

Consolidated Financial Statements of

**MCMASTER STUDENTS
UNION INCORPORATED**

And Independent Auditors' Report thereon

Year ended April 30, 2020

DRAFT

MCMaster Students Union Incorporated

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Year ended April 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Student Representative Assembly:

Opinion

We have audited the consolidated financial statements of McMaster Students Union Incorporated (the Entity), which comprise:

- the consolidated statement of financial position as at April 30, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes net assets for the year then ended
- the consolidated 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, except for the possible effects of the matter described in the “*Basis for Qualified Opinion*” section of our auditors’ report, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at April 30, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the consolidated statement of financial position as at April 30, 2020
- the fundraising revenues and excess of revenues over expenses reported in the consolidated statement of operations and changes in net assets for the year ended April 30, 2020
- the net assets reported in the consolidated statement of operations and changes in net assets for the year ended April 30, 2020
- the excess of revenues over expenses reported in the consolidated statement of cash flows for the year ended April 30, 2020

Our opinion on the financial statements for the year ended April 30, 2020 was qualified accordingly because of the possible effects of this limitation in scope.



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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 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.
- 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.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

November 29, 2020

MCMASTER STUDENTS UNION INCORPORATED

Consolidated Statement of Financial Position

As at April 30, 2020, with comparative financial information for 2019

	Operating Fund	Capital Fund	University Student Centre Building Fund	CFMU Radio Inc.	Student Health Insurance Plan Fund	Student Dental Plan Fund	2020	2019
Assets								
Current assets:								
Cash	\$ 3,655,215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,655,215	\$ 2,376,679
Marketable securities (note 2)	2,179,492	-	-	360,039	1,065,643	-	3,605,174	4,617,778
Accounts receivable (note 3)	891,645	-	-	-	-	-	891,645	877,120
Inventories	80,302	-	-	-	-	-	80,302	67,608
Prepaid expenses	80,906	-	-	3,577	-	-	84,483	82,080
Due from McMaster University Centre Incorporated (note 9)	-	-	-	-	-	-	-	216,821
	6,887,560	-	-	363,616	1,065,643	-	8,316,819	8,238,086
Capital assets (note 4)	-	572,538	-	39,807	-	-	612,345	633,041
	\$ 6,887,560	\$ 572,538	\$ -	\$ 403,423	\$ 1,065,643	\$ -	\$ 8,929,164	\$ 8,871,127
Liabilities								
Current liabilities:								
Accounts payable and accrued liabilities (note 5)	\$ 885,534	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 885,534	\$ 791,110
Deferred revenue	81,695	-	-	-	948,202	1,214,378	2,244,275	2,059,207
Due to McMaster University Centre Incorporated (note 9)	45,121	-	-	-	-	-	45,121	-
	1,012,350	-	-	-	948,202	1,214,378	3,174,930	2,850,317
Due to (from) other funds	4,261,754	(60,503)	(838,927)	(747,544)	(1,329,391)	(1,285,389)	-	-
Net assets (note 6)	1,613,456	633,041	838,927	1,150,967	1,446,832	71,011	5,754,234	6,020,810
Commitments (note 7)								
	\$ 6,887,560	\$ 572,538	\$ -	\$ 403,423	\$ 1,065,643	\$ -	\$ 8,929,164	\$ 8,871,127

