

Dalhousie Student Union Inc.

Financial Statements

March 31, 2020



Independent auditor's report

To the Members of Dalhousie Student Union Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Dalhousie Student Union Inc. (the Student Union) as at March 31, 2020 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.

What we have audited

The Student Union's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of revenues and expenses for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 related 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.

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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia
September 30, 2020

Dalhousie Student Union Inc.

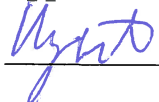
Statement of Financial Position

As at March 31, 2020

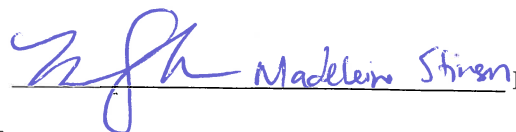
	2020 \$	2019 \$
Assets		
Current assets		
Cash	496,630	603,457
Amounts receivable		
Dalhousie University	1,731,429	1,908,424
Other	444,724	458,470
Inventories	37,874	43,714
Prepaid expenses	32,357	31,764
	<u>2,743,014</u>	<u>3,045,829</u>
Restricted cash	2,366,578	1,679,272
Investments, at market value (note 3)	3,080,044	3,194,688
Capital assets (note 4)	7,850,242	7,941,717
	<u>16,039,878</u>	<u>15,861,506</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	633,436	1,481,066
Current portion of long-term debt (note 8)	208,000	202,000
Other liabilities	880,343	609,098
	<u>1,721,779</u>	<u>2,292,164</u>
Interest rate swap (note 8)	1,287,940	629,718
Long-term debt (note 8)	6,156,000	6,364,000
	<u>9,165,719</u>	<u>9,285,882</u>
Net assets		
Unrestricted net assets	879,214	1,695,469
Internally restricted net assets (note 5)	5,994,945	4,880,155
	<u>6,874,159</u>	<u>6,575,624</u>
	<u>16,039,878</u>	<u>15,861,506</u>

Subsequent events (note 12)

Approved by the Executive

 Isa Wright

Executive

 Madeleine Stinson

Executive

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

Dalhousie Student Union Inc.

Statement of Revenues and Expenses

For the year ended March 31, 2020

	Operating fund budget \$	Operating fund actual \$	Internally restricted fund actual \$	2020 \$	2019 \$
Revenues					
Bar services	670,234	410,017	-	410,017	627,014
Contracts	130,576	132,529	-	132,529	129,786
Food services	168,000	167,134	-	167,134	167,984
Health plan	-	-	5,182,528	5,182,528	3,261,379
IM Well fund	-	-	9,950	9,950	-
International health plan	-	-	3,046,602	3,046,602	2,558,363
Investment (loss) income (note 6)	17,885	(51,266)	(21,673)	(72,939)	141,607
Programming and initiatives	342,623	274,540	-	274,540	260,389
Retail services	120,650	99,666	-	99,666	110,224
S.U.B. operations	66,545	74,517	-	74,517	96,103
S.U.B. reservations	131,251	124,225	-	124,225	132,911
Student Union fees, net	1,257,318	1,246,764	581,175	1,827,939	1,806,942
	2,905,082	2,478,126	8,798,582	11,276,708	9,292,702
Expenses					
Amortization	24,180	23,490	460,980	484,470	464,681
Bar services	725,464	647,533	-	647,533	735,777
Council administration	302,568	235,165	-	235,165	289,241
External affairs	36,049	35,920	-	35,920	41,097
Food services	23,075	34,287	-	34,287	21,477
Furniture and fixtures	24,200	-	-	-	20,632
Grants	52,500	46,715	-	46,715	48,192
Health plan	-	-	4,111,299	4,111,299	3,857,799
IM Well fund	-	-	3,000	3,000	-
Interest expense and bank charges	-	-	227,784	227,784	237,776
International health plan	-	-	2,841,693	2,841,693	2,447,426
Programming and initiatives	438,069	378,162	-	378,162	472,188
Retail services	131,641	119,758	-	119,758	120,713
S.U.B. operations	1,068,666	1,037,198	-	1,037,198	933,397
S.U.B. reservations	59,561	67,745	-	67,745	60,795
Shuttle bus	17,305	10,186	-	10,186	14,348
Student Union fees, net	-	-	39,036	39,036	62,030
	2,903,278	2,636,159	7,683,792	10,319,951	9,827,569
Excess of revenues over expenses (expenses over revenues) for the year before the following	1,804	(158,033)	1,114,790	956,757	(534,867)
Unrealized loss on fair value of on interest rate swap	-	(658,222)	-	(658,222)	(207,882)
Excess of revenues over expenses (expenses over revenues) for the year	1,804	(816,255)	1,114,790	298,535	(742,749)

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

Dalhousie Student Union Inc.

