

Financial Statements of

**UNIVERSITY OF
SASKATCHEWAN
STUDENTS' UNION**

And Independent Auditors' Report thereon

Year ended April 30, 2021



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, 2021
- 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, 2021 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.



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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, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants
Saskatoon, Canada

September 8, 2021

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Statement of Financial Position

April 30, 2021, with comparative information for 2020

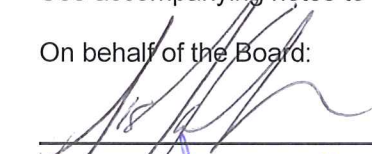
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 909,769	\$ 1,621,470
Accounts receivable	31,691	96,129
Inventories (note 2)	81,389	108,846
Prepaid expenses	15,329	7,176
Investments (note 3)	7,412,663	6,690,859
Due from University of Saskatchewan	-	94,099
	<u>8,450,841</u>	<u>8,618,579</u>
Property and equipment (note 4)	17,914,718	18,799,565
Trust assets	2,000	2,000
	<u>\$ 26,367,559</u>	<u>\$ 27,420,144</u>

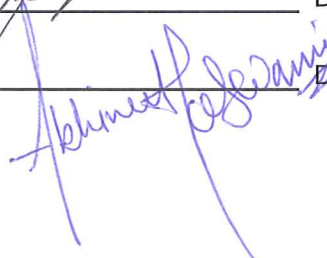
Liabilities and Deficit

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 1,141,707	\$ 1,468,984
Deferred revenue	37,474	44,520
Due to University of Saskatchewan	18,284	-
Current portion of long-term debt (note 6)	412,790	387,543
	<u>1,610,255</u>	<u>1,901,047</u>
Long-term debt (note 6)	14,800,219	15,213,009
Deferred capital contributions (note 7)	11,574,342	11,897,547
Trust liability	2,000	2,000
Total liabilities	<u>27,986,816</u>	<u>29,013,603</u>
Deficit	(1,619,257)	(1,593,459)
	<u>\$ 26,367,559</u>	<u>\$ 27,420,144</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, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Student fees	\$ 1,704,203	\$ 1,691,857
Amortization of deferred capital contributions (note 7)	1,563,740	1,598,343
Facilities	412,791	904,977
Sales	163,173	1,712,597
Investment income	113,779	117,915
Marketing and media	51,095	126,892
Ratification revenue	4,214	16,715
Student services	1,160	37,496
Other revenue	20	10,766
Entertainment	-	32,518
	4,014,175	6,250,076
Expenses:		
Amortization	1,044,030	1,120,549
Administrative	940,369	1,133,928
Financing costs	818,253	838,593
Business operations	490,190	1,806,814
Building maintenance	464,159	843,487
Student governance	212,281	230,388
Student services	53,768	185,438
Marketing and media	14,850	35,980
Entertainment	540	28,888
	4,038,440	6,224,065
(Deficiency) excess of revenue over expenses before the undernoted item	(24,265)	26,011
Loss on disposal of property and equipment	1,533	5,986
(Deficiency) excess of revenue over expenses	\$ (25,798)	\$ 20,025

See accompanying notes to financial statements.

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Statement of Deficit

Year ended April 30, 2021, with comparative information for 2020

	2021	2020
Deficit, beginning of year	\$ (1,593,459)	\$ (1,613,484)
Excess of revenue over expenses	(25,798)	20,025
Deficit, end of year	\$ (1,619,257)	\$ (1,593,459)

See accompanying notes to financial statements.