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

MCMaster Students Union Incorporated

Consolidated Statement of Operations

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

	Operating Fund	Capital Fund	University Student Centre Building Fund	CFMU Radio Inc.	Student Health Insurance Plan Fund	Student Dental Plan Fund	2020 Total	2019 Total
Revenues:								
Student fees (Schedules 1, 5, 14 and 15)	\$ 2,850,928	\$ -	\$ 469,807	\$ 217,935	\$ 2,135,363	\$ 2,320,679	\$ 7,994,712	\$ 8,179,648
Child Care (Schedule 6)	730,877	-	-	-	-	-	730,877	806,993
Union Market (Schedule 9)	619,082	-	-	-	-	-	619,082	769,151
1280 (Schedule 2)	597,597	-	-	-	-	-	597,597	658,974
Services (Schedule 11)	595,098	-	-	-	-	-	595,098	1,169,075
Campus Events (Schedule 10)	511,540	-	-	-	-	-	511,540	580,697
Underground Media and Design (Schedule 8)	320,472	-	-	-	-	-	320,472	501,264
Administration (Schedule 1)	189,290	-	-	-	-	-	189,290	212,416
Committees (Schedule 11)	32,979	-	-	-	-	-	32,979	63,699
Student Wellness Centre (Schedule 13)	31,326	-	-	-	-	-	31,326	30,739
CFMU Radio Inc. (Schedule 5)	-	-	-	19,985	-	-	19,985	30,297
House of Games (Schedule 7)	19,000	-	-	-	-	-	19,000	19,215
The Silhouette (Schedule 3)	17,010	-	-	-	-	-	17,010	38,091
Athletic Store (Schedule 12)	-	-	-	-	-	-	-	19,600
Executive (Schedule 11)	-	-	-	-	-	-	-	1,667
Marmor (Schedule 4)	(40)	-	-	-	-	-	(40)	(176)
Investment income (loss) (Schedules 1, 5, and 14)	(112,976)	-	-	(29,316)	(17,989)	-	(160,281)	385,148
Total revenues	6,402,183	-	469,807	208,604	2,117,374	2,320,679	11,518,647	13,466,498
Expenditures:								
Student Dental Plan (Schedule 15)	-	-	-	-	-	2,280,875	2,280,875	2,161,593
Student Health Insurance Plan (Schedule 14)	-	-	-	-	1,971,263	-	1,971,263	1,873,059
Services (Schedule 11)	1,039,020	-	-	-	-	-	1,039,020	1,712,070
Administration (Schedule 1)	968,898	-	-	-	-	-	968,898	1,029,538
Campus Events (Schedule 10)	829,097	-	-	-	-	-	829,097	1,144,221
1280 (Schedule 2)	783,936	-	-	-	-	-	783,936	935,575
Child Care (Schedule 6)	781,145	-	-	-	-	-	781,145	819,612
Union Market (Schedule 9)	615,182	-	-	-	-	-	615,182	757,543
Underground Media and Design (Schedule 8)	604,193	-	-	-	-	-	604,193	801,620
Executive (Schedule 11)	526,911	-	-	-	-	-	526,911	535,436
CFMU Radio Inc. (Schedule 5)	-	-	-	312,723	-	-	312,723	359,049
Committees (Schedule 11)	298,324	-	-	-	-	-	298,324	386,251
Building fund occupancy costs	-	-	254,688	-	-	-	254,688	317,908
The Silhouette (Schedule 3)	209,410	-	-	-	-	-	209,410	268,587
Information Comm. & Tech. (Schedule 1-B)	192,407	-	-	-	-	-	192,407	215,023
Marmor (Schedule 4)	117,009	-	-	-	-	-	117,009	195,731
House of Games (Schedule 7)	142	-	-	-	-	-	142	340
Total expenditures	6,965,674	-	254,688	312,723	1,971,263	2,280,875	11,785,223	13,513,156
(Deficiency) excess of revenues over expenditures	\$ (563,491)	\$ -	\$ 215,119	\$ (104,119)	\$ 146,111	\$ 39,804	\$ (266,576)	\$ (46,658)

See accompanying notes to consolidated financial statements.

MCMASTER STUDENTS UNION INCORPORATED

Consolidated Statement of Changes in Net Assets

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

	Operating Fund	Capital Fund	University Student Centre Building Fund	CFMU Radio Inc.	Student Health Insurance Plan Fund	Student Dental Plan Fund	Total
April 30, 2020							
Net assets, beginning of year	\$ 2,176,947	\$ 633,041	\$ 623,808	\$ 1,255,086	\$ 1,300,721	\$ 31,207	\$ 6,020,810
(Deficiency) excess of revenues over expenditures	(563,491)	–	215,119	(104,119)	146,111	39,804	(266,576)
Net assets (deficit), end of year	\$ 1,613,456	\$ 633,041	\$ 838,927	\$ 1,150,967	\$ 1,446,832	\$ 71,011	\$ 5,754,234
April 30, 2019							
Net assets (deficit), beginning of year	\$ 2,775,897	\$ 644,704	\$ 505,100	\$ 1,221,747	\$ 978,666	\$ (58,646)	\$ 6,067,468
(Deficiency) excess of revenues over expenditures	(610,613)	–	118,708	33,339	322,055	89,853	(46,658)
Transfers	11,663	(11,663)	–	–	–	–	–
Net assets, end of year	\$ 2,176,947	\$ 633,041	\$ 623,808	\$ 1,255,086	\$ 1,300,721	\$ 31,207	\$ 6,020,810

See accompanying notes to consolidated financial statements.

