

**Brandon University Students'
Union Inc.**

Financial Statements
For the year ended April 30, 2021

Draft

Brandon University Students' Union Inc.

Financial Statements

For the year ended April 30, 2021

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Independent Auditor's Report

To the members of Brandon University Students' Union Inc.

Qualified Opinion

We have audited the accompanying financial statements of Brandon University Students' Union Inc. (the Entity), which comprise the statement of financial position as at April 30, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at April 30, 2021, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended April 30, 2021 and 2020, current assets as at April 30, 2021 and 2020, and net assets as at May 1 and April 30 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended April 30, 2020 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Brandon, Manitoba
TBD

Brandon University Students' Union Inc. Statement of Financial Position

April 30	2021	2020
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Assets

Current Assets

Cash and bank	\$ 370,503	\$ 327,383
Short term investments (Note 2)	21,507	21,283
Accounts receivable	14,001	14,926
Inventories	-	75
Prepays	-	27,841
	406,011	391,508

Capital Assets (Note 3)

36,319	30,870
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\$ 442,330	\$ 422,378
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Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued liabilities	\$ 33,803	\$ 51,328
Deferred revenue (Note 6)	17,793	7,393
	51,596	58,721

Net Assets

Unrestricted	108,651	111,205
Invested in capital assets	36,319	30,870
Internally restricted for reserves (Note 7)	105,958	119,275
Internally restricted for student health and dental plan (Note 7)	139,806	102,307
	390,734	363,657
	\$ 442,330	\$ 422,378

Commitments (Note 11)

Brandon University Students' Union Inc.
Statement of Changes in Net Assets

For the year ended April 31

	Invested in Capital Assets	Internally Restricted Reserve	Student Health and Dental Plan	Unrestricted Reserve	2021	2020
Balance, beginning of year	\$ 30,870	\$ 119,275	\$ 102,307	\$ 111,205	\$ 363,657	\$ 418,581
Surplus (deficit) for the year	(6,325)	-	37,499	(4,097)	27,077	(54,924)
Transfers	-	(13,317)	-	13,317	-	-
Purchase of capital assets	11,774	-	-	(11,774)	-	-
Balance, end of year	\$ 36,319	\$ 105,958	\$ 139,806	\$ 108,651	\$ 390,734	\$ 363,657

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

Brandon University Students' Union Inc. Statement of Operations

For the year ended April 30 **2021** 2020

Revenue

Health and dental fees	\$ 469,750	\$ 439,750
Student fees	278,233	288,704
Bus passes	60,849	63,587
Canadian Federation of Student fees	46,563	48,259
Publications	2,787	23,198
Administration fees	9,500	9,500
Health and dental management fees	9,500	9,500
Office	283	5,174
Pepsi agreement	5,000	5,000
Entertainment	33	323
Miscellaneous	4,721	6,520
Interest	224	368
Mingling area	475	2,328
Sales of product income	-	115
	887,918	902,326

Expenses

General and administrative expenses (per schedule page 15)	337,761	396,260
Health and dental payouts	516,755	556,172
Amortization expense	6,325	4,818
	860,841	957,250

Surplus (deficit) for year **\$ 27,077** \$ (54,924)

Allocated to:

Unrestricted	\$ (4,097)	\$ (5,166)
Invested in Capital Assets	(6,325)	(4,818)
Student Health and Dental Plan	37,499	(44,942)
	\$ 27,077	\$ (54,926)

Brandon University Students' Union Inc. Statement of Cash Flows

For the year ended April 30	2021	2020
Cash Flows from Operating Activities		
Surplus (deficit) for the year	\$ 27,077	\$ (54,924)
Adjustments for		
Amortization of capital assets	6,325	4,818
	<u>33,402</u>	<u>(50,106)</u>
Changes in non-cash working capital balances		
Accounts receivable	925	2,849
Inventories	75	-
Prepays	27,841	(27,841)
Accounts payable and accrued liabilities	(17,525)	23,408
Deferred revenue	10,400	(9,657)
	<u>21,716</u>	<u>(11,241)</u>
	55,118	(61,347)
Cash Flows from Investing Activities		
Purchase of capital assets	(11,774)	(391)
Increase (decrease) in cash and cash equivalents during the year	43,344	(61,738)
Cash and cash equivalents, beginning of year	348,666	410,406
Cash and cash equivalents, end of year	\$ 392,010	\$ 348,666
Represented by		
Cash and bank	\$ 370,503	\$ 327,383
Short term investments	21,507	21,283
	<u>\$ 392,010</u>	<u>\$ 348,666</u>

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

Brandon University Students' Union Inc.

