

Financial Statements of

**UNIVERSITY OF
SASKATCHEWAN
STUDENTS' UNION**

And Independent Auditors' Report thereon

Year ended April 30, 2020



INDEPENDENT AUDITORS' REPORT

To the Members of University of Saskatchewan Students' Union

Opinion

We have audited the financial statements of University of Saskatchewan Students' Union (the Entity), which comprise:

- the statement of financial position as at April 30, 2020
- the statement of operations for the year then ended
- the statement of deficit for the year then ended
- the statement of cash flows for the year 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, 2020 and its results of operations and its cash flows for the year 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 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.

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.



Page 2

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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that extends to the right.

Chartered Professional Accountants
Saskatoon, Canada

September 2, 2020

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Statement of Financial Position

April 30, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,621,470	\$ 415,669
Accounts receivable	96,129	82,158
Inventories (note 2)	108,846	113,263
Prepaid expenses	7,176	14,769
Investments (note 3)	6,690,859	6,996,700
Due from University of Saskatchewan	94,099	86,015
	<u>8,618,579</u>	<u>7,708,574</u>
Property and equipment (note 4)	18,799,565	19,745,018
Trust assets	2,000	2,000
	<u>\$ 27,420,144</u>	<u>\$ 27,455,592</u>

Liabilities and Deficit

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 1,468,984	\$ 1,601,035
Deferred revenue	44,520	35,672
Current portion of long-term debt (note 6)	387,543	360,907
	<u>1,901,047</u>	<u>1,997,614</u>
Long-term debt (note 6)	15,213,009	15,600,652
Deferred capital contributions (note 7)	11,897,547	11,468,810
Trust liability	2,000	2,000
Total liabilities	<u>29,013,603</u>	<u>29,069,076</u>
Deficit	(1,593,459)	(1,613,484)
	<u>\$ 27,420,144</u>	<u>\$ 27,455,592</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Statement of Operations

Year ended April 30, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Sales	\$ 1,712,597	\$ 1,985,684
Student fees	1,691,857	1,606,463
Amortization of deferred capital contributions (note 7)	1,598,343	1,657,790
Facilities	904,977	947,774
Marketing and media	126,892	125,213
Investment income	117,915	98,955
Student services	37,496	41,492
Entertainment	32,518	48,393
Ratification revenue	16,715	16,429
Other revenue	10,766	15,899
	6,250,076	6,544,092
Expenses:		
Business operations	1,806,814	1,993,233
Administrative	1,133,928	1,046,901
Amortization	1,120,549	1,197,285
Building maintenance	843,487	831,329
Financing costs	838,593	868,219
Student governance	230,388	229,397
Student services	185,438	227,695
Marketing and media	35,980	35,710
Entertainment	28,888	52,343
	6,224,065	6,482,112
Excess of revenue over expenses before the undernoted item	26,011	61,980
Loss on disposal of property and equipment	5,986	6,643
Excess of revenue over expenses	\$ 20,025	\$ 55,337

See accompanying notes to financial statements.

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Statement of Deficit

Year ended April 30, 2020, with comparative information for 2019

	2020	2019
Deficit, beginning of year	\$ (1,613,484)	\$ (1,668,821)
Excess of revenue over expenses	20,025	55,337
Deficit, end of year	\$ (1,593,459)	\$ (1,613,484)

See accompanying notes to financial statements.

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Statement of Cash Flows

Year ended April 30, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 20,025	\$ 55,337
Items not involving cash:		
Amortization of deferred capital contributions	(1,598,343)	(1,657,789)
Amortization	1,120,549	1,197,285
Fair value adjustments on investments	716	(19,256)
Loss on disposal of property and equipment	5,986	6,643
	<u>(451,067)</u>	<u>(417,780)</u>
Changes in non-cash operating working capital:		
Accounts receivable	(13,971)	(15,308)
Inventories	4,417	(12,140)
Prepaid expenses	7,593	(4,477)
Due from University of Saskatchewan	(8,084)	(18,259)
Accounts payable and accrued liabilities	(132,051)	(37,004)
Deferred revenue	8,848	(4,870)
	<u>(584,315)</u>	<u>(509,838)</u>
Financing:		
Repayment of long-term debt	(361,007)	(344,364)
Deferred capital infrastructure fees	2,027,080	2,007,475
	<u>1,666,073</u>	<u>1,663,111</u>
Investing:		
Purchase of property and equipment	(181,671)	(225,018)
Net changes in investments	305,125	(933,103)
Proceeds on disposal of property and equipment	589	1,131
	<u>124,043</u>	<u>(1,156,990)</u>
Increase (decrease) in cash and cash equivalents	1,205,801	(3,717)
Cash and cash equivalents, beginning of year	415,669	419,386
Cash and cash equivalents, end of year	<u>\$ 1,621,470</u>	<u>\$ 415,669</u>