MCMMASTER STUDENTS UNION INCORPORATED

Consolidated Statement of Cash Flows

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

	2020	2019
Operating:		
Deficiency of revenues over expenditures	\$ (266,576)	\$ (46,658)
Items not involving cash:		
Depreciation	152,519	227,240
	(114,057)	180,582
Changes in non-cash operating working capital items:		
Accounts receivable	(14,525)	(269,137)
Due to/from McMaster University Centre Incorporated	261,942	(216,993)
Inventories	(12,694)	5,057
Prepaid expenses	(2,403)	14,170
Accounts payable and accrued liabilities	94,424	(49,897)
Deferred revenue	185,068	124,898
	397,755	(211,320)
Investing:		
Purchase of capital assets	(131,823)	(215,577)
Net change in cash and cash equivalents	265,932	(426,897)
Cash and cash equivalents, beginning of year	6,994,457	7,421,354
Cash and cash equivalents, end of year	\$ 7,260,389	\$ 6,994,457
Represented by:		
Cash	\$ 3,655,215	\$ 2,376,679
Marketable securities	3,605,174	4,617,778
	\$ 7,260,389	\$ 6,994,457

See accompanying notes to consolidated financial statements.

MCMASTER STUDENTS UNION INCORPORATED

Notes to Consolidated Financial Statements

Year ended April 30, 2020

The McMaster Students Union Incorporated ("MSU") is incorporated under the laws of the Province of Ontario as a not-for-profit organization and is an exempt not-for-profit organization under the Income Tax Act. The purpose of MSU is to provide a wide variety of services to the students of McMaster University (the "University").

The CFMU Radio Incorporated ("CFMU Radio Inc.") is a separate not-for-profit organization setup to operate the student run radio station. The CFMU Radio Inc. is setup for the benefit, service and education to the students of McMaster University. The results of CFMU Radio Inc. are reported within these consolidated financial statements of MSU.

1. Significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(a) Revenue recognition:

Fee revenue is recorded during the fiscal period. For sales of goods and services, MSU recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured.

(b) Fund accounting:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to MSU, such resources are classified for accounting and reporting purposes into funds according to the activities or objectives specified.

The Operating Fund is used to account for day-to-day operations. Funds are provided from yearly membership fees from students, university grants, interest on funds invested and revenues from various facilities and programs. Fees received for future services are deferred until the service is provided.

The Capital Fund records the capital assets and the related accumulated amortization. Funds are provided from current revenues of the Operating Fund equal to the amortization provision for the year less any capital asset acquisitions funded during the year.

The University Student Centre Building Fund holds restricted capital to underwrite MSU's share of planning, construction, maintenance and associated costs of the McMaster University Student Centre. Funds are provided through the collection of a building fund fee from each MSU member to support future occupancy charges, payable to McMaster University Centre Incorporated ("MUCI").

The CFMU Radio Inc. is funded through the collection of fees from MSU members and from revenue generating activities of the radio station. The fund records operating results and holds restricted capital and capital assets relating to the radio station's operations.

MCMASTER STUDENTS UNION INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020

1. Significant accounting policies (continued):

(b) Fund accounting (continued):

The Student Health Insurance Plan Fund is funded through the collection of fees from MSU members. The MSU services the plan through a third-party insurance underwriter. The plan provides reimbursements to MSU members for qualifying prescription drugs as well as remitting premiums for accidental insurance coverage.

The Student Dental Plan Fund is funded through the collection of fees from MSU members. The MSU services the plan through a third-party insurance underwriter. The plan covers routine dental procedures for all students who choose to pay the annual premium as well as minor surgical procedures and orthodontics.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than one year.

(d) Inventories:

Inventory consists of food, bar items including alcohol, printing materials and other items for resale. Inventories are stated at the lower of cost (at the average cost method) and net realizable value. The amount of inventory expensed in the year was \$1,182,980 (2019 - \$1,508,260).

(e) Capital assets:

Capital assets are capitalized at cost in the Capital Fund and amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Equipment	3 - 10
Leasehold improvements	3 - 10

(f) Contributed goods and services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the consolidated financial statements.

MCMMASTER STUDENTS UNION INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020

1. Significant accounting policies (continued):

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and 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. MSU 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 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, the MSU 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 MSU 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.

(h) Allocation of expenses:

The MSU records a number of its expenses by program. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program. The MSU allocates certain administration and corporate governance expenses from administration program within the Statement of Operations to the individual programs.

(i) Use of estimates:

The preparation of the consolidated financial statements 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 year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, deferred revenue and accrued liabilities. Actual results could differ from those estimates.

MCMaster Students Union Incorporated

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020

2. Marketable securities:

Investments reported on the consolidated statement of financial position have market values as follows:

	2020	2019
Operating Fund	\$ 2,179,492	\$ 3,013,537
CFMU Radio Inc.	360,039	520,609
Student Health Plan Fund	1,065,643	1,083,632
	\$ 3,605,174	\$ 4,617,778

Marketable securities held by MSU include Cash and short-term investments, Fixed income investments and Equity and mutual funds.

