

Financial Statements of

**UNBC NORTHERN UNDERGRADUATE
STUDENT SOCIETY**

And Independent Auditors' Report thereon

Year ended June 30, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of UNBC Northern Undergraduate Student Society

Opinion

We have audited the financial statements of UNBC Northern Undergraduate Student Society (the Entity), which comprise:

- the statement of financial position as at June 30, 2019
- the statement of operations for the year then ended
- the statement of changes in fund balances 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 June 30, 2019 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 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.



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- 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.

Report on Other Legal and Regulatory Requirements

As required by Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing these financial statements have been applied on a basis consistent with that of the preceding period.

A handwritten signature in black ink that reads 'KPMG LLP' with a long horizontal line underneath.

Chartered Professional Accountants

Prince George, Canada

December 5, 2019

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Statement of Financial Position

June 30, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash (note 2)	\$ 231,048	\$ 159,093
Accounts receivable (note 3)	17,758	3,130
Inventories	7,045	12,605
Prepaid expenses and deposits	8,812	8,812
	264,663	183,640
Tangible capital assets (note 5)	2,328,049	2,389,874
	\$ 2,592,712	\$ 2,573,514
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 49,523	\$ 44,400
Due to University of Northern British Columbia (note 7)	22,979	24,679
Scheduled cash repayments for long-term debt (note 8)	1,667,438	73,421
Current liabilities before callable debt	1,739,940	142,500
Callable debt (note 8)	19,167	29,167
	1,759,107	171,667
Due to University of Northern British Columbia (note 7)	27,000	54,000
Long-term debt (note 8)	-	1,667,438
Fund balances:		
Capital fund	635,243	623,447
Building fund	636,772	543,643
General fund	(465,410)	(486,681)
	806,605	680,409
Contingent liabilities (note 13)		
	\$ 2,592,712	\$ 2,573,514

See accompanying notes to financial statements.

On behalf of the Board:

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Statement of Operations

Year ended June 30, 2019, with comparative information for 2018

	2019	2018
General fund:		
Revenue:		
Annual events (schedule 3)	\$ 1,445	\$ 6,150
Degrees Coffee Shop (schedule 3)	160,186	155,913
Health and dental plan	308,376	301,517
Other operating (note 4)	12,037	32,089
Student fees	266,166	251,815
Thirsty Moose Pub (schedule 3)	298,937	339,007
	<u>1,047,147</u>	<u>1,086,491</u>
Expenses:		
Annual events (schedule 3)	36,130	10,581
Communications (schedule 2)	4,078	6,227
Degrees Coffee Shop (schedule 3)	143,948	114,602
Health and dental plan	259,172	272,441
Honorariums	6,310	26,146
Operating (schedule 2)	38,993	45,835
Professional (schedule 2)	31,553	30,572
Property tax	1,212	2,440
Societies and organizations (schedule 1)	16,999	14,280
Thirsty Moose Pub (schedule 3)	319,899	378,541
Wages and benefits	167,582	150,881
	<u>1,025,876</u>	<u>1,052,546</u>
Surplus of general fund over expenditures before the undernoted items	21,271	33,945
Building fund:		
Student building fees	215,237	207,231
Interest on long-term debt	(48,687)	(48,903)
	<u>166,550</u>	<u>158,328</u>
Capital fund:		
Amortization	(61,552)	(64,803)
Loss on disposal of tangible capital assets	(73)	-
	<u>(61,625)</u>	<u>(64,803)</u>
Total excess of revenue over expenditures	<u>\$ 126,196</u>	<u>\$ 127,470</u>

See accompanying notes to financial statements.

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Statement of Changes in Fund Balances

Year ended June 30, 2019, with comparative information for 2018

	General Fund	Capital Fund	Building Fund	Total 2019	Total 2018
Balance, beginning of year	\$ (486,681)	\$ 623,447	\$ 543,643	\$ 680,409	\$ 552,939
Excess of revenue over expenditures	21,271	(61,625)	166,550	126,196	127,470
Repayment of term loan	-	73,421	(73,421)	-	-
Balance, end of year	\$ (465,410)	\$ 635,243	\$ 636,772	\$ 806,605	\$ 680,409

See accompanying notes to financial statements.

