

**BROCK UNIVERSITY
STUDENTS' UNION, INC.**

FINANCIAL STATEMENTS

APRIL 30, 2011



INDEPENDENT AUDITORS' REPORT

To the Members of
Brock University Students' Union, Inc.

We have audited the accompanying financial statements of **Brock University Students' Union, Inc.**, which comprise the statement of financial position as at April 30, 2011 and the statements of operations and changes in fund balances 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 generally accepted accounting principles, 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.

Auditors' 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 auditors' 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 company'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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

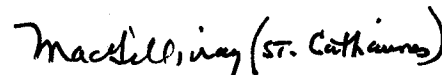
Basis for Qualified Opinion

Brock University Students' Union, Inc., derives a material amount of revenues from photocopiers, student services and other miscellaneous sources, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of such revenues was limited to the amounts recorded in the records of the organization. We were unable to determine whether any adjustments for unrecorded revenues might be necessary to these revenues, excess of revenues over expenses, assets and fund balances.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of **Brock University Students' Union, Inc.** as at April 30, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. Catharines, Ontario,
December 12, 2011



CHARTERED ACCOUNTANTS
Licensed Public Accountants

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BROCK UNIVERSITY STUDENTS' UNION, INC.

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STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30, 2011

	Operating Fund	Internally Restricted Funds	Capital Funds	2011	2010
ASSETS					
Current					
Cash and cash equivalents	\$ 114,674	\$ 1,770,066	\$ 1,045,483	\$ 2,930,223	\$ 6,894,301
Marketable securities	-	3,233,693	2,326,285	5,559,978	-
Accounts receivable	99,785	1,538	835	102,158	157,062
Emergency student loans program receivable	32,230	-	-	32,230	18,694
Inventories	71,081	-	-	71,081	69,246
Prepaid expenses	29,028	-	-	29,028	29,556
	<u>346,798</u>	<u>5,005,297</u>	<u>3,372,603</u>	<u>8,724,698</u>	<u>7,168,859</u>
Loan, The Brock Press (note 3)	-	-	30,000	30,000	50,000
Property and Equipment (note 4)	<u>60,200</u>	<u>4,918</u>	<u>90,943</u>	<u>156,061</u>	<u>127,429</u>
Goodwill and Other Intangible Assets (note 5)	<u>100,202</u>	-	-	<u>100,202</u>	<u>101,702</u>
	<u>\$ 507,200</u>	<u>\$ 5,010,215</u>	<u>\$ 3,493,546</u>	<u>\$ 9,010,961</u>	<u>\$ 7,447,990</u>
LIABILITIES					
Current					
Accounts payable and accrued liabilities	\$ 128,835	\$ 153,256	\$ 200,000	\$ 482,091	\$ 489,159
Due to (from) other funds	341,647	62,766	(404,413)	-	-
	<u>470,482</u>	<u>216,022</u>	<u>(204,413)</u>	<u>482,091</u>	<u>489,159</u>
Employee Future Benefits (note 6)	<u>101,036</u>	-	-	<u>101,036</u>	<u>124,040</u>
Commitments (note 7)					
FUND BALANCES					
Invested in property and equipment	60,200	4,918	90,943	156,061	127,429
Internally restricted (note 9)	-	4,789,275	3,607,016	8,396,291	6,813,906
Unrestricted	(124,518)	-	-	(124,518)	(106,544)
	<u>(64,318)</u>	<u>4,794,193</u>	<u>3,697,959</u>	<u>8,427,834</u>	<u>6,834,791</u>
	<u>\$ 507,200</u>	<u>\$ 5,010,215</u>	<u>\$ 3,493,546</u>	<u>\$ 9,010,961</u>	<u>\$ 7,447,990</u>

Approved on behalf of Council

President

Vice President Finance

See Accompanying Notes to the Financial Statements



BROCK UNIVERSITY STUDENTS' UNION, INC.