	2020	2019
Cash and short-term investments	\$ 289,672	\$ 31,500
Fixed income investments	526,806	2,885,020
Equity and mutual funds	2,788,696	1,701,258
	\$ 3,605,174	\$ 4,617,778

Marketable securities held by MSU can be categorized into Canadian and Foreign investments.

	2020	2019
Canadian	\$ 1,320,414	\$ 1,610,215
Foreign	2,284,760	3,007,563
	\$ 3,605,174	\$ 4,617,778

During the year, the MSU had a fixed income investment with an effective interest rate of 9.976%, callable June 30, 2019. On June 30, 2019, the call option was exercised and the amount received totaled \$17,848 including \$17,000 in principal and \$848 of interest.

MCMaster Students Union Incorporated

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020

3. Accounts receivable:

	2020	2019
Trade receivables	\$ 792,700	\$ 903,190
Canada Emergency Wage Subsidy (note 10)	125,015	–
Less allowance for doubtful accounts	(26,070)	(26,070)
	\$ 891,645	\$ 877,120

4. Capital assets:

	2020		
	Cost	Accumulated depreciation	Net book value
Equipment	\$ 4,553,401	\$ 4,212,208	\$ 341,193
Leasehold improvements	1,603,949	1,332,797	271,152
	\$ 6,157,350	\$ 5,545,005	\$ 612,345

	2019		
	Cost	Accumulated depreciation	Net book value
Equipment	\$ 4,439,447	\$ 4,108,171	\$ 331,276
Leasehold improvements	1,586,080	1,284,315	301,765
	\$ 6,025,527	\$ 5,392,486	\$ 633,041

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$11,311 (2019 - \$38,321), which includes amounts payable for HST and payroll related taxes.

6. Surplus restrictions:

Marmor:

Revenues derived from student fees (specified for the Marmor) and grants are designated solely for operations and capital purchases of the Marmor. Any shortfall in revenues over expenditures is recovered through future period surpluses.

As at April 30, 2020, the balance of the deficit attributed to the Marmor totaled \$35,805 (2019 - \$81,244 surplus) and is included in the Operating Fund net assets.

MCMMASTER STUDENTS UNION INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020

7. Commitments:

MSU is paying their share of building costs that MUCI incurs for heating, cooling and other costs based on the square footage of the MSU's commercial areas. These costs will not be known until the fiscal year ends; however, based on historical data, costs are expected to be approximately \$350,000 per year.

In 2015, MSU entered into two agreements with Xerox for photocopier equipment for its main offices and the Underground Media and Design. The agreements are for five years whereby MSU will pay fixed fees per photocopy to Xerox along with nominal base monthly lease amounts. Xerox retains ownership of the photocopiers during the full terms and is responsible for the repairs and maintenance of the equipment. The actual costs will not be known until the fiscal year ends; however, based on historical data, costs for the photocopiers are expected to be approximately \$82,500 per year.

8. Financial instruments:

(a) Currency risk:

MSU is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the MSU holds investments in U.S. dollars. MSU does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2019.

(b) Liquidity risk:

Liquidity risk is the risk that MSU will be unable to fulfill its obligations on a timely basis or at a reasonable cost. MSU manages its liquidity risk by monitoring its operating requirements. MSU prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2019.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. MSU is exposed to credit risk with respect to the accounts receivable. MSU assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There has been no change to the risk exposures from 2019.

(d) Interest rate risk:

MSU is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 2. There has been no change to the risk exposures from 2019.

MCMASTER STUDENTS UNION INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020

9. Related party transactions:

MSU has the ability to influence the operations of McMaster Student Centre Incorporated ("MUCI") through the appointment of the MUCI board members. Included in the consolidated financial statements is a net payable to MUCI of \$45,121 (2019 - \$216,821 net receivable) resulting from charges due from MUCI to MSU. The MSU administers payment of all expenses incurred by MUCI. Total amount of expenses paid on behalf of MUCI by the MSU are \$1,084,764 (2019 - \$1,107,509). These transactions are in the normal course of business and are measured at the exchange amount agreed to by related parties.

10. Subsequent event:

During March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- i. Closure of facilities including all MSU operations and services including our off-site Daycare Centre from March 13, 2020 to the date of the auditors' report based on public health recommendations.
- ii. Temporary furlough of part-time employees.
- iii. Mandatory working from home requirements for those able to do so.
- iv. Submitted a claim for Canada Emergency Wage Subsidy funding of \$125,015 which is receivable as of April 30, 2020.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time. Revenues of the organization will likely be impacted. Full time employees will be working remotely for an unforeseen amount of time with some finance staff working on site for sensitive items. Few part-time services, the Underground, Union Market, and 1280 have opened for limited service as of September 2020.

