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## **President & Managing Director's Report**

**2018 ANNUAL GENERAL MEETING**

**OCTOBER 23<sup>RD</sup>, 2018**

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AMS  
AMS.UBC.CA

6133 UNIVERSITY BOULEVARD  
VANCOUVER, BC V6T 1Z1

## Introduction

The AMS successfully finished the 2017-18 year with many different accomplishments. The vacancies on AMS Council saw a considerable decrease this year with fulsome conversations and participation at all levels. The VP Administration and President engaged with various constituencies and student groups throughout the year. Along with the VP Finance, processes and procedures for AMS clubs saw changes to gradually improve the efficiency of our operations. Significant time was spent on the capital project completion of the AMS side of the Life Building. With the Nest refinancing and implementation of the new investment policy, the VP Finance's office worked hard to see both projects through.

The VP Academic and University Affairs' office saw many wins including a deeper collaboration with UBC Board of Governors and the UBC Vancouver Senate. Goals of increasing undergraduate research opportunities, affordable and assessable housing through the Housing Action Plan (HAP), as well as a focus on student experience in the UBC Strategic Plan were achieved this past year. In the VP External's office, successful partnerships with Undergraduates of the Canadian Research-Intensive Universities (UCRU) as well as other student unions saw a more uniform approach to advocacy. Key relationships and consultations on issues such as provincial landscape of mental health, sexual violence prevention and response, as well as rapid transit were discussed on various levels of the government. The U-Pass was also successfully extended to be offered this year through referendum. The Student Services Manager saw the launch of a new service, Entrepreneurship Hub (eHub). Harm reduction was made a priority through Naloxone training for over 300 students. A new data collection and analytic system for services was implemented with a goal of increasing targeted outreach to the student body.

All in all, it was a year of several transformative changes that have the potential of further improving the AMS in the upcoming year. We are grateful for the continued engagement of the membership, our staff, as well as community members.

## Financial Overview

It was a phenomenal year financially for the Society.

With the refinancing of our loan from the University, we dramatically reduced our interest costs, delivering one of the largest surpluses in AMS history.

The AMS businesses performed admirably, in particular our Conferences and Catering business, capitalizing on our unique Platinum LEED building.

The Food & Beverage outlets, owned and managed by your AMS, also performed well, despite the increasing competition surrounding the building, increased labour costs, and dramatic increases in the costs of ingredients. The businesses within the Nest are

recognized by our members as top spots on campus to eat and to socialize; this is due in part to the cost-friendly food options, and fresh ingredients used in preparation of the meals.

In addition, the reimagining of the Gallery Lounge from the Old SUB has been a roaring success with our members. The Gallery is consistently filled with students, and is a very attractive location for private events.

We have made numerous other important changes to our businesses, our Student Government controlled costs well within its operations, and our AMS Events team ran over 100 successful events, including a phenomenal Welcome Back BBQ, which managed to break even for the first time in AMS' long history.

## Conclusion – Looking Forward

Fiscal Year 2018-19 promises to be one of continued innovation while highlighting stability. While this might at first seem contrary, the current AMS Executive feels this strategy will provide the most benefit to our members.

Following several years of significant restructuring, designed to make the management, administration, and operation of our Society more cohesive, stability within our new structure is important. This stability will allow the AMS to not only adjust, but to grow within our new structure. In addition, these changes have dramatically improved the value that we can give to our members.

Fiscal Year 2018-2019 has started extremely well, from both a financial and operations standpoint. One area where we hope to continually improve during the remainder of Fiscal Year 18-19, and beyond, is communication with our members. As we develop innovative and exciting methods of reaching our membership, the first step being the recent launch of our new website, and begin to garner more feedback from our membership, we will be able to better serve our members.

We feel that the AMS is now, more than ever before, better positioned to fulfil its mandate, for the next 100 years and beyond.

**AMS PRESIDENT**

**Marium Hamid**

**AMS MANAGING DIRECTOR**

**Keith Hester**

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The Alma Mater Society of  
The University of  
British Columbia Vancouver  
Financial Statements  
April 30, 2018

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The Alma Mater Society of  
The University of British Columbia Vancouver  
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April 30, 2018

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## Independent Auditor's Report

To the Members of The Alma Mater Society of the University of British Columbia Vancouver

### Report on the Financial Statements

We have audited the accompanying financial statements of The Alma Mater Society of the University of British Columbia Vancouver, which comprise the statement of financial position as at April 30, 2018 and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, 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 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 audit. We conducted our audit 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 is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Alma Mater Society of the University of British Columbia Vancouver as at April 30, 2018, 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.



