

Lakehead University Student Union
Financial Statements
For the year ended April 30, 2018

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BDO Canada LLP
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Independent Auditor's Report

To the Members Lakehead University Student Union

We have audited the accompanying financial statements of Lakehead University Student Union, which comprise the statement of financial position as at April 30, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independent Auditor's Report

Basis for Qualified Opinion

The Student Union derives some of its revenues from ticket sales, food and bar services, 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 Student Union. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess (deficiency) of revenues over expenses and cash flows from operations for the year ended April 30, 2018 and 2017, current assets as at April 30, 2018 and 2017 and net assets at May 1 and April 30 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended April 30, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Lakehead University Student Union as at April 30, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedules on pages 16 through 21 of Lakehead University Student Union's financial statements.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants


Thunder Bay, Ontario
October 16, 2018

**Lakehead University Student Union
Statement of Financial Position**

April 30	2018	2017
Assets		
Current		
Cash	\$ 1,407,217	\$ 1,928,679
Investments (Note 2)	711,032	445,506
Accounts receivable (Note 3)	324,460	368,857
Prepaid expenses (Note 4)	553,815	265,704
Inventory	28,421	17,166
	<u>3,024,945</u>	<u>3,025,912</u>
Long term investments (Note 2)	190,660	349,807
Capital assets (Note 5)	149,201	194,407
	<u>\$ 3,364,806</u>	<u>\$ 3,570,126</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 211,033	\$ 569,492
Deferred revenue (Note 7)	210,246	229,033
	<u>421,279</u>	<u>798,525</u>
Net Assets		
Operating		
Internally restricted (Note 8)	1,795,387	1,551,298
Unrestricted	998,939	1,025,896
Investment in capital assets (Note 9)	149,201	194,407
	<u>2,943,527</u>	<u>2,771,601</u>
	<u>\$ 3,364,806</u>	<u>\$ 3,570,126</u>

On behalf of the Board:

 Director

 Director

The accompanying notes are an integral part of these financial statements.

**Lakehead University Student Union
Statement of Operations**

	LUSU		The Outpost		Total	
	2018	2017	2018	2017	2018	2017
For the year ended April 30						
Sales	\$ -	\$ -	\$ 651,135	\$ 639,871	\$ 651,135	\$ 639,871
Cost of sales	-	-	452,030	454,478	452,030	454,478
Gross profit	-	-	199,105	185,393	199,105	185,393
Argus	588	12,131	-	-	588	12,131
Building fund	384,252	377,956	-	-	384,252	377,956
Handbook	-	28,400	-	-	-	28,400
Door revenue	-	-	-	-	-	-
Miscellaneous	48,146	58,132	34,033	33,210	82,179	91,342
Lakehead Work Study Program	28,547	16,124	-	-	28,547	16,124
Programming	3,730	3,412	-	-	3,730	3,412
Student activity fees	2,665,121	2,671,796	-	-	2,665,121	2,671,796
The Study	256,650	226,857	-	-	256,650	226,857
U-Pass	784,131	680,666	-	-	784,131	680,666
Balance carried forward	\$ 4,171,165	\$ 4,075,474	\$ 233,138	\$ 218,603	\$ 4,404,303	\$ 4,294,077

The accompanying notes are an integral part of these financial statements.