In response to the negative economic impact of COVID-19, the Government of Canada announced the CEWS program in April 2020. CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as result of COVID-19. This subsidy is retroactive to March 15, 2020. The qualification and application of the CEWS is being assessed over multiple four-week application period segments.

MCMASTER STUDENTS UNION INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2020

10. Subsequent event (continued):

The Entity has determined that it has qualified for the subsidy from the March 15, 2020 effective date through April 30, 2020 and has, accordingly, applied for the CEWS and expects to receive the subsidy in the following fiscal quarter. The Entity also intends to apply for the CEWS in subsequent application periods, subject to continuing to meet the applicable qualification criteria.

The Entity has recognized government grants in accounts receivable (note 3) and as a reduction to the related expense that the grant is intended to offset. The Entity has recognized \$125,015 of CEWS for the period up to April 30, 2020, and has recorded it as a reduction to the eligible remuneration expense incurred by the Entity during this period.

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MCMMASTER STUDENTS UNION INCORPORATED

Schedule 1 - Schedule of Operations - Administration

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

	2020	2019
Revenues:		
Member fees	\$ 2,850,928	\$ 3,014,328
Fees – WUSC Refugee Fund and Incite	184,867	199,714
Other income	4,423	12,702
Interest and investment income (loss)	(112,976)	305,201
	2,927,242	3,531,945
Expenditures:		
Salaries	620,830	689,052
Faculty support disbursement	95,064	86,387
Insurance	70,382	68,560
Donation to WUSC Refugee Fund	63,963	94,332
Purchased services	55,782	15,889
Professional fees	48,529	57,221
Depreciation	17,957	22,880
Office expense	14,860	16,101
Professional development	13,673	14,088
Service (bank) charges	12,604	10,464
Telephone	10,410	9,706
Miscellaneous	10,091	12,487
Repairs and maintenance	4,291	1,876
Memberships	900	1,450
Travel	25	592
	1,039,361	1,101,085
Less expenditures allocated to facilities	69,500	69,500
	969,861	1,031,585
Excess of revenues over expenditures before inter-divisional revenues	1,957,381	2,500,360
Inter-divisional revenues:		
Underground	963	832
AvTEK	–	1,215
	963	2,047
Excess of revenues over expenditures	\$ 1,958,344	\$ 2,502,407

MCMASTER STUDENTS UNION INCORPORATED

Schedule 1-B - Schedule of Operations – Information Communication & Technology

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

	2020	2019
Expenditures:		
Purchased services	\$ 91,566	\$ 82,476
Salaries	86,570	80,850
Computer supplies and maintenance	10,649	49,866
Telephone	1,899	1,108
Repairs and maintenance	1,723	514
Depreciation	–	209
Total expenditures	\$ 192,407	\$ 215,023

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MCMASTER STUDENTS UNION INCORPORATED

Schedule 2 - Schedule of Operations - 1280

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

	2020	2019
Sales:		
Food	\$ 527,584	\$ 555,460
Beer and liquor	43,058	71,386
	570,642	626,846
Cost of goods sold:		
Food	188,515	215,414
Beer and liquor	14,802	28,000
	203,317	243,414
	367,325	383,432
Other income:		
Rental and other revenue	26,537	28,553
Admission	418	3,575
	26,955	32,128
	394,280	415,560
Expenditures:		
Salaries and wages	467,487	506,634
Administrative	41,439	59,086
Supplies	29,164	31,890
Depreciation	26,381	64,418
Repairs and maintenance	8,040	14,539
Telephone	5,572	4,851
Advertising	3,869	9,758
Office supplies	1,079	2,616
Staff training	42	455
	583,073	694,247
Deficiency of revenues over expenditures before inter-divisional revenues	(188,793)	(278,687)
Inter-divisional revenues:		
Underground	2,454	2,086
Deficiency of revenues over expenditures	\$ (186,339)	\$ (276,601)

MCMASTER STUDENTS UNION INCORPORATED

Schedule 3 - Schedule of Operations – The Silhouette

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

	2020	2019
Revenue	\$ 17,010	\$ 63,203
Expenditures:		
Salaries and benefits	147,994	141,802
Printing costs	48,880	78,587
Depreciation	4,748	6,106
General staff costs	4,622	34,414
Telephone	2,547	2,111
Advertising	423	2,034
Office supplies	196	358
Graphic ad layout	–	28,000
Bad debts	–	3,788
	209,410	297,200
Deficiency of revenues over expenditures before inter-divisional revenues and expenditures	(192,400)	(233,997)
Less inter-divisional revenues and expenditures:		
Underground	–	28,613
Silhouette advertising revenue – Underground, Committees and executive	–	(25,112)
	–	3,501
Deficiency of revenues over expenditures	\$ (192,400)	\$ (230,496)