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Statement of Cash Flows

Year ended June 30, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	\$ 126,196	\$ 127,470
Items not involving cash:		
Amortization	61,552	64,803
Loss on disposal of tangible capital assets	73	-
	<u>187,821</u>	<u>192,273</u>
Change in non-cash operating working capital:		
Accounts receivable	(14,628)	6,992
Inventories	5,560	(456)
Prepaid expenses and deposits	-	481
Accounts payable and accrued liabilities	5,123	22,486
	<u>183,876</u>	<u>221,776</u>
Financing:		
Repayment of long-term debt	(73,421)	(71,450)
Repayment of callable debt	(10,000)	(10,000)
	<u>(83,421)</u>	<u>(81,450)</u>
Investing:		
Due to University of Northern British Columbia	52,300	72,966
Proceeds on disposal of tangible capital assets	200	-
Receipt of tangible capital asset donation	-	(12,478)
Repayment of University of Northern British Columbia advance	(81,000)	(108,000)
	<u>(28,500)</u>	<u>(47,512)</u>
Increase in cash	71,955	92,814
Cash, beginning of year	159,093	66,279
Cash, end of year	<u>\$ 231,048</u>	<u>\$ 159,093</u>

See accompanying notes to financial statements.

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements

Year ended June 30, 2019

UNBC Northern Undergraduate Student Society (the "Society") works to facilitate an awareness of the rights and views of its members by acting in a fair and democratic manner through the promotion, education, and representation of undergraduate students at the University of Northern British Columbia ("UNBC").

The Society is incorporated under the Societies Act (British Columbia), and is a non-profit organization pursuant to section 149(1)(l) of the Income Tax Act.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations as described in Part III of the CPA Canada Handbook ("ASNPO"). The Society's significant accounting policies are as follows:

(a) Fund accounting:

The Society follows the restricted fund method of accounting for contributions.

The Society classifies revenue and expenditures for accounting and reporting purposes into funds according to the activity or objective specified.

The General fund accounts for the operating and administrative revenues and expenditures related to the day-to-day operations of the Society.

The Capital fund accounts for the acquisition and disposal of tangible capital assets.

The Building fund accounts for revenues and expenses related to the financing of the student centre.

(b) Revenue recognition:

Contributions related to general operations are recognized as revenue of the General fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the General fund or Building fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue of the appropriate fund.

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2019

1. Significant accounting policies (continued):

(c) Tangible capital assets:

Assets costing more than \$250 acquired by the Society for use in operations are capitalized at their respective cost. Amortization of tangible capital assets is reported in the Capital fund and has been provided on the following basis and rates:

Asset	Basis	Rate
Computer equipment	Declining balance	30%
Office furniture and equipment	Declining balance	20%
Student Centre - leasehold improvements	Straight-line	50 years

Assets that no longer provide long-term service potential for the Society are written down to residual value.

(d) Donations:

Donations of consumable goods and services are recorded as revenue at their estimated fair market value and offset by a charge to the appropriate expenditure, with the exception of the lease agreement the Society has with UNBC, see note 11.

(e) Use of estimates:

The preparation of the financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Accounts subject to such estimates and assumptions include the carrying amounts of accounts receivable and tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2019

1. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments originating in an arm's length transaction are recorded at fair value on initial recognition. 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 Society 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 effective interest rate 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 Society 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 Society 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 carrying value.