See accompanying notes to financial statements.

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Notes to Financial Statements

Year ended April 30, 2020

Nature of operations:

University of Saskatchewan Students' Union ("USSU") is responsible for the governing of undergraduate student affairs at the University of Saskatchewan. The USSU is a dynamic and progressive organization committed to meeting the academic and non-academic needs of undergraduate students through advocacy and services. It strives to lead consultatively and ethically while bolstering the image of the students and the University of Saskatchewan.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations using the deferral method of accounting for contributions. The Organization's significant accounting policies are as follows:

(a) Use of estimates:

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include carrying amounts and estimated useful life of property and equipment, and related deferred capital contributions. Actual results could differ from those estimates.

(b) Cash and cash equivalents:

Cash consists of balances with financial institutions which have an initial term to maturity of three months or less.

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value on a first-in, first out basis.

(d) Property and equipment:

Property, plant and equipment are stated at cost, less accumulated amortization. Amortization is provided using the declining balance method and following annual rates:

Asset	Rate
Equipment	15-30%
Furniture and fixtures	5-30%
Leasehold improvements	4-20%

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended April 30, 2020

1. Significant accounting policies (continued):

(e) Revenue recognition:

Sales, entertainment, facilities, student services, marketing and media revenue is recorded in the statement of operations when the services have been provided or the products have been sold and the related amounts have been received or become receivable.

Student fees are recognized as revenue over the over the academic term for which services are delivered.

(f) Deferred revenue:

Deferred revenue relates to funds received which relate to the next fiscal year.

(g) Deferred capital contributions:

Deferred capital contributions are comprised of:

- funds received from capital grants which are deferred and amortized to revenue in the statement of operations on the same basis that the related property and equipment is amortized.
- funds received from infrastructure fees which are deferred and amortized to revenue in the statement of operations on the following basis:
 - portion of fees designated for paying down the mortgage for the Place Riel addition: amortized to revenue based on principal and interest paid or payable on long-term debt.
 - portion of fees approved and designated for capital projects: amortized to revenue based on the same basis that the related property and equipment is amortized.

(h) Contributed materials and services:

The USSU pays a nominal fee to the University of Saskatchewan under the terms of a Head Lease and Master Operating Agreement for the rental of certain facilities. The fair value of this contribution is not included in these financial statements.

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended April 30, 2020

1. Significant accounting policies (continued):

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at amortized cost.

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. These costs 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, USSU 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 USSU expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

USSU utilizes an interest rate swap to convert floating rate financial liabilities to fixed rates. To meet the criteria for hedge accounting, USSU documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

(j) Adoption of Canadian accounting standards for not-for-profit organizations:

On May 1, 2019, USSU adopted the following standard as issued by the Canadian Accounting Standards Board:

Section 4433 Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components. Adoption of this standards has not resulted in any changes to the financial statements

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended April 30, 2020

2. Inventories:

	2020		2019	
Louis'	\$	80,166	\$	85,554
XL Print & Design		28,355		27,384
Promotional merchandise		325		325
	\$	108,846	\$	113,263

3. Investments:

	2020		2019	
Mutual funds	\$	775,870	\$	1,514,275
Term deposits		5,914,989		5,482,425
	\$	6,690,859	\$	6,996,700

Term deposits have interest rates of 1.60% to 2.95% (2019 - 1.35% to 2.95%) and mature between 2020 and 2021.