MCMASTER STUDENTS UNION INCORPORATED

Schedule 4 - Schedule of Operations - Marmor

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

	2020	2019
Revenues:		
Student fees	\$ (40)	\$ (176)
Expenditures:		
Postage	60,000	106,550
Printing costs	45,000	55,763
Photographic	12,000	25,836
Salaries and benefits	9	7,582
	117,009	195,731
Deficiency of revenues over expenditures	\$ (117,049)	\$ (195,907)

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MCMMASTER STUDENTS UNION INCORPORATED

Schedule 5 - Schedule of Operations – CFMU Radio Inc.

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

	2020	2019
Revenues:		
Student fees	\$ 217,935	\$ 318,348
Sponsorships	19,985	28,797
Advertising sales	–	1,500
Investment income (loss)	(29,316)	43,743
	208,604	392,388
Expenditures:		
Salaries and benefits	246,394	251,161
Administration	20,808	17,412
Depreciation	19,398	44,667
Repairs and maintenance	12,427	1,186
Telephone	7,659	9,059
Insurance	4,122	3,926
Memberships and licenses	1,353	8,783
Office supplies	933	842
Contractual maintenance services	–	22,267
Bad debts	–	45
	313,094	359,348
(Deficiency) excess of revenues over expenditures before inter-divisional revenues	(104,490)	33,040
Less inter-divisional revenues:		
Underground	371	299
(Deficiency) excess of revenues over expenditures	\$ (104,119)	\$ 33,339

MCMMASTER STUDENTS UNION INCORPORATED

Schedule 6 - Schedule of Operations – Child Care

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

	2020	2019
Revenues:		
Parents	\$ 418,141	\$ 475,810
Provincial grant	151,125	148,256
Subsidy	114,386	132,877
Miscellaneous	47,175	49,950
Registration	50	100
	730,877	806,993
Expenditures:		
Salaries and benefits	677,763	706,747
Rent	21,546	21,802
Custodial services	19,148	22,990
Food	18,701	21,248
Administration costs	15,852	11,136
Learning materials	12,590	11,052
Depreciation	9,754	10,863
Telephone	2,742	2,681
Repairs and maintenance	2,218	6,509
Office supplies	641	4,184
Transportation	190	400
	781,145	819,612
Deficiency of revenues over expenditures	\$ (50,268)	\$ (12,619)

MCMASTER STUDENTS UNION INCORPORATED

Schedule 7 - Schedule of Operations - House of Games

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

	2020	2019
Revenues:		
Rental income	\$ 19,000	\$ 19,215
Expenditures:		
Telephone	142	340
Excess of revenues over expenditures	\$ 18,858	\$ 18,875

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MCMASTER STUDENTS UNION INCORPORATED

Schedule 8 - Schedule of Operations - Underground Media and Design

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

	2020	2019
Revenues	\$ 406,929	\$ 625,288
Cost of goods sold:		
Material purchases	259,193	364,482
Gross profit	147,736	260,806
Expenditures:		
Salaries and wages	302,586	377,558
Administration	12,137	15,611
Office supplies	7,763	4,307
Depreciation	7,473	7,828
HST and other applicable taxes	7,267	9,960
Repairs and maintenance	4,009	5,376
Telephone	3,765	3,518
Bad debts	-	12,980
	345,000	437,138
Deficiency of revenues over expenditures before inter-divisional expenditures	(197,264)	(176,332)
Inter-divisional expenditures:		
Committees, services and campus events	(68,550)	(66,697)
Union market	(5,905)	(5,363)
Executive	(5,194)	(18,171)
Student health plan	(2,632)	(304)
1280	(2,454)	(2,086)
Administration	(963)	(832)
Student dental plan	(388)	(1,659)
CFMU Radio Inc.	(371)	(299)
The Silhouette	-	(28,613)
	(86,457)	(124,024)
Deficiency of revenues over expenditures	\$ (283,721)	\$ (300,356)