Statement of Changes in Net Assets

For the year ended March 31, 2020

	Unrestricted net assets \$	Internally restricted net assets \$	2020 \$	2019 \$
Net assets – Beginning of year	1,695,469	4,880,155	6,575,624	7,318,373
Excess of revenues over expenses (expenses over revenues) for the year	(816,255)	1,114,790	298,535	(742,749)
Net assets – End of year	879,214	5,994,945	6,874,159	6,575,624

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

Dalhousie Student Union Inc.

Statement of Cash Flows

For the year ended March 31, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses (expenses over revenues) for the year	298,535	(742,749)
Charges (credits) to operations not involving cash		
Amortization of capital assets	484,470	464,681
Unrealized loss on investments	150,074	33,620
Unrealized loss on fair value of interest rate swap	658,222	207,882
Gain on disposal of investments	(5,413)	(113,777)
	1,585,888	(150,343)
Change in non-cash working capital (note 7)	(380,397)	119,762
	1,205,491	(30,581)
Financing activities		
Change in restricted cash	(687,306)	738,313
Repayment of long-term debt	(202,000)	(198,000)
	(889,306)	540,313
Investing activities		
Investment proceeds and purchases, net	(30,017)	(35,077)
Purchase of capital assets	(392,995)	(34,585)
	(423,012)	(69,662)
Net change in cash during the year	(106,827)	440,070
Cash – Beginning of year	603,457	163,387
Cash – End of year	496,630	603,457

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

Dalhousie Student Union Inc.

Notes to Financial Statements

For the year ended March 31, 2020

1 Nature of operations

The Dalhousie Student Union Inc. (the "Student Union" or "DSU") is a not-for-profit student union providing employment, advocacy and general support for the students of Dalhousie University. The Student Union is funded through Dalhousie University student fees and from net income generated from various businesses operated by the Student Union.

2 Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Revenue recognition

Contributions

Contributions are recognized using the deferral method. Internally restricted contributions or contributions with no restrictions are recognized as received. Externally restricted contributions relating to expenses of the current period are recognized as received. Externally restricted contributions for expenses relating to future periods are deferred and recognized in the same period as the expenses. Externally restricted contributions for the purchase of capital assets are deferred and recognized on the same basis as the amortization expense of the asset over its useful life.

Student Union fee revenues

Student Union fee revenues are recognized as received from Dalhousie University. Student fee revenue is allocated to specific programs of the Student Union based on full-time and part-time staff working in each department. Revenue allocated to the Student Union have been recorded on a net basis as the Student Union acts as an agent in the transaction on behalf of Dalhousie University. Gross revenue as a result of these transactions have been disclosed in schedule 9 to the financial statements.

Contracts

Contract revenue is recognized when earned based on the terms of the contract.

Investment income

Investment income is recognized as earned.

Health plan

Fees received from Dalhousie University for insurance premiums are shown gross of the related insurance premium expense.

Dalhousie Student Union Inc.

Notes to Financial Statements

For the year ended March 31, 2020

2 Summary of significant accounting policies (continued)

Management estimates

The presentation of financial statements in conformity with ASNPO requires management to make estimates, assumptions and allocations that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those reported.

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

The cost of inventories recognized as an expense during the year was \$219,285 (2019 - \$302,482).

Investments

Investments are carried at quoted market value. All investments are measured at fair value with changes in fair value recognized in the excess of revenues over expenses in the period they arise.

Realized income is income earned from dividends and interest that has been collected or accrued in the current fiscal period along with gains or losses from the disposal of investments.

Unrealized income is income that is recorded reflecting the change in market value over the book value of the investments currently being held by the Student Union at year-end. The unrealized change in market value is the result of both change in the value of the investment, as well as the change in foreign currency where applicable and is included in investment income for the current period.

Capital assets

All capital expenditures in excess of \$5,000 are capitalized and amortized on a straight-line basis over their estimated useful lives as follows:

Vehicle	5 years
Equipment	6-12 years
Computer equipment	3 years
Leasehold improvements	10-25 years

Cash

Cash includes cash on hand and balances with banks. Bank borrowings are considered to be financing activities. Restricted cash relates to cash that is internally restricted to cover specific expenses of future periods.

Dalhousie Student Union Inc.