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## Report on Other Legal and Regulatory Requirements

As required by the *Societies Act* (British Columbia), we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Vancouver, B.C.  
August 28, 2018



A handwritten signature in black ink that reads "D&amp;H Group LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

The Alma Mater Society of  
The University of British Columbia Vancouver  
Statement of Financial Position  
April 30, 2018

|                                                                       | 2018<br>\$         | 2017<br>\$         |
|-----------------------------------------------------------------------|--------------------|--------------------|
| <b>Assets</b>                                                         |                    |                    |
| <b>Current assets</b>                                                 |                    |                    |
| Cash                                                                  | 276,985            | 264,662            |
| Sundry accounts and advances                                          | 860,144            | 715,202            |
| Marketable securities (Note 3)                                        | 6,281,014          | 5,500,113          |
| Inventories                                                           | 206,102            | 195,163            |
| Due from clubs and societies                                          | 16,300             | 6,483              |
| Prepaid expenses                                                      | <u>317,908</u>     | <u>165,096</u>     |
|                                                                       | 7,958,453          | 6,846,719          |
| Marketable securities (Note 3)                                        | 7,829,044          | 10,722,439         |
| Art collection                                                        | 678,375            | 678,375            |
| Property and equipment (Note 4)                                       | <u>107,698,303</u> | <u>105,842,487</u> |
|                                                                       | 124,164,175        | 124,090,020        |
| <b>Liabilities</b>                                                    |                    |                    |
| <b>Current liabilities</b>                                            |                    |                    |
| Accounts payable and accrued liabilities (Note 6)                     | 2,751,571          | 2,416,227          |
| Accrued interest payable (Note 7)                                     | 25,429             | 2,049,796          |
| Due to clubs and societies                                            | 3,426,443          | 3,344,403          |
| Current portion of long-term debt (Note 8)                            | <u>2,694,303</u>   | <u>617,332</u>     |
|                                                                       | 8,897,746          | 8,427,758          |
| Deferred capital contribution (Note 10)                               | 23,787,879         | 24,242,425         |
| Long-term debt (Note 8)                                               | <u>64,582,423</u>  | <u>65,457,573</u>  |
|                                                                       | 97,268,048         | 98,127,756         |
| Contingency (Note 11)                                                 |                    |                    |
| <b>Net assets</b>                                                     |                    |                    |
| <b>Restricted</b>                                                     |                    |                    |
| - Invested in art collection                                          | 678,375            | 678,375            |
| - Bursary endowment reserve                                           | 862,309            | 845,152            |
| - Endowment reserve                                                   | 2,124,585          | 2,124,585          |
| - Health and dental reserve                                           | 5,200,790          | 4,696,866          |
| - Other reserves                                                      | 4,458,518          | 4,135,794          |
| - Invested in property and equipment                                  | 16,633,778         | 15,525,237         |
| - Nest debt repayment reserve                                         | 692,568            | 808,865            |
| - Accrued interest on long-term debt (Note 7)                         | <u>(25,429)</u>    | <u>(2,049,796)</u> |
|                                                                       | 30,625,494         | 26,765,078         |
| Internally designated - other special purpose reserves and provisions | 1,314,941          | 1,136,416          |
| Unrestricted - general surplus (deficit)                              | <u>(5,044,308)</u> | <u>(1,939,230)</u> |
|                                                                       | 26,896,127         | 25,962,264         |
|                                                                       | 124,164,175        | 124,090,020        |

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

Approved by  Vice President, Finance,  Managing Director



The Alma Mater Society of  
The University of British Columbia Vancouver  
Statement of Operations  
Year ended April 30, 2018

|                                                     | 2018<br>\$        | 2017<br>\$        |
|-----------------------------------------------------|-------------------|-------------------|
|                                                     |                   | (Note 19)         |
| Revenue                                             |                   |                   |
| Student and other fees                              | 10,500,574        | 10,044,897        |
| Health and dental fees and other (Note 12)          | 10,152,639        | 9,077,841         |
| Food, beverage and building services, net (Note 13) | (90,427)          | 177,934           |
| Investment income (Note 14)                         | 178,148           | 322,408           |
| Amortization of deferred capital contribution       | <u>454,545</u>    | <u>454,545</u>    |
|                                                     | <u>21,195,479</u> | <u>20,077,625</u> |
| Expenses                                            |                   |                   |
| Other reserves expenses                             |                   |                   |
| Capital Projects Fund                               | 91,295            | 229,659           |
| CiTR Radio Reserve                                  | 186,434           | 225,207           |
| Intramural and Athletics Reserve                    | 1,035,993         | 1,291,309         |
| Sexual Assault Support Services Reserve             | 295,057           | 254,369           |
| Student Aid Bursary Fund                            | 618,000           | 536,452           |
| Other                                               | <u>439,345</u>    | <u>448,503</u>    |
|                                                     | 2,666,124         | 2,985,499         |
| Internally designated reserves expenses             |                   |                   |
| Campus Culture and Performance                      | 40,165            | 39,760            |
| Innovative Projects Fund                            | -                 | (10,856)          |
| Nest Building Fund                                  | -                 | 129,516           |
| Other                                               | <u>370,407</u>    | <u>446,313</u>    |
|                                                     | 410,572           | 604,733           |
| Unrestricted expenses                               |                   |                   |
| Student Activities and Government                   | 1,567,207         | 1,642,839         |
| Administrative and Information Systems              | <u>931,429</u>    | <u>850,864</u>    |
|                                                     | 2,498,636         | 2,493,703         |
| Invested in property and equipment expenses         |                   |                   |
| Amortization of property (Note 4)                   | 1,907,027         | 1,968,632         |
| Amortization of financing fees                      | <u>29,968</u>     | -                 |
|                                                     | 1,936,995         | 1,968,632         |
| Health and Dental Reserve                           | 9,648,715         | 8,925,842         |
| Interest on long-term debt (Note 9)                 | <u>3,117,732</u>  | <u>3,807,390</u>  |
|                                                     | <u>20,278,774</u> | <u>20,785,799</u> |
| Excess (deficiency) of revenues over expenses       | 916,705           | (708,174)         |