2. Cash:

	2019	2018
General account	\$ 201,961	\$ 130,006
Health and Dental account	29,087	29,087
	<u>\$ 231,048</u>	<u>\$ 159,093</u>

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2019

3. Accounts receivable:

	2019	2018
Sales tax receivable	\$ -	\$ 137
Other receivables	17,758	2,993
	<u>\$ 17,758</u>	<u>\$ 3,130</u>

4. Other operating revenue:

	2019	2018
Donations	\$ 2,725	\$ 13,331
Locker rentals	5,565	8,008
Other	3,747	6,250
Student Care	-	4,500
	<u>\$ 12,037</u>	<u>\$ 32,089</u>

5. Tangible capital assets:

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 66,516	\$ 64,563	\$ 1,953	\$ 2,791
Office furniture and equipment	562,071	504,523	57,548	72,234
Student Centre - leasehold improvements	2,827,122	558,574	2,268,548	2,314,849
	<u>\$ 3,455,709</u>	<u>\$ 1,127,660</u>	<u>\$ 2,328,049</u>	<u>\$ 2,389,874</u>

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2019

6. Accounts payable and accrued liabilities:

	2019	2018
UPASS liability	\$ 5,518	\$ 8,302
Mastercard payable	7,072	5,240
Accrued liabilities	12,128	12,127
Other payables	9,233	16,448
Vacation payable	10,346	2,283
Wages and benefits payable	5,226	-
	\$ 49,523	\$ 44,400

7. Due to University of Northern British Columbia:

	2019	2018
Current:		
Advances, net	\$ 22,213	\$ 19,436
Due to UNBC	766	5,243
	22,979	24,679
Long-term:		
Advance	27,000	54,000
	\$ 49,979	\$ 78,679

The balance due to UNBC includes a \$81,000 advance that is repayable by annual withholdings of \$27,000 that UNBC will withhold from the Society's first instalment of Society student fees each fall semester until all advances are completely recovered. UNBC will charge the Society an administrative fee of \$495 per transaction for each advance and recovery provided as the transactions occur. The administrative fee is subject to normal repayment terms and the advance is scheduled to be repaid by September 2020.

The remaining balance of \$766 due to UNBC is unsecured and non-interest bearing with repayment anticipated within twelve months.

The Society's membership is comprised of fee-paying students at UNBC. UNBC collects student fees on behalf of the Society.

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2019

8. Long-term debt:

	2019	2018
Bank of Montreal - term loan, interest accrued monthly in arrears at 2.72%, repayable in monthly blended payments of \$9,961, secured by a general security agreement including an assignment of student fees, commercial income and rents from operation of the Student Centre and a UNBC Letter of Undertaking. Due December 2019.	\$ 1,667,438	\$ 1,740,858
Bank of Montreal - demand revolving loan, interest payable at prime plus 1.0%, repayable in monthly payments of \$833 plus interest, secured by a UNBC Letter of Undertaking. Due June 2021.	19,167	29,168
	1,686,605	1,770,026
Less:		
Scheduled cash repayments for long-term debt	1,667,438	73,421
Callable debt	19,167	29,167
	1,686,605	102,588
	\$ -	\$ 1,667,438

The estimated principal repayments required for the next two years are as follows:

2020	\$ 1,677,438
2021	9,167
	\$ 1,686,605

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2019

8. Long-term debt (continued):

Management does not believe that the demand features of the callable debt will be exercised in the current year and the term loan will be refinanced under the same or similar conditions. Assuming the callable debt is not demanded and the term loan is refinanced under the same or similar conditions, regular principal payments required on all long-term debt for the next five years would be as follows:

2020	\$	85,443
2021		86,687
2022		79,655
2023		81,849
2024		84,104
Thereafter		1,268,867
	\$	1,686,605

9. Financial risks and concentration of risk:

The Society's financial instruments consist of cash, accounts receivable, due to University of Northern British Columbia, accounts payable and accrued liabilities, and long-term debt.

(a) Credit risk:

The Society does not normally provide credit in the normal course of business; therefore, credit risk is minimal.

(b) Interest rate risk:

Interest rate risk is the risk that the value of the Society's assets and liabilities can change due to a change in interest rates. The Society is exposed to interest rate risk on the revolving loan included in long-term debt (note 8).

(c) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. There has been no change to the risk exposures from 2018.

(d) Concentration of risk:

The Society is affected by the student enrolment at UNBC. A decline in enrolment or other adverse conditions could lead to reduced revenue.

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2019

10. Income taxes:

The Society is not subject to income taxes by virtue of its not-for-profit status.