**Lakehead University Student Union
Statement of Operations (cont'd)**

	LUSU		The Outpost		Total	
	2018	2017	2018	2017	2018	2017
For the year ended April 30						
Balance brought forward	\$ 4,171,165	\$4,075,474	\$ 233,138	\$ 218,603	\$ 4,404,303	\$ 4,294,077
Expenses						
Administration	398,244	436,774	386,113	390,926	784,357	827,700
Advertising and promotion	-	-	8,789	12,562	8,789	12,562
Argus	50,879	66,430	-	-	50,879	66,430
Cleaning	37,093	35,770	-	-	37,093	35,770
Clubs	9,455	2,994	-	-	9,455	2,994
Council projects and referenda	524,669	513,982	-	-	524,669	513,982
Health Plan	1,158,665	1,137,463	-	-	1,158,665	1,137,463
Executive	141,340	107,557	-	-	141,340	107,557
Music services	-	-	3,020	2,920	3,020	2,920
Orillia Campus	159,289	164,230	-	-	159,289	164,230
Programming	39,160	36,158	-	-	39,160	36,158
Repairs and maintenance	81,350	81,378	10,028	15,959	91,378	97,337
Student Federation fees	131,367	128,158	-	-	131,367	128,158
The Study	248,397	224,426	-	-	248,397	224,426
U-Pass	787,967	660,089	-	-	787,967	660,089
	3,767,875	3,595,409	407,950	422,367	4,175,825	4,017,776
Excess (deficiency) of revenue over expenses before the following						
Amortization	403,290	480,065	(174,812)	(203,764)	228,478	276,301
	16,124	18,793	40,428	45,601	56,552	64,394
Excess (deficiency) of revenue over expenses for year	\$ 387,166	\$ 461,272	\$ (215,240)	\$ (249,365)	\$ 171,926	\$ 211,907

The accompanying notes are an integral part of these financial statements.

Lakehead University Student Union Statement of Changes in Net Assets

For the year ended April 30

2018

2017

	<u>Operating</u>				<u>Investment in Capital Assets</u>			Total	Total
	<u>Unrestricted</u>		Internally Restricted	<u>LUSU</u>		The Outpost	Total		
	LUSU	The Outpost		Total	LUSU				
Net assets, beginning of year	\$ 3,207,162	\$ (2,181,266)	\$ 1,025,896	\$ 1,551,298	\$ 68,135	\$ 126,272	\$ 194,407	\$ 2,771,601	\$ 2,559,694
Excess of revenue over expenses for the year	387,166	(215,240)	171,926	-	-	-	-	171,926	211,907
Change in investments in capital assets	12,361	32,845	45,206	-	(12,361)	(32,845)	(45,206)	-	-
Transfer to internally restricted	(244,089)	-	(244,089)	244,089	-	-	-	-	-
Net assets, end of year	\$ 3,362,600	\$ (2,363,661)	\$ 998,939	\$ 1,795,387	\$ 55,774	\$ 93,427	\$ 149,201	\$ 2,943,527	\$ 2,771,601

The accompanying notes are an integral part of these financial statements.

Lakehead University Student Union Statement of Cash Flows

For the year ended April 30	2018	2017
Cash flows from operating activities		
Excess of revenue over expenditure for the year - LUSU	\$ 387,166	\$ 461,272
Deficiency of revenue over expenses for the year - The Outpost	(215,240)	(249,365)
Items not involving cash		
Amortization of plant and equipment	56,552	64,394
Gain on investments	(8,280)	(6,476)
	<u>220,198</u>	<u>269,825</u>
Change in non-cash working capital balances (Note 10)	(632,215)	566,754
	<u>(412,017)</u>	<u>836,579</u>
Cash flow from investing activities		
Purchase of equipment	(11,346)	(42,910)
Purchase of investments	(241,388)	(346,793)
Disposal of investments	143,289	386,648
	<u>(109,445)</u>	<u>(3,055)</u>
Increase (decrease) in cash during the year	(521,462)	833,524
Cash, beginning of year	<u>1,928,679</u>	<u>1,095,155</u>
Cash, end of year	<u>\$ 1,407,217</u>	<u>\$ 1,928,679</u>

The accompanying notes are an integral part of these financial statements.

