

ONTARIO TECH STUDENT UNION
Financial Statements
Year Ended April 30, 2020

ONTARIO TECH STUDENT UNION
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Year Ended April 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of Ontario Tech Student Union

Opinion

We have audited the financial statements of Ontario Tech Student Union (the Student Union), which comprise the statement of financial position as at April 30, 2020, and statement of changes in fund balances and the statements of operations and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Student Union as at April 30, 2020, and the results of its operations and its cash flow 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Student Union 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 those 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 Student Union's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Student Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Student Union's financial reporting process.

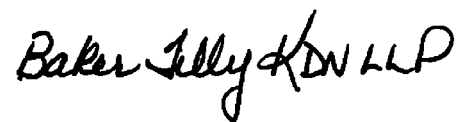
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Auditor's Responsibilities for the Audit of the Financial Statements

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 auditor's 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 these 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 Student Union'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 Student Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Student Union 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.

We 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.



Baker Tilly KDN LLP
Chartered Professional Accountants
Licensed Public Accountants

Courtice, Ontario
September 15, 2020

ONTARIO TECH STUDENT UNION
Statement of Financial Position
April 30, 2020

	2020	2019
Assets		
Current		
Cash	\$ 2,484,712	\$ 1,780,158
Short-term investment (Note 4)	51,156	50,450
Accounts receivable	60,270	35,171
Harmonized sales tax recoverable	-	6,826
Inventories	-	3,715
Prepaid expenses	36,902	39,865
Due from Ontario Tech University (Note 5)	175,326	184,811
	2,808,366	2,100,996
Tangible capital assets (Note 6)	24,197	33,500
	\$ 2,832,563	\$ 2,134,496
Liabilities		
Current		
Accounts payable	\$ 44,349	\$ 55,706
Harmonized sales tax payable	29,870	-
Deferred revenue (Note 7)	177,559	201,114
Due to student clubs & societies	115,693	101,695
	367,471	358,515
Net assets		
Unrestricted	728,113	409,353
Invested in capital assets	24,197	33,500
Building fund - internally restricted	1,605,000	1,300,000
Health fund - internally restricted	107,782	33,128
	2,465,092	1,775,981
	\$ 2,832,563	\$ 2,134,496

Approved on behalf of the Board

Colin Léger _____ Director
[Signature] _____ Director

The accompanying notes are an integral part of these financial statements

ONTARIO TECH STUDENT UNION
Statement of Operations
Year Ended April 30, 2020

	2020	2019
Membership and other revenue		
Health fees (Note 8)	\$ 2,394,004	\$ 2,105,951
Student fees (Note 9)	1,543,315	1,517,040
Program revenue (Note 10)	110,123	17,513
Other revenue	33,489	21,543
	<u>4,080,931</u>	<u>3,662,047</u>
Operating revenues		
Retail sales	995	44,545
Cost of sales	(2,639)	(27,278)
	<u>(1,644)</u>	<u>17,267</u>
Expenses		
Health expense (Note 8)	2,247,003	2,046,353
Salaries and wages (Note 11)	654,563	661,330
Programs (Note 10)	302,516	228,316
Professional fees	60,767	80,396
Administrative	46,241	47,612
Governance	33,419	44,397
Marketing and communication	30,568	41,699
Amortization	12,939	15,638
Downtown retail expenses	1,435	12,528
Occupancy expense	725	12,056
	<u>3,390,176</u>	<u>3,190,325</u>
Excess of revenue over expenses from operations	689,111	488,989
Other income		
Net effect of a restructuring transaction	-	35,171
Excess of revenue over expenses	\$ 689,111	\$ 524,160

The accompanying notes are an integral part of these financial statements

ONTARIO TECH STUDENT UNION
Statement of Changes in Fund Balances
Year Ended April 30, 2020