4. Property and equipment:

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 2,305,885	\$ 1,948,666	\$ 357,219	\$ 405,004
Furniture and fixtures	618,077	409,815	208,262	222,730
Leasehold improvements	29,187,347	10,953,263	18,234,084	19,117,284
	\$ 32,111,309	\$ 13,311,744	\$ 18,799,565	\$ 19,745,018

5. Accounts payable and accrued liabilities:

As of April 30, 2020, USSU had outstanding government remittances consisting of GST, PST and liquor tax payable of \$330 (2019 - \$14,565) that were paid subsequent to year end.

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended April 30, 2020

6. Long-term debt:

	2020	2019
Toronto-Dominion and First Nations Bank of Canada - term facility repayable in monthly installments of \$65,600 with interest at 5.395% and due on June 1, 2040. Secured by a general security agreement.	\$ 10,240,000	\$ 10,474,000
Toronto-Dominion and First Nations Bank of Canada - term facility repayable in monthly installments of \$34,500 with interest at 5.33% and due on January 1, 2041. Secured by a general security agreement.	5,360,552	5,487,559
	15,600,552	15,961,559
Less current portion	(387,543)	(360,907)
	\$ 15,213,009	\$ 15,600,652

The USSU has an interest rate swap agreement in place with TD Securities with terms that match the long-term credit facilities. The interest rate swap fixed the interest rates at the rates described above. Interest on long-term debt during the year was \$838,593 (2019 - \$868,219). Principal repayments required on the term loans in each of the next five years and thereafter are estimated as follows:

2021	\$ 387,543
2022	412,790
2023	434,953
2024	470,671
2025	499,647
Thereafter	13,394,948
	\$ 15,600,552

The University of Saskatchewan has guaranteed these loans.

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended April 30, 2020

7. Deferred capital contributions:

Deferred Capital Contributions from Capital Grants	2020	2019
Balance, beginning of year	\$ 2,241,091	\$ 2,366,342
Amortization	(117,642)	(125,251)
Balance, end of year	\$ 2,123,449	\$ 2,241,091
Deferred Contributions Related to Infrastructure Fees	2020	2019
Balance, beginning of year	9,227,719	8,752,782
Amortization	(1,480,701)	(1,532,538)
Infrastructure fees	2,027,080	2,007,475
Balance, end of year	\$ 9,774,098	\$ 9,227,719
	\$ 11,897,547	\$ 11,468,810

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended April 30, 2020

8. Financial instruments and risk management:

The USSU, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk and market risk (interest rate risk and other price risk).

(a) Credit risk:

The USSU's principal financial assets are cash and cash equivalents, accounts receivable, and short term investments, which are subject to credit risk. The carrying amount of these financial assets on the statement of financial position represent the USSU's maximum credit exposure at April 30, 2020.

The USSU is exposed to credit risk from the potential non-payment of accounts receivable. This credit risk is considered minimal given the USSU's collection history. The credit risk on short-term investments is minimized by investing in short-term interest bearing instruments issued by financial institutions with strong credit ratings. The credit risk on cash and cash equivalents is minimized because the USSU deals with financial institutions that have strong credit ratings.

(b) Interest rate risk:

USSU's exposure to interest rate risk arises primarily from long-term debt. Interest rates have been fixed through a long-term interest rate swap agreement to mitigate cash flow exposure to fluctuation in interest rates.

The interest-bearing, short term investments have a limited exposure to interest rate risk due to their short-term maturity.

(c) Fair values:

The carrying value of cash and cash equivalents, accounts receivable, due from/to University of Saskatchewan, accounts payable and accrued liabilities approximate fair value due to the relatively short periods to maturity of these instruments or because they are receivable or payable on demand.

The fair value of long-term debt, adjusted for the interest rate swap was \$22,062,139 at April 30, 2020.

The carrying value of short-term investments approximates their fair value.

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended April 30, 2020

9. COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the operating results and financial position of the business in the future.

Currently Place Riel and the businesses are closed to the public and will continue as no students are expected on campus to the end of the calendar year. The University of Saskatchewan continues to plan to deliver remote learning for students for the fall semester. In response the USSU has agreed to reduce infrastructure fee by 50% for the fall term and has frozen student fees at current levels.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the business is not known at this time.