

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Notes to Financial Statements

Year ended May 31, 2016

7. Deferred contributions related to capital building:

During the year, McMaster University collected fees from the members of the Association in the amount of \$215,864 (2015 - \$219,307) for the capital building fund. These funds were collected to finance the capital improvements/relocation of the GSA offices and the Phoenix Bar and Grill.

Deferred contributions related to capital building represent restricted contributions which the Association is using to fund the leasehold improvements of the new location. This balance will be amortized to revenue on the same basis as the amortization expense related to the leasehold improvements. The changes in deferred contributions related to capital assets for the year are as follows:

	2016	2015
Balance, beginning of year	\$ 1,569,413	\$ 1,494,513
Contributions received for capital building	215,864	219,307
Less amortization of deferred capital contributions	(148,893)	(144,407)
	<u>\$ 1,636,384</u>	<u>\$ 1,569,413</u>

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8. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2016	2015
Capital assets	\$ 2,241,048	\$ 2,341,677
Amounts financed by:		
Deferred contributions	(1,636,384)	(1,569,413)
Long-term debt	(554,373)	(721,534)
	<u>\$ 50,291</u>	<u>\$ 50,730</u>

(b) Change in net assets invested in capital assets is calculated as follows:

	2016	2015
Excess of revenues over expenses:		
Amortization of capital assets	\$ (111,774)	\$ (138,246)
Amortization of deferred capital contributions	148,893	144,407
	<u>\$ 37,119</u>	<u>\$ 6,161</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 11,145	\$ 6,324
Amounts funded by:		
Deferred capital contributions	(215,864)	(219,307)
Repayment of long-term debt	167,161	159,239
	<u>\$ (37,558)</u>	<u>\$ (53,744)</u>

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9. Commitment:

The Association is committed under a lease for premises with McMaster University, the annual rentals of which are negotiated on a year to year basis. Monthly rent payments are \$5,503 inclusive of HST, base and additional rent charges. Additional rent charges are subject to annual inflation adjustments.

10. Contingent liability:

The Association is subject to certain actual and potential legal claims, which have arisen in the normal course of operations. These claims are not expected to have a material impact on financial position or operating results of the Association.

11. Financial instruments:

(a) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2015.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Association is exposed to credit risk with respect to accounts receivable. The Association assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(c) Interest rate risk:

The Association is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate long-term debt is included in note 6.

