

**McGill Association of Continuing
Education Students Inc.**
Financial Statements
For the year ended May 31, 2012

McGill Association of Continuing Education Students Inc.
Financial Statements
For the year ended May 31, 2012

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Independent Auditor's Report

**To the Directors of
McGill Association of Continuing Education Students Inc.**

We have audited the accompanying financial statements of the McGill Association of Continuing Education Students Inc., which comprise the statement of financial position as at May 31, 2012, the statements of revenue and expenditures, changes in net assets and 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 generally accepted accounting principles, 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.



Independent Auditor's Report

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the McGill Association of Continuing Education Students Inc. as at May 31, 2012, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Other Matter

The financial statements of the McGill Association of Continuing Education Students Inc. for the year ended May 31, 2011 were audited by another auditor who expressed an unqualified opinion on those financial statements on January 19, 2012.

BDO Canada LLP/S.N./S.E.N.C.R.L.1

Montréal, Québec
January 28, 2013

¹ CPA auditor, CA public accountancy permit no. A113844

**McGill Association of Continuing Education Students Inc.
Statement of Financial Position**

May 31	2012	2011
		(Restated - Note 2)
Assets		
Current		
Cash	\$ 40,141	\$ 15,694
Term deposits, matured during the year (2011 - interest at 0.15%, due April 2012)	-	86,476
Accounts receivable (Note 4)	443,847	238,152
Prepaid expenses	685	670
	484,673	340,992
Capital assets (Note 5)	22,515	33,763
	\$ 507,188	\$ 374,755
<hr/>		
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 41,098	\$ 16,708
Net assets		
Invested in capital assets	22,515	33,763
Unrestricted	443,575	324,284
	466,090	358,047
	\$ 507,188	\$ 374,755

On behalf of the Board

_____ Director

_____ Director

**McGill Association of Continuing Education Students Inc.
Statement of Revenue and Expenditures**

For the year ended May 31	2012	2011
		(Restated - Note 2)
Revenue		
Student fees	\$ 255,531	\$ 279,136
Computer lab	1,845	2,127
Other	309	209
Interest	37	423
	257,722	281,895
 Expenditures (Schedule)		
Computer lab	82,048	77,349
Office	34,291	49,066
Building	17,590	18,286
Administration	13,963	13,407
Events	1,787	9,139
	149,679	167,247
 Excess of revenue over expenditures for the year	\$ 108,043	\$ 114,648

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

**McGill Association of Continuing Education Students Inc.
Statement of Changes in Net Assets**

For the year ended May 31	2012			2011
				(Restated - Note 2)
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year				
As previously stated	\$ 45,112	\$ 962,284	\$ 1,007,396	\$ 895,548
Prior period adjustment (Note 2)	(11,349)	(638,000)	(649,349)	(652,149)
As restated	33,763	324,284	358,047	243,399
(Deficiency) excess of revenue over expenditures for the year	(12,627)	120,670	108,043	114,648
Acquisition of capital assets	1,379	(1,379)	-	-
Balance, end of year	\$ 22,515	\$ 443,575	\$ 466,090	\$ 358,047

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

**McGill Association of Continuing Education Students Inc.
Statement of Cash Flows**

For the year ended May 31	2012	2011
		(Restated - Note 2)
Cash flows from operating activities		
Excess of revenue over expenditures for the year	\$ 108,043	\$ 114,648
Item not involving cash		
Amortization of capital assets	<u>12,627</u>	<u>17,137</u>
	120,670	131,785
Changes in non-cash working capital balances		
Accounts receivable	(205,695)	(223,202)
Prepaid expenses	(15)	-
Accounts payable and accrued liabilities	<u>24,390</u>	<u>(2,932)</u>
	(60,650)	(94,349)
Cash flows from investing activities		
Proceeds of term deposit	86,476	102,172
Purchase of capital assets	<u>(1,379)</u>	<u>-</u>
	85,097	102,172
Increase in cash during the year	24,447	7,823
Cash, beginning of year	<u>15,694</u>	<u>7,871</u>
Cash, end of year	\$ 40,141	\$ 15,694

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

McGill Association of Continuing Education Students Inc.

Notes to Financial Statements

May 31, 2012

1. Significant Accounting Policies

Purpose of the Association The McGill Association of Continuing Education Students ("MACES") was incorporated under Part III of the *Québec Companies Act* on September 27, 1989. The Association promotes the welfare and interests of its members by pursuing the enhancements of their educational, environmental and social conditions. The Association is a not-for-profit organization.

Use of Estimates The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to estimates and assumptions include, but are not limited to estimated useful lives of capital assets, impairment of long-lived assets, accrued liabilities and revenue recognition. Actual results could differ from management's best estimates as additional information becomes available in the future.