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STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED APRIL 30, 2011

	Operating Fund	Internally Restricted Funds	Capital Funds	2011	2010
Revenues					
Commissions and fees	\$ 1,519,901	\$ 5,236,879	\$ 718,583	\$ 7,475,363	\$ 6,657,513
Photocopiers	12,709	-	-	12,709	17,011
Student services portfolio	30,020	-	-	30,020	35,697
Finance portfolio	83,711	-	-	83,711	80,636
Product sales	1,525,851	-	-	1,525,851	1,796,253
Advertising	(74)	-	-	(74)	56
Entertainment	204,701	-	-	204,701	255,901
Investment income, rents and other	304,218	42,737	29,972	376,927	214,531
	<u>3,681,037</u>	<u>5,279,616</u>	<u>748,555</u>	<u>9,709,208</u>	<u>9,057,598</u>
Expenses					
Cost of product sold	717,357	-	-	717,357	864,218
Production and publishing expenses	5,777	140	642	6,559	6,899
Insurance and professional services	157,618	88	157	157,863	153,681
Office	29,131	757	-	29,888	26,798
Photocopiers	17,060	-	-	17,060	18,938
Equipment and property costs	342,404	3,299	23,352	369,055	331,065
Wages and benefits	1,582,802	35,883	-	1,618,685	1,470,097
Conferences and travel	102,326	606	-	102,932	31,732
Advertising, awareness and promotion	41,266	1,993	-	43,259	33,233
Fees, dues, and memberships	98,549	-	-	98,549	81,559
Student services	152,858	4,037,211	-	4,190,069	3,984,962
Amortization	35,372	2,459	47,295	85,126	269,087
Brock University (note 7 and 13)	11,800	-	200,000	211,800	273,250
Entertainment	186,699	485	-	187,184	201,030
Other	246,995	33,784	-	280,779	210,965
	<u>3,728,014</u>	<u>4,116,705</u>	<u>271,446</u>	<u>8,116,165</u>	<u>7,957,514</u>
Excess (Deficiency) of					
Revenues over Expenses	(46,977)	1,162,911	477,109	1,593,043	1,100,084
Fund Balances - Beginning of year	(17,341)	3,630,467	3,221,665	6,834,791	5,734,707
Interfund transfers (note 9)	-	815	(815)	-	-
Fund Balances - End of year	<u>\$ (64,318)</u>	<u>\$ 4,794,193</u>	<u>\$ 3,697,959</u>	<u>\$ 8,427,834</u>	<u>\$ 6,834,791</u>

See Accompanying Notes to the Financial Statements



BROCK UNIVERSITY STUDENTS' UNION, INC.

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED APRIL 30, 2011

	2011	2010
Cash Flows from Operating Activities		
Excess of revenues over expenses for the year	\$ 1,593,043	\$ 1,100,084
Adjustment for non-cash items		
Amortization	85,126	269,087
Unrealized losses on marketable securities	10,939	-
	<u>1,689,108</u>	<u>1,369,171</u>
Changes in non-cash working capital		
Accounts receivable	54,904	(126,038)
Emergency student loans program receivable	(13,536)	(5,830)
Inventories	(1,835)	11,671
Prepaid expenses	528	4,850
Accounts payable and accrued liabilities	(7,068)	266,794
Employee future benefits	(23,004)	(20,960)
	<u>1,699,097</u>	<u>1,499,658</u>
Cash Flows from Investing Activities		
Purchase of marketable securities	(8,994,750)	-
Disposal of marketable securities	3,423,833	-
Loan repayments (advances), The Brock Press	20,000	(50,000)
Purchase of property and equipment	(112,258)	(38,985)
	<u>(5,663,175)</u>	<u>(88,985)</u>
(Decrease) Increase in Cash and Cash Equivalents	(3,964,078)	1,410,673
Cash and Cash Equivalents - Beginning of year	<u>6,894,301</u>	<u>5,483,628</u>
Cash and Cash Equivalents - End of year	<u>\$ 2,930,223</u>	<u>\$ 6,894,301</u>

See Accompanying Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2011

1. NATURE OF OPERATIONS

The organization was established to provide services for the social and educational welfare of the students of Brock University in St. Catharines, Ontario. It is incorporated by Letters Patent as a corporation without share capital under the laws of the Province of Ontario, and is a non-profit organization exempt from taxation under the Income Tax Act of Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

The organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

(a) Fund Accounting

The organization follows the restricted fund method of accounting for contributions. It maintains three funds; operating, internally restricted and capital.