Lakehead University Student Union Notes to Financial Statements

April 30, 2018

1. Significant Accounting Policies

Nature of and Purpose of Organization	Lakehead University Student Union ("LUSU") is a not-for-profit organization incorporated without share capital under the laws of Ontario. The Student Union is a non-taxable entity under the Income Tax Act. The principal activities of the Organization involve political campaigns related to the Student Movement and the day-to-day operations of the business. LUSU administers student services such as the Health and Dental Plan and Universal Bus Pass. LUSU manages the operations of several support and advocacy centres such as the Aboriginal Awareness Centre, Gender Equity Centre, Pride Central, Multicultural Centre, Food Bank, Sustainability Initiative, and the Argus Newspaper, as well as two businesses, the Outpost campus pub and the Study coffeehouse. LUSU services Thunder Bay and Orillia students.
Basis of Accounting	<p>In order to ensure observance of limitations and restrictions placed on the use of resources available to the Student Union, the accounts are maintained in accordance with Canadian accounting standards for not-for-profit organizations.</p> <p>i) The statement of operation - LUSU is used to account for all revenue and expenses related to the current operations of the Lakehead University Student Union other than The Outpost.</p> <p>ii) The statement of operations - The Outpost is used to account for all revenue and expenses related to the current operations of The Outpost.</p>
Financial Instruments	Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. All guaranteed investment certificates and bonds have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.
Cash and Cash Equivalents	Cash and cash equivalents consist of cash on hand, bank balances and investments with a maturity of three months or less from the date of acquisition.

Lakehead University Student Union Notes to Financial Statements

April 30, 2018

1. Significant Accounting Policies (cont'd)

Capital Assets	<p>Purchased capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the assets' estimated useful lives:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Bike Shack</td> <td style="text-align: right;">- 20 years</td> </tr> <tr> <td>LUSU</td> <td style="text-align: right;">- 3-5 years</td> </tr> <tr> <td>The Study</td> <td style="text-align: right;">- 5 years</td> </tr> <tr> <td>Orillia campus</td> <td style="text-align: right;">- 3-5 years</td> </tr> <tr> <td>The Outpost</td> <td style="text-align: right;">- 5 years</td> </tr> <tr> <td>Leasehold improvements</td> <td style="text-align: right;">- 3-5 years</td> </tr> </table>	Bike Shack	- 20 years	LUSU	- 3-5 years	The Study	- 5 years	Orillia campus	- 3-5 years	The Outpost	- 5 years	Leasehold improvements	- 3-5 years
Bike Shack	- 20 years												
LUSU	- 3-5 years												
The Study	- 5 years												
Orillia campus	- 3-5 years												
The Outpost	- 5 years												
Leasehold improvements	- 3-5 years												
Inventory	<p>Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first in, first out basis. Total inventory recognized as an expense during the period was \$452,030 (2017 - \$454,478).</p> <p>There were no write-down or reversal of a write-down of inventories for the year and no inventories have been pledged as security for liabilities for the year.</p>												
Revenue Recognition	<p>LUSU follows the deferral method of accounting for contributions. Unrestricted contributions, which include student activity fees, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenues from sale of goods or provision of services are recognized as the goods or services are provided, when revenue amounts are fixed or reasonably determinable and the ability to collect such amounts is reasonable. When the funds do not meet the requirements listed above, the revenue is deferred into the subsequent year and will be recognized in the same period as the actual expenditure is incurred.</p>												
Contributed Materials and Services	<p>Contributed materials and services which are used in the normal course of the LUSU's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.</p>												
Use of Estimates	<p>The preparation of 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 revenues and expenses during the reporting period. The principal estimate used in the preparation of these financial statements is the accruals and the estimated useful life of the capital asset. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>												

Lakehead University Student Union Notes to Financial Statements

April 30, 2018

2. Investments

Investments at fair value are as follows:

	2018	2017
Guaranteed investment certificates	\$ 510,599	\$ 409,873
Mutual Funds:		
RBC Investment Savings Account 25,389.058 units (2017 - 24,956.16)	253,891	249,559
B2B Bank High Interest Investment Account 53,733.52 units (2017 - 53,234.36)	53,734	53,231
ADSB Corporate Tiered Investment Account 83,467.634 units (2017 - Nil)	83,468	-
Hollis Investment Savings Account Nil units (2017 - 8,265.04)	-	82,650
	\$ 901,692	\$ 795,313

Investments are split between short term and long term as follows:

Short term investments	\$ 711,032	\$ 445,506
Long term investments	190,660	349,807
	\$ 901,692	\$ 795,313

The guaranteed investment certificates bear fixed interest rates of 1.46% to 2.20% (2017 - 1.46% to 2.10%) and mature between May 2018 and April 2020.

