DRAFT Financial Statements of

SAINT MARY'S UNIVERSITY STUDENTS' ASSOCIATION

And Independent Auditors' Report thereon

Years ended April 30, 2019 and 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Saint Mary's University Students' Association

Opinion

We have audited the financial statements of Saint Mary's University Students' Association (the Entity), which comprise:

- the statement of financial position as at April 30, 2019 and April 30, 2018
- the statements of operating revenue and expenditures for the years then ended
- the statements of net assets for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at April 30, 2019 and April 30, 2018 and its results of operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' 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 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 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.

Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' 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
- 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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Chartered Professional Accountants, Licensed Public Accountants

Halifax, Canada

SAINT MARY'S UNIVERSITY STUDENTS' ASSOCIATION

Statement of Financial Position

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April 30, 2019 and 2018

		2019		2018
Assets				
Current assets:				
Cash (note 2)	$	554,261	$	268,377
Accounts receivable		148,185		58,171
Inventories		44,865		36,129
Prepaid expenses		20,843		18,591
		768,154		381,268
Capital assets (note 3)		528,366		168,157
Investments (note 4)		55,194		53,351
	$	1,351,714	$	602,776
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 5)	$	546,178	$	126,351
Deferred contributions (note 6):				
Expenses of future periods		40,300		37,672
Capital assets		434,370		85,284
Net assets:				
Unrestricted		186,870		220,596
Bursary fund (note 7)		50,000		50,000
Equity in capital assets (note 8)		93,996		82,873
		330,866		353,469
	$	1,351,714	$	602,776

See accompanying notes to financial statements.

On behalf of the Students' Association

____________________________ President

SAINT MARY'S UNIVERSITY STUDENTS' ASSOCIATION

Statements of Operating Revenue and Expenditures

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Years ended April 30, 2019 and 2018

	2019	2018
Revenue:		
Student fees:		
Health plan	$ 2,563,201	$ 2,359,771
Unrestricted	694,333	688,808
MBA Society student fee levy	2,093	2,558
AST student fee revenue	19,196	15,512
Alumni contribution	-	6,000
Upass	1,166,066	1,154,771
	4,444,889	4,227,420
Expenditures:		
Health plan	2,563,201	2,359,771
Council	301,407	359,551
Upass	1,152,806	1,145,840
Information services	30,179	39,366
Liquor services	26,000	10,679
Administration	298,115	308,952
Programming	86,306	70,357
Publications	(12,794)	(53,175)
	4,445,220	4,241,341
Excess of expenditures over revenue before the undernoted	(331)	(13,921)
Amortization of capital assets	(65,497)	(36,485)
Amortization of deferred contributions	43,225	15,794
	(22,272)	(20,691)
Excess of expenditures over revenue	$ (22,603)	$ (34,612)

See accompanying notes to financial statements.

SAINT MARY'S UNIVERSITY STUDENTS' ASSOCIATION

Statements of Net Assets

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Years ended April 30, 2019 and 2018

	Equity in capital assets	Bursary	Internally restricted	Unrestricted	Total 2019	Total 2018
Balance, beginning of year	$ 82,873	$ 50,000	$ -	$ 220,596	$ 353,469	$ 388,081
Deficiency of revenues over expenditures	(22,272)	-	-	(331)	(22,603)	(34,612)
Net change in equity in capital assets	33,395	-	-	(33,395)	-	-
	$ 93,996	$ 50,000	$ -	$ 186,870	$ 330,866	$ 353,469

See accompanying notes to financial statements.

