

Financial Statements of

**UNBC NORTHERN UNDERGRADUATE
STUDENT SOCIETY**

And Independent Auditors' Report thereon

Year ended June 30, 2020



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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, 2020
- 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, 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 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'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Prince George, Canada

November 25, 2020

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY



Statement of Financial Position

June 30, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash (note 2)	\$ 373,256	\$ 231,048
Accounts receivable	10,542	17,758
Inventories	14,317	7,045
Prepaid expenses and deposits	8,519	8,812
	<u>406,634</u>	<u>264,663</u>
Tangible capital assets (note 3)	2,270,656	2,328,049
	<u>\$ 2,677,290</u>	<u>\$ 2,592,712</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 47,338	\$ 49,523
Due to University of Northern British Columbia (note 5)	28,125	22,979
Scheduled cash repayments for long-term debt (note 6)	68,737	1,667,438
Current liabilities before callable debt	144,200	1,739,940
Callable debt (note 6)	9,167	19,167
	<u>153,367</u>	<u>1,759,107</u>
Due to University of Northern British Columbia (note 5)	-	27,000
Long-term debt (note 6)	1,526,054	-
Fund balances:		
Capital fund	650,390	635,243
Building fund	719,426	636,772
General fund	(371,947)	(465,410)
	<u>997,869</u>	<u>806,605</u>
Contingent liabilities (note 11)		
	<u>\$ 2,677,290</u>	<u>\$ 2,592,712</u>

See accompanying notes to financial statements.

On behalf of the Board:

Jingyu Chen 
 Jared Nore 

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Statement of Operations

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

	2020	2019
General fund:		
Revenue:		
Annual events (schedule 3)	\$ -	\$ 1,445
Degrees Coffee Shop (schedule 3)	123,316	160,186
Health and dental plan	333,402	308,376
Other operating (note 7)	14,824	12,037
Student fees	264,718	266,166
Thirsty Moose Pub (schedule 3)	185,764	298,937
COVID-19 government assistance (note 7)	29,765	-
	<u>951,789</u>	<u>1,047,147</u>
Expenses:		
Annual events (schedule 3)	-	36,130
Committees	221	-
Communications (schedule 2)	2,939	4,078
Degrees Coffee Shop (schedule 3)	130,958	145,915
Health and dental plan	247,329	259,172
Honorariums	5,000	6,310
Operating (schedule 2)	30,919	39,619
Professional services (schedule 2)	36,671	31,553
Societies and organizations (schedule 1)	11,880	16,999
Thirsty Moose Pub (schedule 3)	251,956	318,518
Travel and conference	2,753	-
Wages and benefits	137,700	167,582
	<u>858,326</u>	<u>1,025,876</u>
Surplus of general fund over expenditures before the undernoted items	93,463	21,271
Building fund:		
Student building fees	211,699	215,237
Interest on long-term debt	(56,398)	(48,687)
	<u>155,301</u>	<u>166,550</u>
Capital fund:		
Amortization	(57,500)	(61,552)
Loss on disposal of tangible capital assets	-	(73)
	<u>(57,500)</u>	<u>(61,625)</u>
Total excess of revenue over expenditures	\$ 191,264	\$ 126,196

See accompanying notes to financial statements.

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Statement of Changes in Fund Balances

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

	General Fund	Capital Fund	Building Fund	Total 2020	Total 2019
Balance, beginning of year	\$ (465,410)	\$ 635,243	\$ 636,772	\$ 806,605	\$ 680,409
Excess (deficiency) of revenue over expenditures	93,463	(57,500)	155,301	191,264	126,196
Repayment of term loan	-	72,647	(72,647)	-	-
Balance, end of year	\$ (371,947)	\$ 650,390	\$ 719,426	\$ 997,869	\$ 806,605

See accompanying notes to financial statements.

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	\$ 191,264	\$ 126,196
Items not involving cash:		
Amortization	57,500	61,552
Loss on disposal of tangible capital assets	-	73
	<u>248,764</u>	<u>187,821</u>
Change in non-cash operating working capital:		
Accounts receivable	7,216	(14,628)
Inventories	(7,272)	5,560
Prepaid expenses and deposits	293	-
Accounts payable and accrued liabilities	(2,185)	5,123
	<u>246,816</u>	<u>183,876</u>
Financing:		
Repayment of long-term debt	(72,647)	(73,421)
Repayment of callable debt	(10,000)	(10,000)
	<u>(82,647)</u>	<u>(83,421)</u>
Investing:		
Due to University of Northern British Columbia	(21,854)	52,300
Proceeds on disposal of tangible capital assets	-	200
Repayment of University of Northern British Columbia advance	-	(81,000)
Purchase of tangible capital assets	(107)	-
	<u>(21,961)</u>	<u>(28,500)</u>
Increase in cash	142,208	71,955
Cash, beginning of year	231,048	159,093
Cash, end of year	<u>\$ 373,256</u>	<u>\$ 231,048</u>

See accompanying notes to financial statements.