Notes to Financial Statements

For the year ended March 31, 2020

2 Summary of significant accounting policies (continued)

Financial instruments

Initial measurement

Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Student Union measures its financial assets and liabilities at cost or amortized cost, except for investments, which must be measured at fair value. The financial instruments measured at amortized cost are restricted cash, amounts receivable, accounts payable and accrued liabilities, other liabilities and long-term debt.

For financial assets measured at cost or amortized cost, the Student Union regularly assesses whether there are any indications of impairment. If there is an indication of impairment and the Student Union determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of revenues and expenses. Any reversals of previously recognized impairment losses are recognized in the statement of revenues and expenses in the year the reversal occurs.

The Student Union's financial instruments consist of cash, restricted cash, amounts receivable, investments, accounts payable and accrued liabilities, other liabilities and long-term debt. It is management's opinion that the Student Union is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3 Investments

	2020 \$	2019 \$
Cash	108,827	75,074
Marketable securities	2,971,217	3,119,614
	<u>3,080,044</u>	<u>3,194,688</u>

Dalhousie Student Union Inc.

Notes to Financial Statements

For the year ended March 31, 2020

4 Capital assets

	2020		
	Cost \$	Accumulated amortization \$	Net \$
Vehicle	89,781	84,977	4,804
Equipment	915,612	617,342	298,270
Leasehold improvements	13,153,645	5,614,233	7,539,412
Computers	20,345	12,589	7,756
	14,179,383	6,329,141	7,850,242

	2019		
	Cost \$	Accumulated amortization \$	Net \$
Vehicle	89,781	74,139	15,642
Equipment	880,521	563,455	317,066
Leasehold improvements	12,798,626	5,201,259	7,597,367
Computers	17,460	5,818	11,642
	13,786,388	5,844,671	7,941,717

5 Internally restricted net assets

The Student Union has set up internally restricted net assets to support the following activities:

Capital campaign

Contributions to the Dalhousie University Capital Campaign of \$25 per full-time student and \$20 per part-time student were received annually during the five years ended March 31, 2001. Of the total monies received over the five years, \$1 million went towards construction of the new Arts and Social Science Building. The balance remaining in the fund has been committed to the ongoing liability for the Blue Light Safety system.

Facility improvement fees

Students voted in 1995/96 to contribute \$10 per full-time student and \$5 per part-time student to develop a football team program. Dalhousie University subsequently decided not to proceed with this project and the students agreed in a follow up referendum in 1996/97 to use the funds collected in 1997/98 and beyond for the improvement of the Student Union facilities. Council voted in June 1998 to use the fees collected during 1996/97 to equally fund three different initiatives: programming, investing and Student Union improvements. In the 2003 fiscal year, it was agreed that a portion of this fee would be reallocated to the DSU renovation fund such that \$4.25 per full-time student and \$1.00 per part-time student is allocated for overall improvements to the Student Union managed properties, equipment, computers and furniture.

Dalhousie Student Union Inc.

Notes to Financial Statements

For the year ended March 31, 2020

5 Internally restricted net assets (continued)

DSU renovation fund

This fund has been set up to accumulate funds for the renovation of the Student Union building which began in the spring of 2002. The Student Union voted to continue the special capital campaign levy and to use these funds to renovate the Student Union building. In the past, these funds were used to pay back the loan received to finance the renovations from Dalhousie University.

Student accessibility fund

This portion of student fees is collected for the purpose of improving accessibility of the Student Union facilities for individuals with disabilities.

IM Well fund

This fund has been set up based on a recognition of the need to provide a consistent level of funding for the DSU, which is to be used for services directly related to the mental health of students. IM Well is funded entirely by the Health plan providers, and is managed and administered by the Student Union. The funding is provided semi-annually, to coincide with the payment of the term invoices.

Health plan fund

This fund has been set up to accumulate funds to use to decrease premiums, enhance benefits or maintain the solvency of the health plan. The monies received are used to pay claims incurred by members of the Student Union as well as to facilitate an administrative office. The accumulated funds have been set aside as restricted cash and investments, on which the income is added to the internally restricted balance.

International health plan fund

The international health plan represents monies collected from international students who are required to have medical insurance coverage during their tenure in Canada. Funds collected are used to pay insurance premiums incurred by international students and to establish an emergency reserve.

Dalhousie Student Union Inc.