SAINT MARY'S UNIVERSITY STUDENTS' ASSOCIATION

Statement of Cash Flows

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Years ended April 30, 2019 and 2018

		2019		2018
Cash provided by (used in):				
Operations:				
Excess of expenditures over revenue	$	(22,603)	$	(34,612)
Items not involving cash:				
Amortization of capital assets		65,497		36,485
Amortization of deferred contributions		(43,225)		(15,794)
Deferred contributions recognized as revenue		(9,872)		(6,800)
Accounts receivable		(90,014)		(6,703)
Inventories		(8,736)		(3,715)
Prepaid expenses		(2,252)		(8,715)
Accounts payable and accrued liabilities		419,827		(98,218)
		308,622		(138,072)
Financing:				
Purchase of capital assets		(425,706)		(50,000)
Net increase in deferred contributions		404,811		50,000
Net increase in investments		(1,843)		-
		(22,738)		-
Increase (decrease) in cash		285,884		(138,072)
Cash, beginning of year		268,377		406,449
Cash, end of year	$	554,261	$	268,377

See accompanying notes to financial statements.

Saint Mary's University Students' Association (SMUSA) (the "Association") is incorporated as a corporation without share capital under the Act of Incorporation of Saint Mary's University Students' Association of Nova Scotia. The Association is the official representative organization of the students of Saint Mary's University. SMUSA works with the university on academic issues, lobbies government, and ensures the coordination of artistic, literary, educational, social and recreational activities for Saint Mary's students. The Association is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit for Organizations in Part III of the CPA Canada Handbook.

(a) Revenue recognition:

The Association follows the deferral method of accounting for contributions. Under the Act of Incorporation Saint Mary's University Students' Association and regulations thereto, the Association is funded primarily by the student fees collected by Saint Mary's University.

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

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

1. Significant accounting policies (continued):

(b) Investments:

Investments are classified as held for trading and stated at fair value. In determining fair value, adjustments have not been made for transaction costs as they are not considered to be significant.

Fair value of investments are determined as follows:

Fixed income securities and equities are valued at year end quoted market prices where available. Where quoted market prices are not available, estimated fair values calculated using comparable securities.

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

Investment income, which is recorded on the accrual basis, includes interest income, dividends, net realized gains/losses on sale of securities and net unrealized gains/losses.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the life of an asset are capitalized. When a capital asset no longer contributes to the Association's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Lounge improvements	10 years
Lounge equipment	10 years
Computer equipment	3 years
Office equipment	10 years
Other equipment	10 years
Office renovations	10 years
Vehicles	5 years
Cash registers	3 years
Marketing improvements	5 years

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of property, plant and equipment; provisions for impairment of trade accounts receivable; future income taxes; and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Restricted cash:

Cash includes restricted balances related to deferred contributions - expenses of future periods of $40,300 (2018 - $37,672).

3. Capital assets:

						2019		2018
		Cost		Accumulated amortization		Net book value		Net book value
Lounge improvements	$	565,297	$	446,944	$	118,353	$	111,834
Lounge equipment		152,381		145,575		6,806		8,370
Computer equipment		20,650		20,586		64		65
Office equipment		69,367		67,797		1,570		3,195
Other equipment		51,601		40,012		11,589		15,076
Office renovations		470,615		81,846		388,769		24,292
Vehicles		77,189		76,816		373		5,298
Marketing improvements		12,896		12,054		842		27
	$	1,419,996	$	891,630	$	528,366	$	168,157

4. Investments:

		2019		2018
Cash and cash equivalents	$	1,905	$	373
Mutual funds		29,376		29,378
Equities		23,913		23,600
	$	55,194	$	53,351

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $38,657 (2018 - $35,945), which includes amounts payable for HST and payroll related taxes.

