

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY

FINANCIAL STATEMENTS

APRIL 30, 2021

**ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
FINANCIAL STATEMENTS
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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, 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 Association 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 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, 2021 and 2020, assets as at April 30, 2021 and 2020 and net asset balances 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 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.

FL Fuller Landau LLP

Montreal, October 18, 2021

¹ By CPA auditor, CA, public accountancy permit No. AI 18902



ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
STATEMENT OF FINANCIAL POSITION
AS AT APRIL 30, 2021

	2021	2020
	\$	\$
ASSETS		
Current		
Cash	306,762	77,650
Term deposits (Note 3)	261,789	263,700
Accounts receivable (Note 4)	131,477	221,946
Prepaid expenses	9,227	9,284
	709,255	572,580
Capital assets (Note 5)	1,795	6,365
	711,050	578,945
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	34,259	63,850
NET ASSETS		
Invested in capital assets	1,795	6,365
Unrestricted	674,996	508,730
	676,791	515,095
	711,050	578,945

Commitment (Note 7)

On behalf of the Board,

_____, Director

_____, Director

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED APRIL 30, 2021

	2021	2020
	\$	\$
Revenues		
Programs	28,674	276,517
SNAX store sales	-	61,967
Sponsorships	19,222	43,780
Student fees	333,244	281,568
Interest	3,264	4,140
Improvement fund allocations	28,227	33,144
Work study allocations	27,298	25,000
	439,929	726,116
Expenses		
Advertising and promotion	6,273	9,624
Amortization of capital assets	4,570	5,134
Contributions and subscriptions	13,457	13,582
Insurance	12,251	11,367
Interest and bank charges	1,522	2,048
Office expenses	36,976	85,175
Professional fees	32,399	38,537
Programs	63,041	372,852
SNAX store	3,575	81,742
Salaries and fringe benefits	84,334	123,736
Sponsorships	19,835	9,108
Travelling	-	20,450
	278,233	773,355
Excess (deficiency) of revenues over expenses	161,696	(47,239)

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2021

	Net assets capital assets \$	Unrestricted \$	2021 Total \$	2020 Total \$
Balance, beginning of year	6,365	508,730	515,095	562,334
Excess (deficiency) of revenues over expenses	(4,570)	166,266	161,696	(47,239)
Balance, end of year	1,795	674,996	676,791	515,095

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2021

	2021	2020
	\$	\$
Operating activities		
Excess (deficiency) of revenues over expenses	161,696	(47,239)
Item not requiring cash		
Amortization of capital assets	4,570	5,134
	166,266	(42,105)
Net change in non-cash working capital items	60,934	(112,540)
	227,200	(154,645)
Investing activities		
Acquisition of term deposits	(261,788)	(263,700)
Acquisition of capital assets	-	(500)
Proceeds from redemption of term deposits	263,700	302,320
	1,912	38,120
Increase (decrease) in cash and cash equivalents	229,112	(116,525)
Cash and cash equivalents, beginning of year	77,650	194,175
Cash and cash equivalents, end of year	306,762	77,650

Cash and cash equivalents consist of cash.

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2021

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 on a straight-line basis over the school year.

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.

Work study allocations represent funds from the McGill University to provide assistance to the Association for salaries. 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.

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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2. Significant accounting policies (continued)

Financial instruments

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
Computer equipment	3 years

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2021

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

	2021	2020
	\$	\$
Term deposit GIC - 0.40% due January 27, 2022	251,788	-
Term deposit GIC - 0.10% due March 17, 2022	10,001	-
Term deposit GIC - 1.35% matured on January 13, 2021	-	253,700
Term deposit GIC - 0.50% matured on March 17, 2021	-	10,000
	261,789	263,700

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2021

4. Accounts receivable

	2021	2020
	\$	\$
Student fees	9,587	8,151
Sales tax	31,775	37,970
Programs	90,115	175,825
	131,477	221,946

5. Capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
	\$	\$	\$	\$
Furniture	31,828	30,629	1,199	5,026
Computer equipment	22,515	21,919	596	1,339
	54,343	52,548	1,795	6,365

6. Accounts payable and accrued liabilities

	2021	2020
	\$	\$
Accounts payable and accrued liabilities	24,466	53,204
Deduction at source	2,750	4,178
Salaries payable	7,043	6,468
	34,259	63,850

7. Commitment

The commitment of the Association under a lease agreement aggregates to \$5,820 and matures in March 2022.

ARTS UNDERGRADUATE SOCIETY OF MCGILL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2021

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, 2021.

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.