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

The Alma Mater Society of  
The University of British Columbia Vancouver

Statement of Changes in Net Assets

Year ended April 30, 2018

|                                                       |                                  |                                 |                      |                                    |                   |                                             |                                   |                                             |                          |              | 2018       | 2017       |
|-------------------------------------------------------|----------------------------------|---------------------------------|----------------------|------------------------------------|-------------------|---------------------------------------------|-----------------------------------|---------------------------------------------|--------------------------|--------------|------------|------------|
|                                                       |                                  |                                 |                      |                                    |                   |                                             |                                   |                                             |                          |              | \$         | \$         |
|                                                       | Invested<br>in art<br>collection | Bursary<br>endowment<br>reserve | Endowment<br>reserve | Health<br>and<br>dental<br>reserve | Other<br>reserves | Invested in<br>property<br>and<br>equipment | Nest debt<br>repayment<br>reserve | Accrued<br>interest on<br>long-term<br>debt | Internally<br>designated | Unrestricted | Total      | Total      |
| Balance, beginning of year                            | 678,375                          | 845,152                         | 2,124,585            | 4,696,866                          | 4,135,794         | 15,525,238                                  | 808,865                           | (2,049,796)                                 | 1,136,416                | (1,939,230)  | 25,962,265 | 26,651,842 |
| Deficiency of revenue over expenses                   | -                                | -                               | -                    | -                                  | -                 | -                                           | -                                 | -                                           | -                        | 916,705      | 916,705    | (708,174)  |
| Interest income                                       | -                                | 17,157                          | -                    | -                                  | -                 | -                                           | -                                 | -                                           | -                        | -            | 17,157     | 18,597     |
| Transfers                                             |                                  |                                 |                      |                                    |                   |                                             |                                   |                                             |                          |              |            |            |
| Non-discretionary appropriations<br>and contributions | -                                | -                               | -                    | 10,152,639                         | 3,118,528         | -                                           | -                                 | -                                           | 235,659                  | (13,506,826) | -          | -          |
| Discretionary appropriations and<br>transfers         | -                                | -                               | -                    | -                                  | (129,680)         | -                                           | -                                 | -                                           | 144,680                  | (15,000)     | -          | -          |
| Nest student fees                                     | -                                | -                               | -                    | -                                  | -                 | -                                           | 4,969,380                         | -                                           | -                        | (4,969,380)  | -          | -          |
| Donation                                              | -                                | -                               | -                    | -                                  | -                 | -                                           | 50,000                            | -                                           | -                        | (50,000)     | -          | -          |
| Long-term debt financing                              | -                                | -                               | -                    | -                                  | -                 | (70,150,000)                                | -                                 | -                                           | -                        | 70,150,000   | -          | -          |
| Repayment of long-term debt                           | -                                | -                               | -                    | -                                  | -                 | 68,747,905                                  | -                                 | -                                           | -                        | (68,747,905) | -          | -          |
| Deferred financing fees                               | -                                | -                               | -                    | -                                  | -                 | 230,242                                     | -                                 | -                                           | -                        | (230,242)    | -          | -          |
| Change in accrued interest on<br>long-term debt       | -                                | -                               | -                    | -                                  | -                 | -                                           | -                                 | 2,024,367                                   | -                        | (2,024,367)  | -          | -          |
| Total interest paid on long-term debt                 | -                                | -                               | -                    | -                                  | -                 | -                                           | (5,135,677)                       | -                                           | -                        | 5,135,677    | -          | -          |
| Restricted fund expenses                              | -                                | -                               | -                    | (9,648,715)                        | (2,666,124)       | -                                           | -                                 | -                                           | (410,572)                | 12,725,411   | -          | -          |
| Acquisition of equipment                              | -                                | -                               | -                    | -                                  | -                 | 210,915                                     | -                                 | -                                           | -                        | (210,915)    | -          | -          |
| Loss on removal of equipment                          | -                                | -                               | -                    | -                                  | -                 | (7,663)                                     | -                                 | -                                           | 7,663                    | -            | -          | -          |
| Renovations under construction                        | -                                | -                               | -                    | -                                  | -                 | 4,774,422                                   | -                                 | -                                           | -                        | (4,774,422)  | -          | -          |
| Amortization of property and<br>equipment             | -                                | -                               | -                    | -                                  | -                 | (3,121,858)                                 | -                                 | -                                           | 201,095                  | 2,920,763    | -          | -          |
| Amortization of deferred<br>capital contribution      | -                                | -                               | -                    | -                                  | -                 | 454,545                                     | -                                 | -                                           | -                        | (454,545)    | -          | -          |
| Amortization of deferred financing<br>fees            | -                                | -                               | -                    | -                                  | -                 | (29,968)                                    | -                                 | -                                           | -                        | 29,968       | -          | -          |
| Balance, end of year                                  | 678,375                          | 862,309                         | 2,124,585            | 5,200,790                          | 4,458,518         | 16,633,778                                  | 692,568                           | (25,429)                                    | 1,314,941                | (5,044,308)  | 26,896,127 | 25,962,265 |