Notes to Financial Statements

April 30, 2021

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Entity is a not-for-profit organization incorporated in Manitoba. Any surplus the Entity may generate is non-taxable. The entity represents the student body of Brandon University, acting as facilitators of programs elected by vote, acting as negotiators with suppliers in the selection of activities held and products sold on campus, and acting in cooperation with Brandon University Administration in addressing student concerns regarding the quality and administration of educational programs.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Capital Assets

Purchases of capital assets are capitalized in the year of purchase at cost and amortized over the expected life of the asset as follows:

Building	5% declining balance
Furniture	20% declining balance
Equipment	20% declining balance

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Estimates have been used by management in the following areas:

- The estimation of the collectible amount of accounts receivable outstanding at year end;
- The settlement amount of liabilities accrued at year end; and
- Useful life of capital assets.

Brandon University Students' Union Inc.

Notes to Financial Statements

April 30, 2021

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue is derived from student fees, rental income and grants. Student fees are earned once the course withdrawal date has passed. Rental income is earned once the service has been delivered. Grants are earned once the cash has been received. All other revenues are recognized when received or receivable and collectibility is reasonably assured.

The Entity follows the deferral method of accounting for restricted contributions. Under this method, restricted contributions are recognized in the period that the related expenditure is incurred.

Deferred revenue is made up of unearned students fees paid in April that relate to the spring and summer sessions.

Inventory

Inventory includes buttons and water bottles used by the Entity during orientation events and is measured at the lower of cost and current replacement cost. Cost is determined using the first-in first-out method.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. All financial instruments are subsequently reported at cost or amortized cost less impairment, if applicable. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. When a significant change in the expected timing or amount of future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Brandon University Students' Union Inc.

Notes to Financial Statements

April 30, 2021

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the Entity's long lived assets may be impaired, a test of recoverability would be performed.

Such a test entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required.

For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

2. Short-term Investments

	<u>2021</u>	<u>2020</u>
Scotiabank term deposit carrying interest of 1.26% paid upon maturity, maturing December 2021.	\$ 21,507	\$ 21,283

3. Capital Assets

	<u>2021</u>		<u>2020</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building	\$ 30,621	\$ 16,665	\$ 30,621	\$ 15,931
Furniture	29,600	24,293	29,600	22,966
Equipment	64,015	46,959	52,241	42,695
	\$ 124,236	\$ 87,917	\$ 112,462	\$ 81,592
Net book value		\$ 36,319		\$ 30,870

Brandon University Students' Union Inc. Notes to Financial Statements

April 30, 2021

4. Due to/from Related Parties

The Quill Incorporated is related to Brandon University Students' Union Inc. by virtue of common control. All transactions between the parties consisted of advances and repayment of advances. The amounts due to/from related parties are non-interest bearing and there are no specified terms of repayment. There are currently no amounts owing between The Quill Incorporated and Brandon University Students' Union Inc.

Knowles Douglas Student Union Centre Inc. is related to Brandon University Students' Union Inc. by virtue of common control. All transactions between the parties consisted of advances and repayment of advances. There are currently no amounts owing between Knowles Douglas Student Union Centre Inc. and Brandon University Students' Union Inc.

Brandon University has significant influence over Brandon University Students' Union Inc., and is therefore a related party. All transactions between the parties consisted of advances and repayment of advances. The amounts due to/from related parties are non-interest bearing and there are no specified terms of repayment.

	<u>2021</u>	<u>2020</u>
Due from Brandon University.	\$ 6,949	\$ 5,168

All related party transactions are in the normal course of business and are measured at the exchange amount.

5. Government Remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$5,926 (2020 - \$14,658) and receivable of \$568 (2020 - \$nil).

6. Deferred Revenue

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 7,393	\$ 17,050
Revenue deferred during the year	17,793	7,393
Revenue recognized during the year	(7,393)	(17,050)
	<u>\$ 17,793</u>	<u>\$ 7,393</u>

Brandon University Students' Union Inc. Notes to Financial Statements

April 30, 2021

7. Internally Restricted Reserve Funds

The internally restricted reserve funds have been allocated as follows:

	<u>2021</u>	<u>2020</u>
Stabilization Reserve	\$ 55,697	\$ 55,697
Food Bank Reserve	18,319	19,319
Legal Reserve	8,000	14,500
Technology and Office Reserve	23,942	29,759
	<u>\$ 105,958</u>	<u>\$ 119,275</u>

Brandon University Students' Union Inc. has set aside funds in reserve to be used for a variety of purposes. Individual reserves are to be used as follows:

Stabilization reserve - to support Brandon University Students' Union Inc. in the event of a financial crisis, which is defined as a decline in union revenues of 5% in a given year. No withdrawal from this fund shall exceed half of the total fund value. No withdrawal from this fund shall exceed what is necessary to bring the current year's revenue to within 5% of the three-year running average. Brandon University Students' Union Inc. shall make an annual allocation to this reserve in an amount equivalent to 5% minimum of bookstore revenues.