MCMMASTER STUDENTS UNION INCORPORATED

Schedule 9 - Schedule of Operations - Union Market

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

	2020	2019
Revenues:		
Sales	\$ 619,082	\$ 769,151
Cost of goods sold:		
Material purchases	365,379	487,465
Gross profit	253,703	281,686
Expenditures:		
Salaries and wages	218,323	233,330
Administrative	17,949	20,227
Depreciation	12,449	12,952
Office supplies	3,834	2,389
Supplies	1,531	166
Advertising	1,246	3,550
Telephone	635	847
Repairs and maintenance	(259)	1,980
	255,708	275,441
(Deficiency) excess of revenues over expenditures before inter-divisional revenues	(2,005)	6,245
Less inter-divisional revenues:		
Underground	5,905	5,363
Excess of revenues over expenditures	\$ 3,900	\$ 11,608

MCMMASTER STUDENTS UNION INCORPORATED

Schedule 10 - Schedule of Operations - Campus Events

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

	2020			2019		
	Revenues	Expenditures	Total	Revenues	Expenditures	Total
Orientation/welcome week	\$ 190,117	\$ 181,715	\$ 8,402	\$ 239,178	\$ 218,787	\$ 20,391
External events	106,067	17,370	88,697	112,331	36,500	75,831
Other concerts and programs	86,990	126,271	(39,281)	58,441	192,244	(133,803)
Speakers and sidewalk sale	39,232	3,562	35,670	15,053	6,890	8,163
Charity ball	65,663	53,236	12,427	70,629	69,282	1,347
Golf tournament	18,841	18,841	–	17,873	17,873	–
AvTEK	18,113	12,722	5,391	25,839	11,132	14,707
Recognition & staff events	–	3,590	(3,590)	–	6,421	(6,421)
Homecoming	–	–	–	67,193	76,781	(9,588)
Travel and administration	–	425,427	(425,427)	–	522,175	(522,175)
	525,023	842,734	(317,711)	606,537	1,158,085	(551,548)
Less inter-divisional revenues and (expenditures):						
Underground	–	13,637	13,637	–	13,864	13,864
Revenue – Administration	–	–	–	(1,215)	–	(1,215)
Revenue – Committee, executive, services	(13,483)	–	(13,483)	(24,625)	–	(24,625)
	(13,483)	13,637	154	(25,840)	13,864	(11,976)
	\$ 511,540	829,097	\$ (317,557)	\$ 580,697	\$ 1,144,221	\$ (563,524)

MCMMASTER STUDENTS UNION INCORPORATED

Schedule 11 - Schedule of Committees and Commissions, MSU Executive and Services Expenses

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

	2020			2019		
	Revenues	Expenditures	Total	Revenues	Expenditures	Total
Committees and Commissions:						
FIT/Shinerama	\$ 22,486	\$ 32,522	\$ (10,036)	\$ 47,448	\$ 55,071	\$ (7,623)
Diversity	5,783	27,926	(22,143)	4,987	44,104	(39,117)
Election Committee	4,710	22,619	(17,909)	3,360	34,127	(30,767)
First Year Council	–	9,279	(9,279)	7,904	13,008	(5,104)
Teaching awards	–	7,899	(7,899)	–	11,488	(11,488)
SCSN	–	77	(77)	–	12,075	(12,075)
MSU Spark	–	15,122	(15,122)	–	19,548	(19,548)
Public relations/student life	–	212,994	(212,994)	–	255,836	(255,836)
	32,979	328,438	(295,459)	63,699	445,257	(381,558)
Less inter-divisional revenues:						
AvTEK	–	1,947	1,947	–	9,758	9,758
Underground	–	28,167	28,167	–	24,136	24,136
Silhouette advertising	–	–	–	–	25,112	25,112
	–	30,144	30,144	–	59,006	59,006
	\$ 32,979	\$ 298,324	\$ (265,345)	\$ 63,699	\$ 386,251	\$ (322,552)

MCMMASTER STUDENTS UNION INCORPORATED

Schedule 11 - Schedule of Committees and Commissions, MSU Executive and Services Expenses (continued)

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

	2020			2019		
	Revenues	Expenditures	Total	Revenues	Expenditures	Total
MSU Executive:						
Administrative	\$ -	\$ 11,789	\$ (11,789)	\$ -	\$ 8,069	\$ (8,069)
Donations	-	4,861	(4,861)	-	8,480	(8,480)
Board training	-	4,538	(4,538)	-	9,453	(9,453)
Meetings	-	9,136	(9,136)	-	9,915	(9,915)
Executive expense	-	9,238	(9,238)	-	10,264	(10,264)
Travel & conferences	-	11,543	(11,543)	-	23,229	(23,229)
Honoraria and awards	-	17,234	(17,234)	-	26,128	(26,128)
Special projects	-	42,086	(42,086)	1,667	57,704	(56,037)
Memberships	-	54,108	(54,108)	-	74,166	(74,166)
Salaries and benefits	-	378,595	(378,595)	-	336,000	(336,000)
	-	543,128	(543,128)	1,667	563,408	(561,741)
Less inter-divisional revenues:						
Underground	-	5,194	5,194	-	18,171	18,171
AvTEK	-	11,023	11,023	-	9,801	9,801
	-	16,217	16,217	-	27,972	27,972
	\$ -	\$ 526,911	\$ (526,911)	\$ 1,667	\$ 535,436	\$ (533,769)