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Statement of Cash Flows

Year ended April 30, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
(Deficiency) excess of revenue over expenses	\$ (25,798)	\$ 20,025
Items not involving cash:		
Amortization of deferred capital contributions	(1,563,740)	(1,598,343)
Amortization	1,044,030	1,120,549
Fair value adjustments on investments	565	716
Loss on disposal of property and equipment	1,533	5,986
	(543,410)	(451,067)
Changes in non-cash operating working capital:		
Accounts receivable	64,438	(13,971)
Inventories	27,457	4,417
Prepaid expenses	(8,153)	7,593
Due to University of Saskatchewan	112,383	(8,084)
Accounts payable and accrued liabilities	(327,277)	(132,051)
Deferred revenue	(7,046)	8,848
	(681,608)	(584,315)
Financing:		
Repayment of long-term debt	(387,543)	(361,007)
Deferred capital infrastructure fees	1,240,535	2,027,080
	852,992	1,666,073
Investing:		
Purchase of property and equipment	(160,716)	(181,671)
Net changes in investments	(722,369)	305,125
Proceeds on disposal of property and equipment	-	589
	(883,085)	124,043
Increase (decrease) in cash and cash equivalents	(711,701)	1,205,801
Cash and cash equivalents, beginning of year	1,621,470	415,669
Cash and cash equivalents, end of year	\$ 909,769	\$ 1,621,470

See accompanying notes to financial statements.

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Notes to Financial Statements

Year ended April 30, 2021

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 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, 2021

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, 2021

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.

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended April 30, 2021

2. Inventories:

	2021	2020
Louis'	\$ 58,480	\$ 80,166
XL Print & Design	22,584	28,355
Promotional merchandise	325	325
	\$ 81,389	\$ 108,846

3. Investments:

	2021	2020
Mutual funds	\$ 3,330,904	\$ 775,870
Term deposits	4,081,759	5,914,989
	\$ 7,412,663	\$ 6,690,859

4. Property and equipment:

		2021	2020
	Cost	Accumulated amortization	Net book value
Equipment	\$ 2,307,765	\$ 2,035,736	\$ 272,029
Furniture and fixtures	717,912	447,171	270,741
Leasehold improvements	29,227,351	11,855,403	17,371,948
	\$ 32,253,028	\$ 14,338,310	\$ 17,914,718

5. Accounts payable and accrued liabilities:

As of April 30, 2021, USSU had outstanding government remittances consisting of GST, PST and liquor tax payable of \$505 (2020 - \$330) that were paid subsequent to year end.

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended April 30, 2021

6. Long-term debt:

	2021	2020
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.	\$ 9,988,000	\$ 10,240,000
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.	5,225,009	5,360,552
	15,213,009	15,600,552
Less current portion	(412,790)	(387,543)
	\$ 14,800,219	\$ 15,213,009

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 \$795,237 (2020 - \$838,593). Principal repayments required on the term loans in each of the next five years and thereafter are estimated as follows:

2022	\$ 412,790
2023	434,953
2024	470,671
2025	499,647
2026	531,125
Thereafter	12,863,823
	\$ 15,213,009

The University of Saskatchewan has guaranteed these loans.

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended April 30, 2021

7. Deferred capital contributions:

Deferred Capital Contributions from Capital Grants	2021	2020
Balance, beginning of year	\$ 2,123,449	\$ 2,241,091
Amortization	(109,109)	(117,642)
Balance, end of year	\$ 2,014,340	\$ 2,123,449
Deferred Contributions Related to Infrastructure Fees	2021	2020
Balance, beginning of year	9,774,098	9,227,719
Amortization	(1,454,631)	(1,480,701)
Infrastructure fees	1,240,535	2,027,080
Balance, end of year	\$ 9,560,002	\$ 9,774,098
	\$ 11,574,342	\$ 11,897,547

UNIVERSITY OF SASKATCHEWAN STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended April 30, 2021

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, 2021.

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 \$19,280,523 (2020 - \$20,062,139) at April 30, 2021.

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, 2021

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 till fall semester 2021. The University of Saskatchewan continues to plan to deliver remote learning for some classes for the fall semester. In response the USSU has agreed to reduce infrastructure fee by 50% for the fall term and 75% for the spring term.

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.