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements

Year ended June 30, 2020

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, 2020

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, 2020

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:

	2020	2019
General account	\$ 279,735	\$ 201,961
Health and Dental account	93,521	29,087
	<u>\$ 373,256</u>	<u>\$ 231,048</u>

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2020

3. Tangible capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 66,623	\$ 65,179	\$ 1,444	\$ 1,953
Office furniture and equipment	562,071	516,035	46,036	57,548
Student Centre - leasehold improvements	2,827,122	603,946	2,223,176	2,268,548
	\$ 3,455,816	\$ 1,185,160	\$ 2,270,656	\$ 2,328,049

4. Accounts payable and accrued liabilities:

	2020	2019
UPASS liability	\$ 14,993	\$ 5,518
Mastercard payable	2,548	7,072
Accrued liabilities	22,579	12,128
Other payables	5,453	9,233
Vacation payable	497	10,346
Wages and benefits payable	1,268	5,226
	\$ 47,338	\$ 49,523

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2020

5. Due to University of Northern British Columbia:

	2020	2019
Current:		
Advances, net	\$ 27,180	\$ 22,213
Due to UNBC	945	766
	28,125	22,979
Long-term:		
Advance	-	27,000
	\$ 28,125	\$ 49,979

The balance due to UNBC 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 \$945 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, 2020

6. Long-term debt:

	2020	2019
Bank of Montreal - term loan, interest accrued monthly in arrears at 4.17%, repayable in monthly blended payments of \$11,168, 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 2021.	\$ 1,594,791	\$ 1,667,438
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.	9,167	19,167
	1,603,958	1,686,605
Less:		
Scheduled cash repayments for long-term debt	68,737	1,667,438
Callable debt	9,167	19,167
	77,904	1,686,605
	\$ 1,526,054	\$ -

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

2021	\$ 77,904
2022	1,526,054
	\$ 1,603,958

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2020

6. 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:

2021	\$	77,904
2022		71,659
2023		75,749
2024		77,880
2025		81,191
Thereafter		1,219,575
	\$	1,603,958

7. Other operating revenue:

	2020	2019
Donations	\$ 2,225	\$ 2,725
Locker rentals	5,512	5,565
Other	7,087	3,747
	\$ 14,824	\$ 12,037

During the year, the Society received government assistance under the CEWS program in the amount of \$29,765, which has been recorded as COVID-19 government assistance revenue in the statement of operations.

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2020

8. 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 6).

(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 2019.

(d) Market risk:

The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. Subsequent to June 30, 2020, the situation continues to be dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Society is not known at this time. The current challenging economic climate may lead to adverse changes in cash flows and working capital levels, which may also potentially have a direct impact on the operating results and financial position of the Society in the future.

(e) 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.

9. 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, 2020, the fair value of these contributed services is not readily available therefore the Society has elected to recognize these services at cost.

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2020

10. Director remuneration:

For the fiscal year ending June 30, 2020, the Society paid total remuneration including honorariums and source deductions to five directors as follows:

	Directors - Honorariums
President	\$ 1,000
Director	1,000
Director	1,000
Director	1,000
Director	1,000
	\$ 5,000

11. 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, 2020, 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.

12. Comparative information:

Certain 2019 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, 2020, with comparative information for 2019

	2020	2019
Student led organization sponsorship:		
Badminton Club	\$ 380	\$ 682
Afro-Caribbean Student Association	500	-
Computer Science Club	-	500
Environmental Engineering	-	243
Fish and Wild Life Club	-	313
Inter-varsity Fellowship	-	458
International Studies Student Association	-	500
Political Science Student Association	-	800
Students for a Green University	-	160
UNBC Drama Club	-	850
UNBC Musical Production Club	1,000	-
Student Planner Association	-	300
Jack.org	-	293
Less, funds returned	-	(85)
	\$ 1,880	\$ 5,014
Women's Centre	\$ 10,000	\$ 11,985
	\$ 11,880	\$ 16,999

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Schedule 2 - General Fund Expenditures

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

	2020	2019
Communications:		
Copy service	\$ 729	\$ 1,073
Courier	75	106
Postage	423	239
Telephone and fax	1,712	2,660
	\$ 2,939	\$ 4,078
Operating:		
Donations	\$ -	\$ 124
Insurance	11,150	11,154
Memberships and dues	704	500
Office supplies and sundry	12,748	15,094
Student sponsorship and sundry	3,875	5,575
Travel and conference	861	6,498
Advertising	1,581	674
	\$ 30,919	\$ 39,619
Professional services:		
Audit and legal	\$ 19,900	\$ 16,404
Bookkeeping	14,287	11,022
Banking	2,484	4,127
	\$ 36,671	\$ 31,553

UNBC NORTHERN UNDERGRADUATE STUDENT SOCIETY

Schedule 3 - Enterprise Operations

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

	2020	2019
Thirsty Moose Pub:		
Revenue	\$ 185,764	\$ 298,937
Expenses:		
Advertising	2,323	50
Bank charges and interest	2,804	6,806
Insurance	30,880	21,650
Materials and supplies	5,627	6,029
Office and general	7,337	7,379
Purchases - drinks	20,737	43,739
Purchases - food	53,198	74,385
Repairs and maintenance	1,776	11,096
Travel	-	179
Utilities	2,356	1,276
Wages and benefits	124,918	145,929
	<u>251,956</u>	<u>318,518</u>
Operating loss	\$ (66,192)	\$ (19,581)
Degrees Coffee Shop:		
Revenue	\$ 123,316	\$ 160,186
Expenses:		
Bank charges and interest	3,407	3,961
Miscellaneous	10,050	1,967
Purchases - food	44,707	61,017
Wages and benefits	72,794	78,970
	<u>130,958</u>	<u>145,915</u>
Operating earnings	\$ (7,642)	\$ 14,271
Annual events:		
Revenue	\$ -	\$ 1,445
Expenses	-	36,130
Operating loss	\$ -	\$ (34,685)