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

# The Alma Mater Society of The University of British Columbia Vancouver

Statement of Cash Flows  
Year ended April 30, 2018

|                                                                           | 2018<br>\$         | 2017<br>\$       |
|---------------------------------------------------------------------------|--------------------|------------------|
| Cash flows from operating activities                                      |                    |                  |
| Excess (deficiency) of revenue over expenses                              | 916,705            | (708,174)        |
| Items not requiring cash                                                  |                    |                  |
| Amortization of property and equipment                                    | 3,121,858          | 3,171,983        |
| Amortization of deferred capital contribution                             | (454,545)          | (454,545)        |
| Amortization of deferred financing fees                                   | 29,968             | -                |
| Loss on removal of equipment                                              | 7,663              | -                |
| Decrease (increase) in                                                    |                    |                  |
| Sundry accounts and advances                                              | (144,942)          | (51,368)         |
| Inventories                                                               | (10,939)           | (40,780)         |
| Prepaid expenses                                                          | (152,812)          | (20,277)         |
| Due from clubs and societies                                              | (9,817)            | (2,606)          |
| Increase (decrease) in                                                    |                    |                  |
| Accounts payable and accrued liabilities                                  | 338,557            | (192,995)        |
| Accrued interest payable                                                  | (2,024,367)        | (1,131,372)      |
| Due to clubs and societies                                                | 82,040             | (35,011)         |
|                                                                           | <u>1,699,369</u>   | <u>534,855</u>   |
| Cash flows from (used in) investing activities                            |                    |                  |
| Net decrease in marketable securities                                     | 2,109,281          | 618,430          |
| Acquisition of property and equipment                                     | (4,985,337)        | (1,312,178)      |
| Bursary endowment donations and interest,<br>net of awards                | 17,157             | 18,597           |
|                                                                           | <u>(2,858,899)</u> | <u>(675,151)</u> |
| Cash flows from financing activities                                      |                    |                  |
| Repayment of line of credit                                               | -                  | (157,000)        |
| Proceeds from long-term debt                                              | 70,150,000         | 931,171          |
| Repayment of long-term debt                                               | (68,747,905)       | -                |
| Deferred financing fees                                                   | (230,242)          | -                |
|                                                                           | <u>1,171,853</u>   | <u>774,171</u>   |
| Increase in cash during the year                                          | 12,323             | 633,875          |
| Cash (cheques issued in excess of funds on deposit),<br>beginning of year | <u>264,662</u>     | <u>(369,213)</u> |
| Cash, end of year                                                         | 276,985            | 264,662          |

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

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# The Alma Mater Society of The University of British Columbia Vancouver

## Notes to the Financial Statements

April 30, 2018

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### 1. Purpose

The Society is the student society of the University of British Columbia Vancouver ("UBC") of which all students are members. The Society's mission is "to improve the quality of the educational, social and personal lives of the students of UBC". The Society is incorporated in the Province of British Columbia under the *Societies Act* and is a tax-exempt body under Section 149 of the *Income Tax Act* as long as certain criteria continue to be met.

### 2. Significant accounting policies

#### Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") which necessarily involve the use of estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies summarized below.

#### Fund accounting

Revenues from the sale of art pieces and expenses related to the maintenance of the Society's art collection are recorded in the Invested in Art Collection Reserve.