3. Accounts Receivable

	2018	2017
Lakehead University - Student Activity Fees	\$ 291,002	\$ 310,558
Trade	33,458	58,299
	\$ 324,460	\$ 368,857

4. Prepaid Expenses

	2018	2017
Insurance	\$ 30,137	\$ 30,676
Rent	5,377	5,377
Student health plan premiums	375,942	-
U-Pass fees	142,359	229,651
	\$ 553,815	\$ 265,704

Lakehead University Student Union Notes to Financial Statements

April 30, 2018

5. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Bike Shack	\$ 221,976	\$ 122,087	\$ 221,976	\$ 110,988
LUSU	281,270	280,638	330,767	328,566
The Study	116,318	98,847	111,966	98,257
Orillia campus	9,003	7,635	9,003	7,179
The Outpost	428,692	401,851	600,600	559,522
Leasehold improvements	605,858	602,858	946,056	921,449
	\$1,663,117	\$1,513,916	\$ 2,220,368	\$ 2,025,961
Net book value		\$ 149,201		\$ 194,407

6. Accounts Payable and Accrued Liabilities

	2018	2017
Trade payables and accrued liabilities	\$ 149,854	\$ 512,560
Government remittances payable	47,130	43,045
Wages and employee benefits	14,049	13,887
	\$ 211,033	\$ 569,492

7. Deferred Revenue

	2018	2017
Health plan	\$ 88,866	\$ 116,710
Universal bus pass	121,380	112,323
	\$ 210,246	\$ 229,033

Lakehead University Student Union Notes to Financial Statements

April 30, 2018

8. Internally Restricted Net Assets

	2018	2017
Building fund	\$ 1,508,327	\$ 1,264,238
Health plan	287,060	287,060
	\$ 1,795,387	\$ 1,551,298

The Student Union's Board of Directors internally restricted \$1,795,387 (2017 - \$1,551,298) of net assets to be held for the purposes listed above. These internally restricted amounts are not available for other purposes without the approval of the Board of Directors.

9. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2018	2017
Capital assets at net book value	\$ 149,201	\$ 194,407

b) Net change in investment in capital assets:

	2018	2017
Purchase of capital assets internally financed	\$ 11,346	\$ 42,910
Amortization	(56,552)	(64,394)
	\$ (45,206)	\$ (21,484)

Lakehead University Student Union Notes to Financial Statements

April 30, 2018

10. Statement of Cash Flows

The net change in non-cash operating working capital balances consists of the following:

	2018	2017
Accounts receivable	\$ 44,397	\$ 311,729
Prepays	(288,111)	290,576
Inventory	(11,255)	20,925
Accounts payable and accrued liabilities	(358,459)	267,497
Deferred revenue	(18,787)	(323,973)
	\$ (632,215)	\$ 566,754

11. Financial Instruments

The overall objective of the Organization is to set policies that seek to reduce risk from its financial instruments as far as possible without unduly affecting the Organization's flexibility. This note presents information about the Organization's exposure to these risks. The significant financial risks to which the Organization is exposed are credit risk, market risk and interest rate risk. It is management's opinion that the Organization is not exposed to significant liquidity risk.

a) Credit Risk

Credit risk is the risk that a counter-party will fail to discharge its obligation to the Organization reducing the expected cash inflow from the Organization's assets recorded at the balance sheet date. Credit risk can be concentrated in debtors that are similarly affected by economic or other conditions. The Organization has assessed that there are no significant concentrations of credit risk with respect to any class of financial assets. The Organization's maximum credit risk is its accounts receivable trade balance.

The Organization is also exposed to credit risk arising from all of its bank accounts being held at one financial institution and deposits are only insured up to \$100,000.

b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk and other price risk.

The fair value of LUSU's long term investments is impacted by changes in the quoted market value price of the underlying issuer's securities with the resulting change impacting the excess (shortfall) of revenue over expenses for the year.

Lakehead University Student Union Notes to Financial Statements

April 30, 2018

11. Financial Instruments (cont'd)

c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of the changes in market interest rates. LUSU is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

12. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

13. Economic Dependence

The Organization has entered into an agreement with Lakehead University whereby it has the right to act as a representative organization for the students of the University.

