

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY

FINANCIAL STATEMENTS

APRIL 30, 2019

Draft for discussion only

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
FINANCIAL STATEMENTS
APRIL 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Arts Undergraduate Society of McGill University

Qualified Opinion

We have audited the financial statements of Arts Undergraduate Society of McGill University (the Association), which comprise the statement of financial position as at April 30, 2019, 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 Association as at April 30, 2019, 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 Association derives part of its receipts from the general public in the form of cash receipts, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Association. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of (deficiency) revenues over expenses and cash flows for the years ended April 30, 2019 and 2018, assets as at April 30, 2019 and 2018 and net assets as at April 30, 2019 and 2018. Our audit opinion on the financial statements for the year ended April 30, 2018 was modified accordingly because of the possible effects of this limitation of 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 Association 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 the 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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.

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Montreal,

¹ By CPA auditor, CA, public accountancy permit No. A118902

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
STATEMENT OF FINANCIAL POSITION
AS AT APRIL 30, 2019

	2019	2018
	\$	\$
ASSETS		
Current		
Cash	194,175	23,018
Term deposits (Note 3)	302,320	327,000
Accounts receivable (Note 4)	62,845	76,609
Prepaid expenses	40,479	23,668
	599,819	450,295
Capital assets (Note 5)	10,999	18,622
	610,818	468,917
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	48,484	38,666
NET ASSETS		
Invested in capital assets	10,999	18,622
Unrestricted	551,335	411,629
	562,334	430,251
	610,818	468,917
Commitments (Note 7)		

Approved by,

Date

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED APRIL 30, 2019

	2019	2018
	\$	\$
Revenues		
Programs	507,894	394,840
SNAX store sales	187,967	217,913
Sponsorships	70,915	35,519
Student fees	287,759	242,879
Interest	4,336	1,807
Improvement fund allocations	11,323	38,192
	1,070,194	931,150
Expenses		
Programs	391,157	402,697
SNAX store	159,264	172,674
Sponsorships	13,153	27,705
Advertising and promotion	7,512	8,403
Amortization of capital assets	7,973	12,402
Contributions and subscriptions	8,087	8,018
Insurance	10,296	9,546
Interest and bank charges	3,437	1,370
Office expenses	97,821	72,120
Professional fees	31,923	39,568
Salaries and fringe benefits	162,927	139,337
Travelling	44,561	39,225
	938,111	933,065
Excess (deficiency) of revenues over expenses	132,083	(1,915)

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2019

	Net assets capital assets \$	Unrestricted \$	2019 Total \$	2018 Total \$
Balance, beginning of year	18,622	411,629	430,251	432,166
Excess (deficiency) of revenues over expenses	(7,973)	140,056	132,083	(1,915)
Acquisition of capital assets	350	(350)	-	-
Balance, end of year	10,999	551,335	562,334	430,251

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ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2019

	2019	2018
	\$	\$
Operating activities		
Excess (deficiency) of revenues over expenses	132,083	(1,915)
Item not requiring cash		
Amortization of capital assets	7,973	12,402
	140,056	10,487
Net change in non-cash working capital items	6,771	(55,694)
	146,827	(45,207)
Investing activities		
Acquisition of term deposits	(302,320)	(327,000)
Acquisition of capital assets	(350)	(1,399)
Proceeds from redemption of term deposits	327,000	35,567
	24,330	(292,832)
Increase (decrease) in cash and cash equivalents	171,157	(338,039)
Cash and cash equivalents, beginning of year	23,018	361,057
Cash and cash equivalents, end of year	194,175	23,018

Cash and cash equivalents consist of cash.

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2019

1. Statutes of incorporation and nature of activities

Arts Undergraduate Society of McGill University is a student-run not-for-profit organization, incorporated under Part III of Quebec Companies' Act and is exempt from the payment of income taxes under the Income Tax Act.

The Association's objective is to promote and represent the welfare and interests of the students of the faculty of arts at McGill University by providing activities and services to enhance the educational, cultural, environmental and social conditions of its members.

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting and include the following accounting policies:

Revenue recognition

Student fees are collected from students by McGill University and are recognized as revenues by the Association when the funds are collected by the University.

Sponsorships revenue is recognized by the Association when received or when collection is reasonably assured.

Programs revenues of the Association and its constituent associations are recognized as revenue in the period that the programs occurred.

Sales of goods from the SNAX convenience store are recognized when the goods are delivered and when the funds are collected.

Improvement fund allocations represent funds from the McGill University to provide assistance to the Association for maintenance and capital expenditures. These revenues are recognized following approval of expenses submitted by the Association to the McGill University.

Interest income is recognized on a time basis in the period in which it is earned.

Financial instruments

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2019

2. Significant accounting policies (continued)

Financial instruments (continued)

Measurement of financial instruments

The Association initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, term deposits and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of possible impairment. The Association determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the statement of financial position date. The amount of the write-down is recognized in the Statement of Operations. The previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the Statement of Operations.

Cash and cash equivalents

The Association's policy is to disclose bank balances under cash and cash equivalents.

Capital assets

Capital assets are accounted for at cost. Amortization is calculated on their respective estimated useful lives using the straight-line method over the following periods:

	<u>Periods</u>
Furniture	5 years
Office equipment	5 years
Computer equipment	3 years

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2019

2. Significant accounting policies (continued)

Impairment of long-lived assets

Capital 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 the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Contributed services

Volunteers contribute significant hours annually to assist the Association in carrying out its activities. Due to the difficulty in determining the fair value of this volunteer time, such contributions are not recognized in the financial statements.

The Association receives free rental of office space from McGill University, however, the value of this rent is difficult to estimate, and is therefore not included in the financial statements.

3. Term deposits

	2019	2018
	\$	\$
Term deposit GIC - 0.50% due March 17, 2020	10,000	-
Term deposit GIC - 1.50% due December 17, 2019	250,000	-
Term deposit GIC - 0.50% due November 16, 2019	32,320	-
Term deposit GIC - 0.50% due November 16, 2019	10,000	-
Term deposit GIC - 0.50% matured on March 17, 2019	-	10,000
Term deposit GIC - 1.00% matured on November 16, 2018	-	317,000
	302,320	327,000

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2019

4. Accounts receivable

	2019	2018
	\$	\$
Student fees	7,870	8,787
Sales tax	7,022	-
Programs	47,953	67,822
	62,845	76,609

5. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
	\$	\$	\$	\$
Furniture	31,828	22,918	8,910	14,064
Office equipment	10,228	9,939	289	1,335
Computer equipment	22,015	20,215	1,800	3,223
	64,071	53,072	10,999	18,622

6. Accounts payable and accrued liabilities

	2019	2018
	\$	\$
Trade accounts payable	45,967	36,155
Deduction at source	222	21
Sales tax payable	-	2,223
Salaries payable	2,295	267
	48,484	38,666

7. Commitments

The commitment of the Association under a lease agreement aggregates to \$5,238. The instalments over the next year are the following:

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2019

7. Commitments (continued)

	\$
2020	5,238

8. Financial instruments

Risks and concentration

The Association is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Association's risk exposure at the balance sheet date of April 30, 2019

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Association is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk on its fixed interest rate term deposits which subjects it to a fair value risk.

9. Economic dependence

The Association receives student fees from member payments that are collected by McGill University on behalf of the Association to ensure the continuity of its operations.

10. Comparative figures

Certain figures for 2018 have been reclassified to make their presentation identical to that adopted in 2019.