Bursary endowment contributions are reported in the Bursary Endowment Reserve. Interest income is reported in the Bursary Endowment Reserve.

Endowment contributions are reported in the Endowment Reserve. Interest income is reported in the Endowment Reserve.

Student fees collected and premiums paid for the health and dental plan are recorded in the Health and Dental Reserve.

Student fees collected, inter-fund transfers and disbursements incurred are reported in Other Reserves. Other Reserves includes reserves for capital projects, CiTR Radio, lighter footprint, refugee students, resource group, sexual assault support services, student aid bursary, student legal, management reserve, and ombudsperson.

Invested in Property and Equipment Reserve reports the assets, liabilities, revenues and expenses related to capital assets.

Student fees collected and interest and principal payments on the long term debt related to the Nest Building are recorded in the Nest Debt Repayment Reserve.

Accrued interest on the long term debt is recorded in the Accrued Interest on Long-Term Debt Reserve.

Student fees collected, inter-fund transfers and disbursements incurred are reported in Internally Designated. Internally Designated includes reserves for art collection, childcare, club benefits, constituency aid, impact grant, innovative project, student initiatives, repairs and replacement of furnishings and equipment, intramural and athletics, municipal and provincial elections, and campus culture and performance.

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# The Alma Mater Society of The University of British Columbia Vancouver

## Notes to the Financial Statements

April 30, 2018

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### 2. Significant accounting policies - continued

#### Estimates

The preparation of financial statements in accordance with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures during the period. Actual results could differ from these estimates.

Significant estimates made by management include amortization of property and equipment, non-recurring capital items and student facilities.

#### Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

#### Marketable securities

Marketable securities include government and commercial marketable certificates and mutual funds.

Government and commercial marketable certificates are initially recorded at fair market value and subsequently measured at amortized cost bearing interest at effective annual rates ranging from 1.15% to 2.75% per annum, maturing on various dates ranging from May 15, 2018 to September 1, 2022.

Marketable securities are initially recorded and subsequently measured at fair value. Changes in fair value are recognized in income as they occur. Transaction costs associated with the acquisition of these marketable securities is recognized in income in the period incurred.

The Society follows the policy of pooling, for investment purposes, monies set aside for specific future use.

#### Inventories

Inventories held for resale, including food and merchandise, are recorded at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis. Cost includes invoice cost and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated not to be recoverable. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of write-down previously recorded is reversed.

#### Art collection

The art collection owned by the Society is recorded at the cost of \$ 678,375, with the corresponding equity classified as "Invested in art collection". During the 2016 fiscal year, an appraisal was conducted for insurance purposes by a member of the International Society of Appraisers. The art collection was appraised at \$ 3,918,500 for 72 items.

#### Bursary endowment reserve

Student awards may be granted from this reserve, through the UBC Awards Office, to the extent of interest earned, donations and government subsidies received.

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# The Alma Mater Society of The University of British Columbia Vancouver

Notes to the Financial Statements

April 30, 2018

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## 2. Significant accounting policies - continued

### Property and equipment

Property and equipment are carried at cost less accumulated amortization. The Society amortizes its property and equipment on a straight-line basis commencing within three months of acquisition or project completion, over the following estimated useful life of the asset:

|                                       |   |                       |
|---------------------------------------|---|-----------------------|
| Furniture, fixtures and equipment     | - | 4 years               |
| Nest Building furniture and equipment | - | 5 years               |
| Computer equipment                    | - | 3 years               |
| Nest Building                         | - | 55 years (lease term) |

At the end of the lease term, the Nest Building and related leasehold improvements will revert to the University of British Columbia.

### Impairment of long-lived assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of long-lived assets is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

### Revenue recognition

Revenue from fees collected is recognized when the services have been provided to the student, and when collection of the fee amount is believed to be reasonably assured.

Revenue from food, beverage and building services is recognized when the goods are received by the purchaser, or when the services have been provided to the purchaser, and when collection of the sale amount is believed to be reasonably assured.

Investment income includes dividend and interest income and is recognized as earned and when collection is believed to be reasonably assured.

### Financing fees

Costs relating to financing have been capitalized as financing fees, netted against long-term debt and amortized on a straight-line basis over the term of the related debt.

### Hedge accounting

The Society holds interest rate swaps to protect against changes in interest rates on floating-rate debt, which it designates as a hedge of an interest-bearing liability and to which it applies hedge accounting.

When hedge accounting is applied, interest rate swaps are not recognized. Net amounts receivable or payable on interest rate swaps are recognized monthly as an adjustment to interest on hedged long-term debt.