Revenue Recognition The Association follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions, comprised of student fee revenues, are recognized on a straight-line basis over the academic term as service is rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

Computer lab, interest and other revenue are recognized as the services are provided or earned when the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital Assets Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Leasehold improvements	Lease term
Computer equipment	30% diminishing balance
Furniture and fixtures	5 years straight-line
Equipment	5 years straight-line

McGill Association of Continuing Education Students Inc. Notes to Financial Statements

May 31, 2012

Long-lived Assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. Any impairment loss would be determined as the excess of the carrying value of the assets over their fair value.

Financial Instruments

The Association's financial instruments consist of cash, accounts receivable and accounts payable. The Association has chosen to apply Section 3861, Financial Instruments - Disclosure and Presentation in place of Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation. Additional disclosures in respect of the Association's financial instruments are included in Note 8.

Cash is classified as held-for-trading and is measured at fair value.

Accounts receivable is classified as loans and receivables. It is initially recognized at fair value and subsequently carried at amortized cost less any provision for impairment.

Accounts payable is classified as other financial liabilities. It is initially recognized at fair value and is subsequently carried at amortized cost.

Transaction costs related to all financial instruments are expensed as incurred.

**Recent Accounting
Pronouncement**

Accounting Standards for Not-for-Profit Organizations

The Accounting Standards Board of Canada has announced that, for years beginning on or after January 1, 2012, not-for-profit organizations, other than public sector organizations, will be required to adopt either International Financial Reporting Standards ("IFRS") or the new Accounting Standards for Not-for-Profit Organizations ("ASNPO"), being Accounting Standards for Private Enterprises ("ASPE") plus the current Section 4400 series of standards. The Association has decided to apply ASNPO effective June 1, 2012 and is currently evaluating the impact of the adoption of this change within its financial statements.

McGill Association of Continuing Education Students Inc. Notes to Financial Statements

May 31, 2012

2. Prior Period Adjustments

In the preparation of its 2012 financial statements, MACES determined that certain items were incorrectly accounted for in the prior years and has made prior period adjustments for these items as follows:

- **Building investment:** On November 13, 1991 the Association entered into a building lease agreement for a term of ten years with The Royal Institution for the Advancement of Learning/McGill University ("McGill") for the use of its building. Semi-annual accumulated rental payments of \$30,000 each were paid by MACES to McGill each year to a total of \$540,000. According to the lease agreement in effect during this 10-year period, if termination of the lease agreement had occurred as a result of default on the part of McGill, the university would have remitted to MACES the association's initial investment \$150,000 together with the accumulated rental payments paid, without interest. This lease agreement expired in 2001. The audited financial statements for the year ended May 31, 2011 classify the accumulated rental payments and the initial investment as a long-lived asset ("Building Investment") with a carrying value of \$690,000.
- The current administration has determined that due to the expiration of this lease agreement in 2001 and the fact that negotiations for a replacement agreement were not in effect as at May 31, 2001 that the Building Investment did not meet the criteria for recognition as a long-lived asset and thus restated the opening balance to \$0.
- As at May 31, 2012 MACES has signed a new lease agreement with McGill in which there is no default clause which would require McGill to remit any initial investment or accumulated rental payments to MACES.
- **Accounts payable:** An amount of \$52,000 related to building renovations anticipated for 2010 was incorrectly accrued for the year ending May 31, 2009. MACES determined that as no renovations had taken place during the subsequent period that this balance incorrectly overstated the Association's liabilities and understated its net assets. As a result an adjustment was made to reflect the Association's correct net asset position as at June 1, 2010.
- **Capital assets:** certain building leasehold improvements previously classified as capital assets were written down to a net book value of \$0 as their amortization period of 10 years had ended as at May 31, 2001. As such, no amortization should have been taken as at May 31, 2011.

The effect of the prior period adjustments on the Statement of Financial Position as at May 31, 2011 and on the Statement of Revenue and Expenditures for the year ended May 31, 2011 is summarized as follows :

	As previously reported	Restatement	As-restated
Building investment	\$ 690,000	\$ (690,000)	\$ -
Accounts payable	\$ 68,708	\$ (52,000)	\$ 16,708
Capital assets	\$ 45,112	\$ (11,349)	\$ 33,763
Net assets	\$ 1,007,396	\$ (649,349)	\$ 358,047
Excess of revenue over expenditures	\$ 111,848	\$ 2,800	\$ 114,648

McGill Association of Continuing Education Students Inc. Notes to Financial Statements

May 31, 2012

3. Capital Management

The Association's capital consists of its net assets. The Association's objective in managing its capital is to safeguard its ability to continue as a going concern and have sufficient liquidity so it can continue to meet the aims described in Note 1. The need for sufficient liquidity is considered in the preparation of the annual budget. As at May 31, 2012 the Association has met its objective of having sufficient liquidity to meet its current obligations. The Association's operating policies are developed and monitored to ensure the Association's capital is maintained at an appropriate level. There are no restrictions on the Association's capital. There have been no changes to the Association's objectives, policies and processes for managing capital since the prior year.