	2020	2019
Unrestricted fund		
Opening balance	\$ 409,353	\$ 236,051
Excess of revenue over expenses	689,111	524,160
Transfer to capital asset fund	9,303	(9,362)
Excess of revenue over expenses of the health fund <i>(Note 8)</i>	(74,654)	(27,794)
Deficiency of revenue over expenses	-	(13,702)
Transfer to building fund <i>(Note 2)</i>	(305,000)	(300,000)
Balance, end of year	\$ 728,113	\$ 409,353
Investment in capital assets		
Opening balance	\$ 33,500	\$ 24,138
Purchase of capital assets	3,636	25,000
Amortization for the year	(12,939)	(15,638)
Balance, end of year	\$ 24,197	\$ 33,500
Building fund		
Opening balance	\$ 1,300,000	\$ 1,000,000
Transfer from Unrestricted fund <i>(Note 2)</i>	305,000	300,000
Balance, end of year	\$ 1,605,000	\$ 1,300,000
Health fund		
Opening balance, previously stated	\$ 19,426	\$ (8,368)
Change in policy <i>(Note 3)</i>	13,702	-
Opening balance, restated	33,128	(8,368)
Excess of revenue over expenses of the health fund <i>(Note 8)</i>	74,654	41,496
Balance, end of year	\$ 107,782	\$ 33,128

The accompanying notes are an integral part of these financial statements

ONTARIO TECH STUDENT UNION
Statement of Cash Flow
Year Ended April 30, 2020

	2020	2019
Operating activities		
Excess of revenue over expenses	\$ 689,111	\$ 524,160
Item not affecting cash:		
Amortization	12,939	15,638
	<u>702,050</u>	<u>539,798</u>
Changes in non-cash working capital:		
Accounts receivable	(25,099)	(10,776)
Inventories	3,715	1,772
Prepaid expenses	2,963	152,971
Due from Ontario Tech University	9,485	128,544
Accounts payable	(11,357)	(23,371)
Harmonized sales taxes	36,696	1,643
Deferred revenue	(23,555)	(118,105)
Due to student clubs and societies	13,998	17,916
	<u>6,846</u>	<u>150,594</u>
	<u>708,896</u>	<u>690,392</u>
Investing activity		
Purchase of capital assets	(3,636)	(25,000)
Increase in cash	705,260	665,392
Cash and cash equivalents - beginning of year	1,830,608	1,165,216
Cash and cash equivalents - end of year	\$ 2,535,868	\$ 1,830,608
Cash and cash equivalents consist of:		
Cash	\$ 2,484,712	\$ 1,780,158
Short-term investment	51,156	50,450
	<u>\$ 2,535,868</u>	<u>\$ 1,830,608</u>

The accompanying notes are an integral part of these financial statements

1. Nature of Organization

The Ontario Tech Student Union (the "Student Union") was incorporated on June 6, 2017 without share capital and operates as a not-for-profit organization that is tax exempt under the Income Tax Act. The Student Union exists to enhance student experience, as well as encourage equality and equity while providing essential services for the students of Ontario Tech University.

2. Summary of significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Changes in accounting standards

During the year, the Student Union adopted section 4433 of the CPA Canada Handbook: Tangible Capital Assets Held by Not-For-Profit Organizations. Section 4433 replaces section 4431 of the same name. The main changes from Section 4431 include: the requirement that tangible capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to an organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amount. The adoption of this standard did not have an impact on the Student Union's financial statements.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	3 years	straight-line method
Furniture and fixtures	3 years	straight-line method
Leasehold improvements	5 years	straight-line method
Mobile telephone application	3 years	straight-line method

Tangible capital assets are reviewed for impairment whenever events or conditions indicate that the assets no longer contribute to the Student Union's ability to provide services for that the service potential of the assets are less than their net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the asset is written down to the asset's fair value or replacement cost.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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2. Summary of significant accounting policies *(continued)*

Revenue recognition

The Student Union follows the deferral method of accounting for contributions.

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

Unrestricted contributions for health fees are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Student health insurance premiums provide coverage for students on an annual basis ending August 31. Deferred revenue includes the portion of fall and winter student health fees revenue for the period of coverage May to August of the following year.