6. Deferred contributions:

Deferred contributions related to expenses of future periods represent unspent resources externally restricted resources for specific programs that are related to subsequent periods. Deferred contributions related to capital assets represent contributed capital assets and restricted contributions with which certain assets were originally purchased. Changes in the deferred contributions balance are as follows:

	Expenses of future periods	Capital assets	2019	2018
Balance, beginning of year	$ 37,672	$ 85,284	$ 122,956	$ 95,550
Amounts received during the year	12,500	392,311	404,811	50,000
Less amounts recognized as revenue during the year	(9,872)	(43,225)	(53,097)	(22,594)
	$ 40,300	$ 434,370	$ 474,670	$ 122,956

During the year $121,300 (2018 - $121,748) in student fee levys were collected to fund capital projects. Of this amount nil (2018 - nil) was recognized as revenue and was used to fund repayment of amounts owing to Saint Mary's University related to capital projects. Of the total funds received to fund capital assets in 2019 of $392,311, $300,000 (2018 - $50,000) was funded by SMUSA reserves and the remaining $92,301 was funded by internal reserves of Saint Mary's University. At April 30, 2019, the total balance in the capital fund is $131,411 (2018 - $302,636), which is to be used to fund capital projects on campus as approved by the Association and the Saint Mary's University Board of Governors.

7. Bursary fund:

The Association has allocated $50,000 to a fund, the income on which will be paid out annually to students of Saint Mary's University in the form of $250 or $500 bursaries.

8. Equity in capital assets:

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

		2019		2018
Capital assets	$	528,366	$	168,157
Less amounts financed by:				
Deferred contributions - capital assets		(434,370)		(85,284)
	$	93,996	$	82,873

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

		2019		2018
Excess of revenues over expenditures:				
Amortization of capital assets	$	(65,497)	$	(36,485)
Amortization of deferred contributions - capital assets		43,225		15,794
	$	(22,272)	$	(20,691)

		2019		2018
Net change in equity in capital assets:				
Amortization of capital assets	$	425,706	$	50,000
Amortization of deferred contributions - capital assets		(392,311)		(50,000)
	$	33,395	$	-

9. Related party transactions:

Saint Mary's University collects Students' Association fees from the students at no charge to the Students' Association. Saint Mary's University also remits Health Plan fees and Capital Campaign revenues on behalf of the Association.

The Association also pays Saint Mary's University for various services received during the year or for items purchased by the University on behalf of the Association. The total amount paid to the University is composed of the following items:

	2019	2018
Athletics	$ 35,000	$ 35,000
Telephone lease	7,205	6,936
	$ 42,205	$ 41,936

10. Financial risks:

(a) Fair value:

The carrying value of cash, restricted cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair value because of the relatively short period to maturity of the instruments. The fair value of investments is based on year-end quoted market prices as disclosed in note 4.

(b) Associated risks:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate volatility, market, credit and liquidity risk.

(i) Interest rate risk:

Interest rate risk is the risk that the market value of the Association's investments will fluctuate due to changes in market interest rates. The value of the Association's assets is affected by short-term changes in nominal interest rates. To mitigate this risk, the Association invests its portfolio primarily in fixed income and income producing instruments including cash and money market securities.

10. Financial risks (continued):

(b) Associated risks (continued):

(ii) Market risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting all similar financial instruments traded in the market. As all of the Association's investments are carried at fair value with fair value changes recognized in the statement of operating revenue and expenditures, all changes in market conditions will directly result in an increase (decrease) in the excess of revenues over expenditures

(iii) Credit risk:

Credit risk is 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 cash, accounts receivable, and investments. The Association limits the amount of credit exposure with its cash balances by only maintaining cash with major Canadian financial institutions and the investments must adhere to specific limitations as outlined in the Association's investment policies. The Association assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts; $13,429 (2018 - $13,429) has been allowed for in the current year.