4. Accounts Receivable

	2012	2011
Student fees receivable from McGill University	\$ 441,672	\$ 236,141
Sales tax receivable	2,175	1,728
Other	-	283
	\$ 443,847	\$ 238,152

5. Capital Assets

	2012		2011	
				(Restated - Note 2)
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 92,305	\$ 92,305	\$ 92,305	\$ 92,026
Computer equipment	53,514	35,161	53,514	27,295
Furniture and fixtures	22,187	19,128	22,187	14,922
Equipment	20,286	19,183	18,907	18,907
	\$ 188,292	\$ 165,777	\$ 186,913	\$ 153,150
Net book value		\$ 22,515		\$ 33,763

McGill Association of Continuing Education Students Inc. Notes to Financial Statements

May 31, 2012

6. Accounts Payable and Accrued Liabilities

	2012	2011
		(Restated - Note 2)
Accounts payable and accrued liabilities	\$ 36,625	\$ 11,532
Salaries and benefits payable	4,421	4,667
Other payables	52	509
	<u>\$ 41,098</u>	<u>\$ 16,708</u>

7. Commitments

The Association has entered into an operating lease for rental of premises expiring in 2017. The minimum annual lease payments and operating costs required over the remaining lease term and in aggregate is as follows:

2013	\$ 12,000
2014	15,000
2015	17,500
2016	20,000
2017	22,500
	<u>\$ 87,000</u>

The Association has also committed to pay McGill University's School of Continuing Studies \$10,000 in scholarships and \$20,000 towards a coordinator's salary in 2013 and \$10,000 in scholarships in 2014.

8. Financial Instruments

Credit Risk

The Association is exposed to credit risk arising from its holdings in cash and accounts receivable. The Association's maximum exposure to credit risk is limited to the amounts recorded in the financial statements. The Association mitigates credit risk by investing its cash in credit worthy institutions and monitoring the aging and creditworthiness of the accounts receivable.

Other Risks

Due to the nature of its financial instruments and operations, the Association does not believe that it is exposed to any significant liquidity or market risks.

**McGill Association of Continuing Education Students Inc.
Notes to Financial Statements**

May 31, 2012

9. Comparative Figures

Certain of the prior year's comparative figures have been regrouped to conform to the current year's presentation.

**McGill Association of Continuing Education Students Inc.
Schedule of Expenses**

For the year ended May 31	2012	2011
		(Restated - Note 2)
Computer lab		
Salaries and fringe benefits	\$ 40,636	\$ 33,803
Computer support services	22,187	20,015
Amortization of computer equipment	7,866	11,956
Amortization of equipment, furniture and fixtures	4,482	4,206
Materials and supplies	3,379	5,755
Book and periodicals	3,266	1,284
Equipment rentals	232	330
	\$ 82,048	\$ 77,349
Office		
Professional fees	\$ 16,519	\$ 2,500
Salaries and employee benefits	11,847	25,553
Telephone	3,137	4,466
Management fees	1,107	1,000
Miscellaneous	1,033	2,562
Interest and bank charges	411	505
Survey prize	144	385
Representation fees	51	1,709
Postage and delivery	42	34
Scholarship	-	7,200
Surveillance and monitoring fees	-	1,449
Advertising	-	1,000
Materials and supplies	-	406
License and taxes	-	297
	\$ 34,291	\$ 49,066
Building		
Insurance	\$ 8,056	\$ 8,049
Cleaning contract	7,975	8,307
Repairs and maintenance	1,113	723
Amortization of leasehold improvements	279	975
Supplies	167	232
	17,590	18,286
Administration		
Director's fees	\$ 13,144	\$ 13,200
Other	819	207
	\$ 13,963	\$ 13,407

**McGill Association of Continuing Education Students Inc.
Schedule of Expenses**

For the year ended May 31	2012	2011
		(Restated - Note 2)
Events		
Parties	\$ 1,787	\$ 5,022
Pre-exam	-	2,889
Promotion welcome week	-	595
Career event	-	300
Team building activities	-	217
Gift certificate	-	116
	<hr/>	<hr/>
	\$ 1,787	\$ 9,139