11. Student centre facility:

The Society and UNBC have entered into a lease agreement for the student centre facility. The agreement provides for an initial term of 25 years, two renewal terms of 25 years each and a final renewal term of 24 years. Rent under the lease is \$1 per term plus a portion of certain operating costs related to the facility. As at June 30, 2019, the fair value of these contributed services is not readily available therefore the Society has elected to recognize these services at cost.

12. Director remuneration:

For the fiscal year ending June 30, 2019, the Society paid total remuneration including honorariums and source deductions to six directors as follows:

	Directors - Honorariums
President	\$ 1,040
Director	1,000
Director	1,000
Director	500
Director	500
Director	520
	<hr/> \$ 4,560 <hr/>

13. Contingent liabilities:

The Society may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of business. At June 30, 2019, there is a claim outstanding and management has determined the outcome to be undeterminable at this time and thus no accrual has been recorded. It is considered that potential claims would not materially affect the Society's financial statements and any amounts ultimately settled will be recorded in the period in which the claim is resolved.

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2019

14. Comparative information:

Certain 2018 comparative figures have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenditures.

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Schedule 1 - Expenses to Societies and Organizations

Year ended June 30, 2019, with comparative information for 2018

	2019	2018
Student led organization sponsorship:		
Badminton Club	\$ 682	\$ 100
Commerce Student Society	-	220
Computer Science Club	500	-
Chemistry Club	-	75
Environmental Engineering	243	350
Fish and Wild Life Club	313	500
Health Sciences Club	-	210
Inter-varsity Fellowship	458	300
International Studies Student Association	500	-
Northern History Student Society	-	750
Political Science Student Association	800	-
Students for a Green University	160	360
UNBC DIY Club	-	15
UNBC Drama Club	850	600
UNBC Musical Production Club	-	500
UNBC Synthetic Biology Club	-	300
Student Planner Association	300	-
Jack.org	293	-
Less, funds returned	(85)	-
	\$ 5,014	\$ 4,280
Women's Centre	\$ 11,985	\$ 10,000
	\$ 16,999	\$ 14,280

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Schedule 2 - General Fund Expenditures

Year ended June 30, 2019, with comparative information for 2018

	2019	2018
Communications:		
Copy service	\$ 1,073	\$ 1,739
Courier	106	64
Postage	239	196
Telephone and fax	2,660	4,228
	\$ 4,078	\$ 6,227
Operating:		
Donations	\$ 124	\$ 228
Insurance	11,154	13,933
Memberships and dues	500	790
Office supplies and sundry	14,418	21,630
Student sponsorship and sundry	5,575	1,325
Travel and conference	6,498	2,303
Other expenses	-	5,626
Advertising	724	-
	\$ 38,993	\$ 45,835
Professional:		
Audit and legal	\$ 16,404	\$ 14,450
Bookkeeping	11,022	11,700
Banking	4,127	4,422
	\$ 31,553	\$ 30,572

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Schedule 3 - Enterprise Operations

Year ended June 30, 2019, with comparative information for 2018

	2019	2018
Thirsty Moose Pub:		
Revenue	\$ 298,937	\$ 339,007
Expenses:		
Bank charges and interest	6,949	7,254
Insurance	21,650	27,147
Materials and supplies	7,317	5,691
Office and general	7,379	3,991
Purchases - drinks	43,739	42,632
Purchases - food	74,385	101,109
Repairs and maintenance	11,096	5,346
Travel	179	50
Utilities	1,276	1,913
Wages and benefits	145,929	183,408
	<u>319,899</u>	<u>378,541</u>
Operating loss	\$ (20,962)	\$ (39,534)
Degrees Coffee Shop:		
Revenue	\$ 160,186	\$ 155,913
Expenses:		
Bank charges and interest	3,961	3,288
Purchases - food	61,017	61,122
Wages and benefits	78,970	50,192
	<u>143,948</u>	<u>114,602</u>
Operating earnings	\$ 16,238	\$ 41,311
Annual events:		
Revenue	\$ 1,445	\$ 6,150
Expenses	36,130	10,581
Operating loss	\$ (34,685)	\$ (4,431)