As all of the Organization's income is derived from levies on student fees and related products and services, its ability to continue viable operations is dependent upon maintaining its right to act as a representation of Lakehead University students.

**Lakehead University Student Union
Schedule 1 - Administrative Expenses
(Unaudited)**

For the year ended April 30	LUSU		The Outpost	
	2018	2017	2018	2017
Bad debts	\$ 4,806	\$ -	\$ -	\$ -
Bank charges	8,552	7,827	14,126	12,016
Insurance	7,262	7,220	58,131	59,285
Memberships and dues	-	-	2,733	4,452
Miscellaneous	6,511	6,698	8,448	5,255
Office	7,933	5,510	625	1,218
Printing	22,318	23,426	1,197	891
Professional development	8,518	4,546	-	700
Professional fees	41,278	87,354	-	-
Public relations	7,316	5,203	-	-
Recruiting	101	80	-	-
Staff appreciation	2,513	2,504	658	827
Transit passes	8,626	12,939	-	-
Utilities	543	281	2,621	2,625
Wages and benefits	271,967	273,186	297,574	303,657
	\$ 398,244	\$ 436,774	\$ 386,113	\$ 390,926

**Lakehead University Student Union
Schedule 2 - Argus Revenue and Expenses
(Unaudited)**

For the year ended April 30	2018	2017
Revenue		
Advertising		
LUSU, LU and Club	\$ -	\$ 352
Local	-	11,559
Campus Plus	588	220
	<u>588</u>	<u>12,131</u>
Expenses		
Honorarium	180	590
Commissions	-	1,781
Conferences and travel	-	1,514
Insurance	4,144	4,131
Memberships and dues	994	2,300
Office supplies and services	6,122	2,055
Printing	3,746	11,968
Telephone	-	127
Wages and benefits	35,693	41,964
	<u>50,879</u>	<u>66,430</u>
Shortfall of revenue over expenses for year	\$ (50,291)	\$ (54,299)

**Lakehead University Student Union
Schedule 3 - Executive Expenses
(Unaudited)**

For the year ended April 30	2018	2017
Administrative	\$ 420	\$ 690
Conferences and travel	13,515	4,468
Discretionary	13,626	4,656
Wages and benefits	113,779	97,743
	<hr/>	<hr/>
	\$ 141,340	\$ 107,557

**Lakehead University Student Union
Schedule 4 - Orillia Expenses
(Unaudited)**

For the year ended April 30	2018	2017
Bank charges	\$ 1,183	\$ 746
Events	22,494	31,100
Conferences and travel	3,490	4,496
Discretionary	3,187	6,006
Office supplies	10,523	4,958
Rent	9,135	7,500
Wages and benefits	109,277	109,424
	<hr/>	
	\$ 159,289	\$ 164,230

Lakehead University Student Union
Schedule 5 - The Study - Revenue and Expenses
(Unaudited)

For the year ended April 30	2018	2017
Revenue		
Food and beverages	\$ 216,149	\$ 184,107
Allocated student fees	35,000	35,000
Miscellaneous	5,501	7,750
	<u>256,650</u>	<u>226,857</u>
Expenses		
Food and beverages	86,390	76,857
Insurance	2,112	2,117
Rent	16,130	16,130
Repairs and maintenance	2,305	1,164
Supplies	32,213	26,214
Wages and benefits	100,765	93,890
Other	8,482	8,054
	<u>248,397</u>	<u>224,426</u>
Shortfall of revenue over expenses for year	\$ 8,253	\$ 2,431

Lakehead University Student Union
Schedule 6 - The Outpost Fund Sales and Cost of Sales
(Unaudited)

For the year ended April 30	2018	2017
Sales		
Bar	\$ 310,976	\$ 325,831
Entertainment	3,700	21,428
Food	336,459	292,612
	<hr/> 651,135	<hr/> 639,871
Cost of sales		
Bar	235,734	231,102
Entertainment	11,132	37,961
Food	205,164	185,415
	<hr/> 452,030	<hr/> 454,478
Gross profit	<hr/> \$ 199,105	<hr/> \$ 185,393