The Alma Mater Society of  
The University of British Columbia Vancouver  
Notes to the Financial Statements  
April 30, 2018

|    |                                                                                                                                                                                 |                  |                          |                  |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------------|------------------|
| 3. | Marketable securities                                                                                                                                                           | 2018             | 2017                     |                  |
|    |                                                                                                                                                                                 | \$               | \$                       |                  |
|    | Government and commercial marketable certificates maturing within twelve months bearing interest at effective annual rates ranging from 1.53% to 2.75% (2017 - 1.15% to 2.45%): |                  |                          |                  |
|    | - Original cost                                                                                                                                                                 | 6,215,856        | 5,465,000                |                  |
|    | - Effective accrued interest                                                                                                                                                    | <u>65,158</u>    | <u>35,113</u>            |                  |
|    | Current marketable securities                                                                                                                                                   | <u>6,281,014</u> | <u>5,500,113</u>         |                  |
|    | Government and commercial marketable certificates maturing beyond twelve months bearing interest at effective annual rates ranging from 2.12% to 3.02% (2017 - 2.12% to 3.02%): |                  |                          |                  |
|    | - Original cost                                                                                                                                                                 | 4,505,492        | 10,452,828               |                  |
|    | - Effective accrued interest                                                                                                                                                    | <u>30,760</u>    | <u>269,611</u>           |                  |
|    |                                                                                                                                                                                 | 4,536,252        | 10,722,439               |                  |
|    | Mutual funds                                                                                                                                                                    |                  |                          |                  |
|    | - Original cost                                                                                                                                                                 | 3,325,364        | -                        |                  |
|    | - Unrealized loss                                                                                                                                                               | <u>(32,572)</u>  | <u>-</u>                 |                  |
|    |                                                                                                                                                                                 | <u>3,292,792</u> | <u>-</u>                 |                  |
|    | Long-term marketable securities                                                                                                                                                 | <u>7,829,044</u> | <u>10,722,439</u>        |                  |
|    | Total marketable securities                                                                                                                                                     | 14,110,058       | 16,222,552               |                  |
| 4. | Property and equipment                                                                                                                                                          |                  | 2018                     |                  |
|    |                                                                                                                                                                                 |                  | \$                       |                  |
|    |                                                                                                                                                                                 | Cost             | Accumulated amortization |                  |
|    |                                                                                                                                                                                 |                  | Net                      |                  |
|    | Furniture, fixtures and equipment                                                                                                                                               | 5,980,946        | 3,454,238                | 2,526,708        |
|    | Computer equipment                                                                                                                                                              | 423,651          | 353,241                  | 70,410           |
|    | Student Nest Building                                                                                                                                                           | 104,020,962      | 5,085,405                | 98,935,557       |
|    | SUB renovation in progress                                                                                                                                                      | <u>6,165,628</u> | <u>-</u>                 | <u>6,165,628</u> |
|    |                                                                                                                                                                                 | 116,591,187      | 8,892,884                | 107,698,303      |

Included in SUB renovation in progress is \$3,707,689 (2017 - \$525,697) of construction costs and \$2,457,939 (2017 - \$Nil) of prepaid advances for construction costs to be incurred.

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| 4. Property and equipment - continued | 2017<br>\$         |                             |                    |
|---------------------------------------|--------------------|-----------------------------|--------------------|
|                                       | Cost               | Accumulated<br>amortization | Net                |
| Furniture, fixtures and equipment     | 5,831,231          | 2,290,389                   | 3,540,842          |
| Computer equipment                    | 380,841            | 312,987                     | 67,854             |
| Student Nest Building                 | 104,886,472        | 3,178,378                   | 101,708,094        |
| SUB renovation in progress            | <u>525,697</u>     | <u>-</u>                    | <u>525,697</u>     |
|                                       | <u>111,624,241</u> | <u>5,781,754</u>            | <u>105,842,487</u> |

During the year, amortization of property and equipment amounted to \$ 3,121,858 (2017 - \$ 3,171,982), of which \$ 1,214,831 (2017 - \$ 1,203,350) is classified as follows:

|                                        | 2018<br>\$       | 2017<br>\$       |
|----------------------------------------|------------------|------------------|
| Food, beverage and building services   | 982,736          | 963,552          |
| Other internally designated reserves   | 202,480          | 210,734          |
| Student Activities and Government      | 3,197            | 2,113            |
| Administrative and Information Systems | <u>26,418</u>    | <u>26,951</u>    |
|                                        | <u>1,214,831</u> | <u>1,203,350</u> |

During the year, the Society retired equipment with a net book value of \$ 7,663 for \$ Nil proceeds. The loss has been classified as an other internally designated reserves expense.

## 5. Line of credit

The Society has a revolving line of credit that is repayable on demand, which bears interest at the lender's prime rate of interest plus 0.25% and is uncollateralized. The Society may borrow up to \$ 2,500,000 under this credit facility. The balance of the line of credit at the end of fiscal 2018 was \$ Nil (2017 - \$ Nil).

