381
Insurance	3,478	3,275
Elections/Referendum	2,503	191
Sponsorship	1,500	1,150
Miscellaneous expense	1,320	762
Bad debts	1,172	4,197
Advertising, promotion and special events	700	3,281
	4,658,466	4,656,821
Net income (loss) for the year	\$ 26,227	\$ (86,457)

See accompanying notes to the financial statements.

**SOCIETY OF GRADUATE STUDENTS
UNIVERSITY OF WESTERN ONTARIO**

Combined Statement of Cash Flows

Year ended April 30

	2013	2012
Cash flows from operating activities:		
Net income (loss) for the year	\$ 26,227	\$ (86,457)
Items not affecting working capital:		
Amortization	54,892	59,094
Net changes in non-cash working capital		
Loans receivable	(1,791)	1,063
Accounts receivable	10,210	8,832
Inventory	(2,234)	(3,099)
Prepaid expenses	(4,178)	6,146
Accounts payable and accrued liabilities	15,375	(304,004)
Other taxes payable	(3,656)	2,269
Deferred revenue	(49,635)	(314,187)
	45,210	(630,343)
Cash flows from investing activities:		
Additions to capital assets	(6,635)	(4,200)
Additions to long-term investments	-	(200,000)
	(6,635)	(204,200)
Increase (decrease) in cash position during the year	38,575	(834,543)
Cash, beginning of year	877,633	1,712,176
Cash, end of year	\$ 916,208	\$ 877,633

See accompanying notes to the financial statements.

**SOCIETY OF GRADUATE STUDENTS
UNIVERSITY OF WESTERN ONTARIO**

Notes to the Combined Financial Statements

April 30, 2013

General:

The Society of Graduate Students is a not for profit organization, exempt from income taxes under the Income Tax Act. The Society consists of two divisions. The Administrative division is responsible for the health plan and bus passes offered to graduate students at the University of Western Ontario. The Grad Club division operates the restaurant/bar facilities. Separate financial statements are prepared for both the Administration and Grad Club divisions.

Summary of significant accounting policies:

Revenue recognition:

Revenues related to food and beverages is recognized at the time services are rendered. Revenues related to annual memberships are recognized when paid with the portion relating to the period after the year end deferred and recognized in the following year.

Revenue for the health plan and student fees is recognized on a deferral basis. The amount of fees collected each September is calculated to be recognized for the period ending April 30th with the remaining balance recorded as deferred revenue.

Revenue for the bus pass fee is recognized each term.

Inventory:

Inventory is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis and consists of food and related items available for resale.

**SOCIETY OF GRADUATE STUDENTS
UNIVERSITY OF WESTERN ONTARIO**

Notes to the Combined Financial Statements - continued

April 30, 2013

Capital assets:

Capital assets are recorded at cost. Amortization has been provided using the declining balance method, with half amortization on net acquisitions, and no amortization in the year of disposal, with the exception of leasehold improvements and concessions which are amortized over 10 years.

Computer hardware	30 %
Furniture and equipment	20 %
Concessions	10 yrs
Leasehold improvements	10 yrs

When properties are retired or otherwise disposed of, the assets and related accumulated amortization thereon are removed from the accounts and the resulting gain or loss is credited or charged to income.

Accounting Estimates:

The preparation of financial statements in accordance with Canadian accounting standards for not for profit organizations requires management to make estimates such as the useful life and the allowance for doubtful accounts. These estimates are reviewed periodically and reported in earnings in the period in which they become known. Actual results could differ from these estimates.

1. Impact of the Change in the Basis of Accounting:

These financial statements are the first financial statements for which the organization applied Canadian accounting standards for not for profit organizations. First-time adoption of this new basis of accounting had no impact on the organization's excess of revenues over expenses for the year ended April 30, 2012 or on net assets as at May 1, 2011, the date of transition.

**SOCIETY OF GRADUATE STUDENTS
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Notes to the Combined Financial Statements - continued

April 30, 2013

2. Capital assets:

			2013	2012
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	\$ 50,419	\$ 42,633	\$ 7,786	\$ 8,646
Furniture and equipment	306,678	238,034	68,644	80,288
Concessions	150,000	135,000	15,000	30,000
Leasehold improvements	212,605	192,505	20,100	40,853
	\$ 719,702	\$ 608,172	\$ 111,530	\$ 159,787

3. Long-term investments:

The organization has contributed the following funds to the University of Western Ontario investment portfolio. Interest will be paid to the organization based on the rate of return commencing three years after the fund is established. As of April 30, 2013 the funds have earned \$20,471 of income.

	2013	2012
Fixed rate of return investment	\$ 100,000	\$ 100,000
Variable rate of return investment	100,000	100,000
	\$ 200,000	\$ 200,000

**SOCIETY OF GRADUATE STUDENTS
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Notes to the Combined Financial Statements - continued

April 30, 2013

4. Financial instruments:

Fair Values

The Society's financial instruments are comprised of cash, accounts receivable and accounts payable and accrued liabilities. These are reported at fair value on the statement of financial position.

Credit Risk

The Society's cash is held at a major financial institution.

Currency Risk

The Society is not exposed to currency risk as the Society's transactions are in Canadian dollars.

Interest Rate Risk

The investment is subject to interest rate risk as it is subject to a variable interest rate on half of the investment and fixed rate interest on the other half.

5. Non-profit organization:

The Society of Graduate Students is a non-profit organization and is therefore, not subject to income taxes.

6. Lease Commitment:

On May 1, 2004, the Grad Club entered into a 10 year lease agreement, with a 5 year renewal option, for the premises it occupies. Rent consists of a base amount plus an amount for janitorial services that are determined annually. For the 2012/2013 year the annual cost will be \$115,014.