All other revenue is recognized as revenue when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Building Fund

The Building Fund accounts for funds to be used towards the future purchase of space for the Student Union as agreed upon with Ontario Tech University.

Health Fund

The Health Fund is funded by the excess of health fund revenues over expenditures from student health insurance plan and supports the Student Union's initiatives that relate to the health and well-being of students.

Contributed services

The operations of the Student Union depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

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2. Summary of significant accounting policies (*continued*)

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates are used when accounting for items and matters such as allowance for uncollectible accounts receivable, amortization, asset valuations, deferred revenue and provisions for liabilities of uncertain timing. Actual results could differ from these estimates.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Student Union's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Student Union's operations. The extent of the impact of this outbreak and related containment measures on the Student Union's operations cannot be reliably estimated at this time.

As an emerging risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions, and other mitigating measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Student Union's operations, financial results and condition in future periods are also subject to significant uncertainty. Therefore, uncertainty about judgments, estimates, and assumptions made by management during the preparation of the Student Union's financial statements related to potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

The Student Union has taken the following actions in response to the pandemic:

- Temporary work from home arrangements for employees;
- Temporarily suspending all in-person events; and
- Applying for all grants and subsidies the Student Union is eligible for.

Subsequent to the year-end, the Student Union, recovered \$156,000 in health premiums for April, May and June 2020, as a result of the pandemic. At the year-end, \$51,000 related to April 2020 was included in accounts receivable.

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2. Summary of significant accounting policies (*continued*)

Financial instruments policy

The Student Union initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The Student Union subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenditures.

Financial assets measured at amortized cost include cash, short-term investments, accounts receivable and amounts due from Ontario Tech University.

Financial liabilities measured at amortized cost include accounts payable and amounts due to student clubs and societies.

Financial assets measured at cost are tested for impairment when there are indicators of impairment.

The amount of the write-down is recognized in excess of revenue over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenditures.

The Student Union recognizes its transaction costs in excess of revenue over expenditure in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

3. Restatement of prior year balances

The Student Union has restated its prior year financial statements. The restatement relates to a change in accounting for the health insurance revenue and expenses as it pertains to students who opt-out of the health care insurance provided by the Student Union.

The following adjustments were required:

- As at April 30, 2019, an adjustment to decrease prepaid expenses by \$126,887 and adjustment to decrease deferred revenue by \$140,589. This resulted in a net increase in the student health levy of \$140,589 and an increase in health expenses of \$126,887.
- As at April 30, 2018, an adjustment to decrease prepaid expenses by \$76,475 and adjustment to decrease deferred revenue by \$76,475. This result in a net increase in the student health levy of \$76,475 and an increase in health expenses of \$76,475. The adjustment also impacted the statement of operations in 2019, resulting in a net decrease in the student health levy of \$76,475 and a decrease in health expenses of \$76,475 for the year ending April 30, 2019.

The net impact of these adjustments is an increase in the closing balance of the Health Fund at April 30, 2019 of \$13,702.

ONTARIO TECH STUDENT UNION
Notes to Financial Statements
Year Ended April 30, 2020

4. Short-term investment

Short-term investment consists of a non redeemable guaranteed investment certificate ("GIC") that has an annual interest rate of 1.45% and is held as collateral for the Student Union's credit cards. The GIC matures on October 12, 2020.

5. Related party transactions

The Student Union is governed by a board of directors consisting of student representatives from Ontario Tech University.

In 2017, the Student Union entered into an operating agreement with Ontario Tech University. Under this agreement, Ontario Tech University is responsible to collect certain ancillary fees from students, which include a Student Organization fee, Student Centre levy, and student health and dental fees which are then remitted to the Student Union. No further ancillary student fees collected by Ontario Tech University are remitted to the Student Union. The agreement is effective until April 30, 2022.

On August 21, 2019 the Student Union entered into a rental agreement with Ontario Tech University for space in the downtown location at an annual rate of \$12,250. This agreement is effective until April 30, 2022.