The operating fund accounts for day-to-day operating revenues and expenses.

The internally restricted and capital student levies are restricted as to their respective purposes and are not available for general operating purposes without appropriate authorization. Investment income earned on restricted funds is recognized in the appropriate fund and accumulated.

(b) Revenue Recognition

Externally restricted contributions related to general operations are recognized as revenue of the operating fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the operating fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Inventories

Inventories are valued at the lower of average cost and net realizable value. Inventories are comprised of items held for resale including food products, beverages and convenience items.

(d) Property and Equipment

Property and equipment are recorded at amortized cost. Amortization is recorded at the following annual rates over the estimated useful lives of the related assets:

Furniture and equipment	5 years straight line
Computer equipment	3 years straight line
Leasehold improvements	7 years straight line



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Goodwill and Other Intangible Assets**

Goodwill is recorded at cost and is not amortized. At least annually, the assets are tested for impairment whereby the fair value of the assets is compared to their carrying amounts. Where the carrying amount exceeds fair value, an impairment loss is recognized in an amount equal to the excess.

Intangible assets with a finite useful life are recorded at cost, less accumulated amortization. Amortization is recorded at the following annual rate over the estimated useful life of the related asset:

Franchise fees	Over the life of the franchise
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When events or circumstances occur that indicate that the carrying value of an intangible asset with a finite useful life may not be recoverable, the asset is tested for impairment. Where the carrying amount exceeds fair value, an impairment loss is recognized in an amount equal to the excess.

(f) Post-Employee Benefits

The organization accrues its obligations under an employee benefit plan and the related costs.

(g) Financial Instruments

The organization continues to disclose and present financial instruments in accordance with Section 3861 "Financial Instruments - Disclosure and Presentation".

Financial instruments are valued at fair value or amortized cost depending on the classification selected for the financial instrument. Financial assets are classified as either "held-for-trading", "held to maturity", "available-for-sale" or "loans and receivables" and financial liabilities are classified as "held-for-trading" or "other liabilities". Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recorded in the statement of revenues and expenses. Financial assets classified as held to maturity or loans and receivables and financial liability classified as other liabilities are subsequently measured at amortized cost using the effective interest rate method.

The organization has classified its financial instruments as follows:

- Cash and equivalents are classified as held-for-trading
- Marketable securities are classified as held-for-trading
- Accounts receivable and loan receivable are classified as loans and receivables
- Accounts payable and accrued liabilities are classified as other liabilities.

(h) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known. Actual results could differ from those estimates.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2011

3. LOAN, THE BROCK PRESS

The loan to The Brock Press is to be repaid in five instalments of \$10,000 beginning January, 2011; to be repaid in full January, 2012. The loan is non-interest bearing and is secured by a general security agreement.

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	<i>Net Book Value</i>	
			2011	2010
Furniture and equipment	\$ 674,365	\$ 591,154	\$ 83,211	\$ 94,967
Computer equipment	531,568	469,319	62,249	18,958
Leasehold improvements	<u>1,723,021</u>	<u>1,712,420</u>	<u>10,601</u>	<u>13,504</u>
	<u>\$ 2,928,954</u>	<u>\$ 2,772,893</u>	<u>\$ 156,061</u>	<u>\$ 127,429</u>

5. GOODWILL AND OTHER INTANGIBLE ASSETS

(a) Goodwill and intangible assets with an indefinite useful life consist of the following:

	2011	2010
Goodwill	\$ <u>89,702</u>	\$ <u>89,702</u>

(b) Intangible assets with a finite useful life consist of the following:

	2011	2010
Franchise fees	\$ <u>10,500</u>	\$ <u>12,000</u>

6. EMPLOYEE FUTURE BENEFITS

The organization has an unfunded defined benefit plan that provides retirement and post-employment benefits to a retired employee. At April 30, 2011, the accrued benefit obligation relating to post-retirement benefit plans is \$101,036. The total amount of the obligation is fixed and terminates in 2019. There are no pension costs in the current year.