MCMaster Students Union Incorporated

Schedule 11 - Schedule of Committees and Commissions, MSU Executive and Services Expenses (continued)

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

	2020			2019		
	Revenues	Expenditures	Total	Revenues	Expenditures	Total
Services expenses:						
Compass Information Service	\$ 431,152	\$ 493,236	\$ (62,084)	\$ 992,173	\$ 1,062,770	\$ (70,597)
Emergency First Response Team	78,202	104,974	(26,772)	65,338	107,745	(42,407)
Horizons	33,891	52,788	(18,897)	41,881	58,474	(16,593)
CLAY Conference	16,415	34,549	(18,134)	22,979	50,605	(27,626)
PAC	14,735	34,404	(19,669)	17,471	42,323	(24,852)
Clubs administrator	9,460	151,381	(141,921)	10,252	188,351	(178,099)
MacCycle	4,564	17,993	(13,429)	8,972	20,607	(11,635)
Maroons	4,110	13,383	(9,273)	9,683	27,476	(17,793)
Bread Bin	2,569	23,583	(21,014)	326	29,967	(29,641)
Peer Support	-	-	-	-	40	(40)
SWHAT	-	14,813	(14,813)	-	12,895	(12,895)
MACCESS	-	15,328	(15,328)	-	15,365	(15,365)
QSCC	-	12,329	(12,329)	-	19,831	(19,831)
Student Health Education Centre	-	17,900	(17,900)	-	21,208	(21,208)
Women & Gender Equity	-	16,650	(16,650)	-	24,430	(24,430)
Ombuds office	-	62,968	(62,968)	-	63,745	(63,745)
	595,098	1,066,279	(471,181)	1,169,075	1,745,832	(576,757)
Less inter-divisional revenues:						
Underground	-	26,746	26,746	-	28,697	28,697
AvTEK	-	513	513	-	5,065	5,065
	-	27,259	27,259	-	33,762	33,762
	\$ 595,098	\$ 1,039,020	\$ (443,922)	\$ 1,169,075	\$ 1,712,070	\$ (542,995)

MCMASTER STUDENTS UNION INCORPORATED

Schedule 12 - Schedule of Operations – Athletic Store

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

	2020	2019
Revenues:		
Sales, royalties, commissions	\$ -	\$ 19,600
Excess of revenues over expenditures	\$ -	\$ 19,600

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MCMASTER STUDENTS UNION INCORPORATED

Schedule 13 - Schedule of Operations - Student Wellness Centre

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

	2020		2019
Revenues:			
Student Wellness - Rental income	\$ 31,326	\$	30,739
Excess of revenues over expenditures	\$ 31,326	\$	30,739

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MCMASTER STUDENTS UNION INCORPORATED

Schedule 14 - Schedule of Operations – Student Health Insurance Plan Fund

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

	2020	2019
Revenues:		
Student fees (net of opt-out)	\$ 2,135,363	\$ 2,158,910
Investment income (loss)	(17,989)	36,204
	2,117,374	2,195,114
Expenditures:		
Insurance premiums	1,936,074	1,837,244
Administration charges	35,000	35,000
Advertising	2,821	1,119
	1,973,895	1,873,363
Excess of revenues over expenditures before inter-divisional revenues	143,479	321,751
Inter-divisional revenues:		
Underground	2,632	304
Excess of revenues over expenditures	\$ 146,111	\$ 322,055

MCMMASTER STUDENTS UNION INCORPORATED

Schedule 15 - Schedule of Operations – Student Dental Plan Fund

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

	2020	2019
Revenues:		
Student fees (net of opt-out)	\$ 2,320,679	\$ 2,251,446
Expenditures:		
Insurance premiums	2,265,875	2,147,388
Administration charges	15,000	15,000
Advertising	388	864
	<u>2,281,263</u>	<u>2,163,252</u>
Excess of revenues over expenditures before inter-divisional revenues	39,416	88,194
Inter-divisional revenues:		
Underground	388	1,659
Excess of revenues over expenditures	<u>\$ 39,804</u>	<u>\$ 89,853</u>