On September 24, 2017 the Student Union entered into an agreement with Ontario Tech University and Durham College in the construction of a new Student Centre for the Student Union. Ontario Tech Student Union will provide \$5 million to construct the Student Centre using \$1.5 million from the Building fund and will seek financing for the balance of \$3.5 million. The opening of the building is anticipated no later than September 2021.

The operations of the Student Union depend on the contribution of student fee collection services from Ontario Tech University. The fair value of the services cannot be reasonably determined and are therefore not reflected in these financial statements.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amount due from Ontario Tech University is non-interest bearing and has no specific terms of repayment.

6. Tangible capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment	\$ 10,179	\$ 7,149	\$ 3,030	\$ -
Furniture and fixtures	4,385	4,385	-	-
Leasehold improvements	25,000	7,500	17,500	22,500
Mobile telephone application	22,000	18,333	3,667	11,000
	\$ 61,564	\$ 37,367	\$ 24,197	\$ 33,500

ONTARIO TECH STUDENT UNION
Notes to Financial Statements
Year Ended April 30, 2020

7. Deferred revenue

	2020	2019
Balance, beginning of year	\$ 201,114	\$ 242,744
Funds received	2,275,338	2,005,635
Funds earned in year	<u>(2,298,893)</u>	<u>(2,047,265)</u>
	<u>\$ 177,559</u>	<u>\$ 201,114</u>

8. Health fund and related disbursements

	2020	2019
<i>Revenue</i>		
Student health levy	\$ 2,298,893	\$ 2,047,265
Surcharge	79,003	42,856
Other health revenue	<u>16,108</u>	<u>15,830</u>
	<u>2,394,004</u>	<u>2,105,951</u>
<i>Expenses</i>		
Student health insurance	2,298,893	2,046,352
Insurance - premium refund	(51,889)	-
Wages, salaries and benefits	<u>72,346</u>	<u>18,103</u>
	<u>2,319,350</u>	<u>2,064,455</u>
Excess of revenue over expenses of the health fund	<u>\$ 74,654</u>	<u>\$ 41,496</u>

9. Student fees

	2020	2019
Student Association	\$ 648,111	\$ 990,360
Student Centre	<u>895,204</u>	<u>526,680</u>
	<u>\$ 1,543,315</u>	<u>\$ 1,517,040</u>

ONTARIO TECH STUDENT UNION
Notes to Financial Statements
Year Ended April 30, 2020

10. Programs

	2020	2019
<i>Revenue</i>		
Campus life	\$ 110,123	\$ 17,513
 <i>Expenses</i>		
Campus life	\$ 250,802	\$ 147,301
Clubs and societies	39,744	75,206
Downtown services	11,970	4,322
Advocacy	-	1,487
	\$ 302,516	\$ 228,316

11. Wage and benefits

	2020	2019
Management	\$ 318,461	\$ 289,599
Administrative	152,321	116,212
Health	72,345	18,104
Community and campus life	60,128	53,328
Clubs and societies	55,750	98,353
Retail	-	62,761
Advocacy (recovery)	(4,442)	22,973
	\$ 654,563	\$ 661,330

12. Financial instruments

The Student Union is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Student Union's risk exposure and concentration as of April 30, 2020.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. As the cash balance and short-term investments are held with a major Canadian financial institution there is a concentration of credit risk with one bank in Canada. The risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The carrying amount of cash and short-term investments included on the statement of financial position represent the maximum credit exposure. The Student Union is not exposed to significant credit risk related to accounts receivable as these are primarily due from Ontario Tech University and are expected to be collected in full.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Student Union is exposed to this risk mainly in respect to its accounts payable, amounts due to clubs and societies and commitments. Cash flow from operations is adequate to meet these cash requirements.

Interest rate risk

The guaranteed investment certificate included in short-term investment bears interest at a fixed rate of interest and as such is subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates.

Unless otherwise noted, it is management's opinion that the Student Union is not exposed to significant other price risks arising from these financial instruments. There is no change in the risk assessment from previous year.

13. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation. These changes do not affect prior year earnings.