Food Bank reserve - to provide food services to Brandon University students who are in need of support, a Food Bank Reserve is maintained. All donations to the Food Bank are restricted for use within that program. The reserve accounts shall be reconciled at the end of each fiscal year and a deposit or withdrawal of the account shall only take place if the food bank has a net loss or net profit. A deposit or withdrawal of the account shall take place to start the Food Bank operating account with \$2,000 in the following fiscal year.

Legal reserve - a Legal reserve shall be maintained and shall have a minimum of \$500 allocated each fiscal year. The reserve may be accessed in a year that legal expenses exceed \$2,000.

Technology and office reserve - to be used for technology expenses, extraordinary office upkeep, and improvements to the office. Technology expenses may include computer equipment, software, and other equipment technology that are directly related to the operation of the office. Extraordinary office upkeep and improvements to the office may include painting, flooring, furniture and similar expenses. This fund is not to be used for regular office maintenance such as cleaning and minor repairs. Any revenue collected from the sale of used equipment or technology should be returned to this reserve. The council shall make annual allocations of \$5,000 minimum to this reserve. Transfers to and from this fund should be based on a multi-year capital plan.

Student Health and Dental Plan reserve - to hold funds that are restricted for expenditures on the student health and dental plan. Contributions from students are added to the plan each year and the fund is decreased as premiums are paid each month along with an annual management fee of \$10,000.

Brandon University Students' Union Inc. Notes to Financial Statements

April 30, 2021

8. Economic Dependence

Brandon University Students' Union Inc. is economically dependent on Brandon University for the collection of student fee revenue.

9. Council Composition

The incorporating act of Brandon University Students' Union Inc. stipulates that the Council of the Union consist of:

Three members of the Executive and fourteen Directors elected annually by the members of the Union, and/or faculty.

10. Contractual Obligations

The Entity entered into an agreement with Pepsico Canada on February 27, 2018. The purpose of the agreement is to give the Pepsi Bottling Group exclusive rights to serve soft drink beverages in exchange for various consideration given. The term of the agreement is from January 2018 to December 2022.

The agreement includes consideration to the Brandon University Students' Union Inc. in the amount of \$25,000 payable to be received over the five years. During the year, Pepsi gave \$5,000 (2020 - \$5,000), for marketing purposes.

11. Commitment

The Entity presently leases office equipment under an operating lease. Subsequent to the year end additional office equipment was obtained under an operating lease.

The minimum annual lease payments for the next five years are as follows:

2022	\$	14,620
2023		15,984
2024		15,555
2025		15,555
2026		15,555
		<hr/>
Total	\$	<u>77,269</u>

12. Financial Risk Management

The Entity, as part of its operations, carries a number of financial instruments. It is management's opinion that the Entity is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise noted.

Brandon University Students' Union Inc. Notes to Financial Statements

April 30, 2021

13. Uncertainty due to COVID-19

During the year, the impact of COVID-19 in Canada and on the global economy increased significantly. The global pandemic has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. The Entity's ability to continue to meet obligations as they come due is dependent on the continued ability to generate cash flows. The Entity may experience a decline in printer revenues and room rental revenues as university classes are being held virtually. The Entity has adequate reserves to continue operations until classes resume back to normal. Management is actively monitoring the affect on its financial condition, liquidity, operations, industry and workforce.

Brandon University Students' Union Inc. Schedule of Expenses

For the year ended April 30	2021	2020
Bad debts	\$ 4,655	\$ 3,021
Bank charges and interest	625	1,392
Bus passes	60,454	64,313
Canadian Federation of Student Fees	46,563	48,259
Conferences and travel fund	6,326	7,447
Council - expense	1,365	3,516
Council - salaries	35,473	40,715
Cultural and entertainment	-	928
Donations	1,619	1,824
Election	-	406
Entertainment	6,095	4,427
Grants	17,000	19,450
Handbook	-	10,186
Insurance	5,979	5,828
Machine - repairs and maintenance	3,641	6,695
Membership development	5,286	10,649
Merchandise	3,426	11,102
Miscellaneous	323	1,025
Office - salaries and benefits	94,660	121,151
Office - supplies	14,328	9,397
Postage	262	154
Professional fees	21,950	10,263
Publications	1,064	4,335
Telephone and fax	6,389	7,497
Web page	278	280
Women's collective	-	2,000
	\$ 337,761	\$ 396,260