## 6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are the following amounts due to governments:

|                      | 2018<br>\$    | 2017<br>\$     |
|----------------------|---------------|----------------|
| Payroll remittance   | 46,439        | 57,374         |
| GST/HST payable      | 29,516        | 43,494         |
| PST payable          | 8,901         | 9,860          |
| WorkSafe BC premiums | <u>6,005</u>  | <u>8,469</u>   |
|                      | <u>90,861</u> | <u>119,197</u> |



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7. Accrued interest payable

Interest of \$ 25,429 (2017 - \$ 2,049,796) on the long-term debt has been accrued up to April 30, 2018. The long-term debt payment, due October 2018, will be funded from the September 2018 student's special assessment. The deficit at year end relating to the accrued interest, to be funded from fees collected the following September, has been separately classified in net assets.

| 8. Long-term debt                                                                                                                                                                                                                                                                                                                                                                                              | 2018<br>\$         | 2017<br>\$        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|
| Requiring annual principal and interest payments of \$ 4,416,639 commencing October 15, 2016, with interest calculated at an annualized interest rate of 7.489% for the first period and 5.75% per annum for each year thereafter, due June 2050                                                                                                                                                               | -                  | 66,074,905        |
| Banker's acceptance bearing interest at the bankers acceptance rate currently prime plus 0.25% per annum plus a stamping fee of 0.50%; secured by a general security agreement, a mortgage of the lease and assignment of the rents on the leasehold interest in the Project Lands and an assignment of the student levy collected annually; due December 31, 2020, with options to extend annually thereafter | 67,477,000         | -                 |
| Unamortized financing fees                                                                                                                                                                                                                                                                                                                                                                                     | (200,274)          | -                 |
| Less: Current portion                                                                                                                                                                                                                                                                                                                                                                                          | <u>(2,694,303)</u> | <u>(617,332)</u>  |
|                                                                                                                                                                                                                                                                                                                                                                                                                | <u>64,582,423</u>  | <u>65,457,573</u> |

The following principal repayments are required in the following fiscal years:

|      | \$                |
|------|-------------------|
| 2019 | 2,694,303         |
| 2020 | 2,783,120         |
| 2021 | <u>61,799,303</u> |

9. Interest rate swap

The Society has entered into an interest rate swap to which hedge accounting is applied. The swap is used to hedge the Society's exposure to interest rate risk related to the long-term debt. Under the swap arrangement, interest is calculated at 2.73% per annum based on a notional amount equal to the long-term debt amount as described in Note 8 and matures on a basis consistent with the long-term debt repayment schedule.

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10. Deferred capital contributions

Contributions that are restricted for capital and have been spent on capital are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the related tangible capital asset.

|                                     | Capital<br>contribution | Accumulated<br>amortization | 2018<br>\$<br>Net |
|-------------------------------------|-------------------------|-----------------------------|-------------------|
| Nest Building - U.B.C. contribution | 25,000,000              | 1,212,121                   | 23,787,879        |

|                                     | Capital<br>contribution | Accumulated<br>amortization | 2017<br>\$<br>Net |
|-------------------------------------|-------------------------|-----------------------------|-------------------|
| Nest Building - U.B.C. contribution | 25,000,000              | 757,575                     | 24,242,425        |

11. Contingency

In 2009, Canada Revenue Agency ("CRA") conducted a Non-Profit Organization Risk Identification Project ("NPORIP") in which they randomly sampled approximately 1,400 of the 39,000 tax-filing non-profit organizations to see if they met the income tax exemption criteria under the Income Tax Act. Based on the published results of the NPORIP, CRA appears to be applying a restrictive view of the exemption criteria, which does not appear to be supported by existing case law. Accordingly, in CRA's view, a significant portion of incorporated NPOs would fail to meet all of the income tax exemption criteria. At this time CRA is focusing on education within the NPO sector to improve NPO compliance with the Income Tax Act, and has provided a copy of their report to the Department of Finance for consideration of amending the relevant legislation.

Society management believes that all requirements to be a tax-exempt body have been met; however, the ultimate conclusion to this matter is not determinable at this time and no accrual for any potential tax liability has been accrued.

12. Health and dental plan

The Society's health and dental plan is under refund/retention accounting which allows the Society to participate in the financial results of the plan. The plan includes a claims fluctuation reserve ("CFR") that is funded by surpluses in the plan and can be used in future years to cover any deficits. Once the CFR is fully funded, any surpluses in excess are refunded to the Society. The CFR is fully funded at 15% of annual premiums. During the 2018 fiscal year, a surplus of \$ 428,662 was refunded to the Society. During the 2017 fiscal year, the CFR covered a deficit of \$ 42,349. At the end of the August 31, 2017 policy year, the CFR balance was fully funded at \$ 1,364,333 (August 31, 2016 - \$ 1,199,967).