7. COMMITMENTS

The organization has a \$2,329,894 annual minimum commitment with transit commissions for transportation services for the 2009-2012 school years. The organization has a \$102,714 contract with a local municipality for transportation services for the 2011-2012 school year.

The organization has committed \$1,000,000 from the Strategic Expansion Fund to the University for construction of a Learning Commons. The annual obligation is \$200,000 over five years beginning fiscal 2008.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2011

8. CREDIT FACILITY

The organization has an authorized overdraft lending account of \$75,000 bearing interest at prime, none of which was used at year end. The facility is secured by a general security agreement constituting a first ranking security interest in all assets of the organization.

9. INTERNALLY RESTRICTED FUND BALANCES

The balances in the Safety, Betterment of Student Life, Improvements Levy, Student Health Plan, Student Dental Plan, Student Bus Pass, WUSC, Green Levy, Clubs Levy, Student Justice Centre Levy, Capital and Strategic Expansion Funds are internally restricted as to their respective purposes and are not available for general operating purposes.

Council can authorize expenditures from the Safety Fund by a majority vote at meetings. The use of the Betterment of Student Life Fund has been approved by the committee to be used towards the Brock University Mentorship Plus program. The balance of the Improvements Levy has been added to the Capital Fund beginning in 2004 and for subsequent years. Any residual balances in the Health, Dental, Bus Pass, Green Levy, Clubs Levy, Student Justice Centre and WUSC programs is retained for future years.

Students can authorize use of up to 3/4 of the annual Capital Fund fees by presenting a motion at Council meetings which must attain the support of 2/3 of Council at two consecutive meetings. The accumulated fund balance will be invested until its use is authorized by a student referendum.

The Strategic Expansion Fund is to be used for the expansion of student space at the University.

The balances in the Internally Restricted Funds are as follows:

	2011	2010
Safety Fund	\$ (10,001)	\$ (4,578)
Betterment of Student Life Fund	85,582	84,802
Student Health Plan	2,279,553	2,105,931
Student Dental Plan	1,019,361	521,782
Student Bus Pass	1,237,689	922,530
WUSC	3,653	-
Green Levy	68,008	-
Clubs Levy	67,568	-
Student Justice Centre	37,862	-
	<u>\$ 4,789,275</u>	<u>\$ 3,630,467</u>

The balances in the internally restricted Capital Funds are as follows:

	2011	2010
Capital Fund	\$ 1,964,599	\$ 1,886,551
Strategic Expansion Fund	1,642,417	1,296,888
	<u>\$ 3,607,016</u>	<u>\$ 3,183,439</u>

The balance of the improvements levy of \$815 (2010 - \$237,400) has been transferred into the capital fund during the year.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2011

10. FINANCIAL INSTRUMENTS

Fair value

The fair value of the organization's financial instruments is not significantly different from their carrying value unless otherwise noted.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Given the current composition of loans payable and marketable securities, the fixed rate instruments subject the organization to fair value risk while the floating rate instruments subject the it to a cash flow risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The entity is exposed to other price risk through its investment in quoted shares.

11. CAPITAL MANAGEMENT

The organization's objective in managing its capital is to maintain a sufficient level to provide for normal operating requirements on an on-going basis. The organization monitors its capital in order to ensure it has sufficient revenue before committing to expenditures.

12. ECONOMIC DEPENDENCE

The organization has entered into an agreement with Brock University whereby it has the right to act as a representative organization for students of the University. The agreement can be cancelled by Brock University if the organization does not observe certain established guidelines.

As the organization's sole source of 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 representative of Brock Students.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2011

13. STUDENT AWARDS

The organization has donated funds to Brock University for student awards and bursaries as follows:

BUSU Invests in Students Undergraduate Bursary	
Contribution	\$ 11,800
Matching funds received	<u>16,041</u>
Current year endowment fund additions	<u>\$ 27,841</u>