Notes to Financial Statements

For the year ended March 31, 2020

5 Internally restricted net assets (continued)

	Opening balance \$	Contributions received \$	Expenditures \$	Amortization \$	Investment loss \$	2020 Ending balance \$
Capital campaign	7,256	-	1,197	-	-	6,059
Facility improvement fees	201,762	75,225	10,311	16,971	-	249,705
DSU renovations fund	1,292,848	473,540	227,784	444,009	-	1,094,595
Student accessibility fund	241,090	32,410	27,528	-	-	245,972
IM Well fund	-	9,950	3,000	-	-	6,950
Health plan fund	2,395,610	5,182,528	4,111,299	-	(21,673)	3,445,166
International health plan	741,589	3,046,602	2,841,693	-	-	946,498
	<u>4,880,155</u>	<u>8,820,255</u>	<u>7,222,812</u>	<u>460,980</u>	<u>(21,673)</u>	<u>5,994,945</u>

	Opening balance \$	Contributions received \$	Expenditures \$	Amortization \$	Investment income \$	2019 Ending balance \$
Capital campaign	8,453	-	1,197	-	-	7,256
Facility improvement fees	169,379	79,126	46,743	-	-	201,762
DSU renovations fund	1,503,077	467,918	237,776	440,371	-	1,292,848
Student accessibility fund	223,245	31,935	14,090	-	-	241,090
Health plan fund	2,874,022	3,261,379	3,857,799	-	118,008	2,395,610
International health plan	630,652	2,558,363	2,447,426	-	-	741,589
	<u>5,408,828</u>	<u>6,398,721</u>	<u>6,605,031</u>	<u>440,371</u>	<u>118,008</u>	<u>4,880,155</u>

6 Investment income

	Operating fund \$	Internally restricted fund \$	2020 \$	2019 \$
Interest and dividends	36,539	78,419	114,958	103,272
Gain on disposal of investments	5,566	(153)	5,413	113,777
Unrealized loss on investments	(81,617)	(68,457)	(150,074)	(33,620)
Management fees	(11,754)	(31,482)	(43,236)	(41,822)
	<u>(51,266)</u>	<u>(21,673)</u>	<u>(72,939)</u>	<u>141,607</u>

Dalhousie Student Union Inc.

Notes to Financial Statements

For the year ended March 31, 2020

7 Change in non-cash working capital

	2020 \$	2019 \$
Decrease in amounts receivable	190,741	24,259
Decrease (increase) in inventories	5,840	(2,210)
Decrease (increase) in prepaids	(593)	4,332
Decrease in accounts payable and accrued liabilities	(847,630)	(31,494)
Increase in other liabilities	271,245	124,875
	<u>(380,397)</u>	<u>119,762</u>

8 Long-term debt

The Student Union has entered into a non-revolving term facility with the Royal Bank of Canada (the "facility"). The facility carries a 10-year term, due in December 2026, and is repayable over a 25-year amortization period. The facility is secured by a first ranking interest on all general property of the Student Union and by a letter of guarantee from Dalhousie University. The Student Union has entered into an interest-rate swap ("swap") agreement with the notional value matching the principal balance and term of the debt. The swap fixes the interest rate over the term of the loan at 3.57%. At March 31, 2020, the fair value of the swap is a liability of \$1,287,940 (2019 - \$629,718).

The Student Union is required to make the following principal repayments on the financing agreement with the facility:

	\$
Year ending March 31, 2021	208,000
2022	214,000
2023	221,000
2024	228,000
2025	235,000

9 Related party transactions

During the year, Dalhousie University collected and remitted certain revenue and processed certain expenses on behalf of the Student Union which are summarized below:

	2020 \$	2019 \$
Student Union fees	1,827,939	1,806,942
Salaries and benefits expense	1,569,751	1,406,552

10 Income taxes

The Student Union is a not-for-profit organization and as such is exempt from income tax.

11 Health plan

In October 1998, students voted to implement a health plan beginning in September 1999. The premium was approved by a student referendum in conjunction with the student elections in April 2002. The referendum also permits increases in premiums to cover future increases in the inflation rate or claims experience. Students may increase the coverage to include their families by paying an additional premium.

Dalhousie Student Union Inc.

Notes to Financial Statements

For the year ended March 31, 2020

12 Subsequent events

On March 11, 2020, the World Health Organization declared a pandemic following the emergence and rapid spread of a novel strain of coronavirus ("COVID-19"). The continued spread of the COVID-19 and the actions being taken by governments, businesses and individuals to limit this pandemic may adversely impact the Student Union's operations. This has resulted in significant economic uncertainty, of which the potential impact on the Student Union's future financial results is difficult to reliably measure at this time.