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| 13. Food, beverage and building services      | 2018<br>\$      |                 |                                                       |
|-----------------------------------------------|-----------------|-----------------|-------------------------------------------------------|
|                                               | <u>Revenue</u>  | <u>Expenses</u> | Excess<br>(deficiency) of<br>revenue over<br>expenses |
| Licensed premises                             | 3,409,284       | 3,068,774       | 340,510                                               |
| Food outlets                                  | 5,396,671       | 4,328,526       | 1,068,145                                             |
| Building services                             | 708,260         | 385,404         | 322,856                                               |
| Food and beverage services                    | 79,750          | 970,260         | (890,510)                                             |
| Administration and information systems        | <u>9,678</u>    | <u>941,106</u>  | <u>(931,428)</u>                                      |
|                                               | 9,603,643       | 9,694,070       | (90,427)                                              |
|                                               | 2017<br>\$      |                 |                                                       |
|                                               | <u>Revenue</u>  | <u>Expenses</u> | Excess<br>(deficiency) of<br>revenue over<br>expenses |
| Licensed premises                             | 3,091,482       | 3,054,612       | 36,870                                                |
| Food outlets                                  | 5,572,484       | 4,357,730       | 1,214,754                                             |
| Building services                             | 794,249         | 168,910         | 625,339                                               |
| Food and beverage services                    | 63,628          | 911,793         | (848,165)                                             |
| Administration and information systems        | <u>12,731</u>   | <u>863,595</u>  | <u>(850,864)</u>                                      |
|                                               | 9,534,574       | 9,356,640       | 177,934                                               |
|                                               | 2018<br>\$      |                 |                                                       |
| 14. Investment income                         | 2017<br>\$      |                 | 2018<br>\$                                            |
| Interest income                               | 234,168         | 322,408         |                                                       |
| Realized gain (loss) on sale of investments   | (23,448)        | -               |                                                       |
| Unrealized gain (loss) on sale of investments | <u>(32,572)</u> | <u>-</u>        |                                                       |
|                                               | 178,148         | 322,408         |                                                       |

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15. Remuneration paid to employees and contractors

Under the *Societies Act* (British Columbia), the Society is required to disclose the total number of employees and contractors earning over \$ 75,000 and total remuneration paid. The following details the remuneration paid during the fiscal year:

|                                     | 2018       | 2017       |
|-------------------------------------|------------|------------|
| Number of employees and contractors | 7          | 6          |
| Total remuneration paid             | \$ 753,239 | \$ 628,129 |

16. Remuneration paid to directors

Under the *Societies Act* (British Columbia), the Society is required to disclose any remuneration paid to directors. The following details the remuneration paid during the fiscal year:

|                                    | 2018          | 2017          |
|------------------------------------|---------------|---------------|
|                                    | \$            | \$            |
| President                          | 37,134        | 37,134        |
| VP of Finance                      | 37,134        | 37,134        |
| VP Administration                  | 37,134        | 37,134        |
| VP External                        | 37,134        | 37,134        |
| VP Academic and University Affairs | <u>37,134</u> | <u>37,134</u> |
|                                    | 185,670       | 185,670       |

17. Financial instruments

The Society's financial instruments consist of cash, sundry accounts and advances, amounts due from clubs and societies, marketable securities, accounts payable and amounts due to clubs and societies.

Interest rate risk

Marketable securities include long-term debt obligations bearing interest at fixed rates. These marketable securities are therefore subject to interest rate risk as fluctuations in market rates of interest may increase or decrease their fair value.

Credit risk

Sundry accounts and advances, amounts due from clubs and societies and marketable securities are exposed to credit risk due to the potential for counterparties to default on their contractual obligations. The maximum potential loss on all financial instruments is equal to the carrying amounts of those items.

Liquidity risk

The Society believes that it has sufficient credit facilities to ensure that funds are available to meet its current and long-term financial needs, at a reasonable cost.

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18. Interfund transfers and internal restrictions

Amounts of \$ 3,000, \$ 5,000 and \$ 15,000 (2017 - \$ 1,500, \$ 5,000, and \$ 15,000) were transferred respectively from Unrestricted to the Art Reserve, the Student Initiatives Reserve and the Municipal, Provincial and Federal Elections Reserves to fund disbursements such as repairing and maintaining art exhibits, student travel and miscellaneous expenses.

In addition, an amount of \$ 100,000 (2017 - \$ 100,000) was transferred from the Capital Projects Reserve to the Child Care Reserve to fund the expansion of child care facilities at the University.

19. Comparative figures

Certain 2017 figures have been reclassified to conform to the presentation used in the current year.