(iv) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfills its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements and through the receipt of student fees. The Association prepares budget and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2017

SAINT MARY'S UNIVERSITY STUDENTS' ASSOCIATION

Schedule 1 - Liquor Services
(Unaudited)

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Years ended April 30, 2019 and 2018

	2019	2018
Lounge:		
Sales	$ 289,923	$ 333,958
Cost of sales, including supplies	92,970	96,377
Gross profit	196,953	237,581
Cover charge	6,276	1,736
	203,229	239,317
Expenditures:		
Wages and benefits	134,183	165,449
SOCAN fee	3,552	3,046
Repairs and maintenance	5,520	5,352
Miscellaneous	29,963	18,037
Equipment and video rentals	12,476	18,937
Games room	305	1,159
Management	41,078	37,599
Insurance	2,762	2,735
	229,229	249,996
Excess of expenditures over revenues	$ (26,000)	$ (10,679)

SAINT MARY'S UNIVERSITY STUDENTS' ASSOCIATION

Schedule 2 - Council Expenditures
(Unaudited)

DRAFT

Years ended April 30, 2019 and 2018

	2019	2018
Honoraria	$ 102,505	$ 128,310
Athletic grant	35,000	35,000
Society grants	22,153	35,717
Memberships	59,746	60,958
Student conferences	15,696	20,221
Elections	2,709	7,247
Computer lease	2,589	2,470
Employee benefits	6,311	8,313
Miscellaneous	54,698	61,315
Total expenditures	$ 301,407	$ 359,551

SAINT MARY'S UNIVERSITY STUDENTS' ASSOCIATION

Schedule 3 - Information Services
(Unaudited)

DRAFT

Years ended April 30, 2019 and 2018

	2019	2018
Revenues:		
Bus passes and tickets	$ 14,426	$ 17,744
Postage	286	321
Fax	-	26
Other	1	1
	14,713	18,092
Expenditures:		
Bus passes and tickets	3,636	17,266
Wages and benefits	26,815	26,089
Postage	55	321
Computer lease	824	786
Miscellaneous	410	463
Management	13,152	12,533
	44,892	57,458
Excess of expenditures over revenues	$ (30,179)	$ (39,366)

SAINT MARY'S UNIVERSITY STUDENTS' ASSOCIATION

Schedule 4 - Administration
(Unaudited)

DRAFT

Years ended April 30, 2019 and 2018

	2019	2018
Revenues:		
Corporate commissions and donations	$ 16,691	$ 17,371
Photocopier	1,552	2,215
Interest income	23,877	11,116
Miscellaneous	1	20
	42,121	30,722
Expenditures:		
Salaries and benefits	199,701	189,264
Supplies	9,501	21,453
Telephone and postage	10,407	10,967
Bank charges and interest	3,671	3,546
Charter Day banquet	8,500	12,427
Miscellaneous	25,168	36,356
Professional fees	25,722	15,509
Bad debts	-	180
Repairs and maintenance	4,671	6,665
Insurance	27,166	27,079
Conferences	10,969	9,565
Staff training	8,026	1,162
HST	94	-
Leases	6,640	5,501
	340,236	339,674
Excess of expenditures over revenues	$ (298,115)	$ (308,952)

SAINT MARY'S UNIVERSITY STUDENTS' ASSOCIATION

Schedule 5 - Programming
(Unaudited)

DRAFT

Years ended April 30, 2019 and 2018

	2019	2018
Marketing and advertising:		
Revenue	$ 27,905	$ 714
Expenditures	59,308	25,963
	(31,403)	(25,249)
Orientation week:		
Revenue	83,638	57,083
Expenditures	83,247	46,417
	391	10,666
General programming:		
Revenue	32,294	30,807
Expenditures	44,293	42,236
	(11,999)	(11,429)
Husky safety patrol:		
Revenue	15,165	5,287
Expenditures	58,460	49,632
	(43,295)	(44,345)
Excess of expenditures over revenues	$ (86,306)	$ (70,357)

SAINT MARY'S UNIVERSITY STUDENTS' ASSOCIATION

Schedule 6 - Publications
(Unaudited)

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Years ended April 30, 2019 and 2018

		2019		2018
Revenues:				
Yearbook student levy	$	45,644	$	45,061
Expenditures:				
Yearbook production		31,000		(13,664)
Wages, benefits and other		1,850		5,550
		32,850		8,114
Excess of expenditures over revenues	$	12,794	$	53,175