

Financial Statements of

**MCMASTER ENGINEERING
SOCIETY**

Year ended April 30, 2017
(Unaudited)

DRAFT



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REVIEW ENGAGEMENT REPORT

To the Members of the McMaster Engineering Society

We have reviewed the financial statements of the McMaster Engineering Society (the "Society"), which comprise the statement of financial position as at April 30, 2017, and the statements of operations and changes in net assets and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly, consisted primarily of inquiry, analytical procedures and discussions related to information supplied to us by the Society.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

October 17, 2017
Hamilton, Canada

MCMMASTER ENGINEERING SOCIETY

Statement of Financial Position

As at April 30, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 446,644	\$ 211,438
Short-term deposits (note 2)	78,715	78,245
Accounts receivable (note 3)	41,244	2,000
Harmonized sales tax receivable	1,297	16,222
Advances to clubs and organizations (note 4)	-	17,686
Inventory	10,553	8,491
	<u>578,453</u>	<u>334,082</u>
Capital assets (note 5)	10,378	16,363
	<u>\$ 588,831</u>	<u>\$ 350,445</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,683	4,950
Due to McMaster University	210,835	23,710
	<u>224,518</u>	<u>28,660</u>
Unrestricted net assets	364,313	321,785
	<u>\$ 588,831</u>	<u>\$ 350,445</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

MCMASTER ENGINEERING SOCIETY

Statement of Operations and Changes in Net Assets

Year ended April 30, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Student fees	\$ 258,271	\$ 212,435
Events	57,392	60,240
Sponsorships	47,915	18,750
Advertising revenue	16,120	14,990
Welcome week	13,524	6,073
Other income	6,249	2,327
Le Drain	4,240	15,850
Jacket sales	2,304	-
Student academic assistance program	850	-
	406,865	330,665
Expenses:		
Events	91,467	107,613
Welcome week	74,635	46,098
Team and group funding	41,347	50,755
External relations and affairs	32,839	36,480
Finance and administration	32,162	17,452
Executive operations	28,932	9,286
Production and services	24,474	21,985
Academic support and services	17,824	7,553
Eco-car	9,198	5,979
Depreciation	5,985	5,562
Internal affairs	3,260	3,459
Le Drain operating and merchandise expenses	2,214	10,656
	364,337	322,878
Excess of revenue over expenses	42,528	7,787
Net assets, beginning of year	321,785	313,998
Net assets, end of year	\$ 364,313	\$ 321,785

See accompanying notes to financial statements.

MCMMASTER ENGINEERING SOCIETY

Statement of Cash Flows

Year ended April 30, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 42,528	\$ 7,787
Items not involving cash:		
Depreciation of capital assets	5,985	5,562
Changes in non-cash working capital items:		
Accounts receivable	(39,244)	2,983
Harmonized sales tax receivable	14,925	(6,770)
Inventory	(2,062)	(1,561)
Advances to clubs and organizations	17,686	(17,686)
Accounts payable and accrued liabilities	8,733	(6,812)
Due to McMaster	187,125	23,710
	<u>235,676</u>	<u>7,213</u>
Investing activity:		
Purchase of capital assets	-	(3,354)
Increase in short-term deposits	(470)	(624)
	<u>(470)</u>	<u>(3,978)</u>
Net increase in cash	235,206	3,235
Cash, beginning of year	211,438	208,203
Cash, end of year	\$ 446,644	\$ 211,438

See accompanying notes to financial statements.

MCMASTER ENGINEERING SOCIETY

Notes to Financial Statements

Year ended April 30, 2017

The McMaster Engineering Society (the "Society") was established in 1959 as a student organization comprised of undergraduate engineering students at McMaster University.

The Society's objectives are to promote the welfare and interest of the members through the provision of facilities and opportunities for social, athletic, and intellectual activities, while maintaining the integrity and unique traditions of the Society.

1. Significant accounting policies:

The 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:

Membership fees are recognized as revenue when earned through the provision of service. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. For sales of goods and services, the Society 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) Inventory:

Inventory consists of branded merchandise including clothing and other items. Inventory is valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs necessary to make the sale. Cost is determined using the average cost method. The amount of inventory included in merchandise expenses was \$984 (2016 - \$7,987).

(c) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Amortization is provided on a straight-line method at the following annual rates:

Asset	Rate
Furniture and fixtures	5 years
Equipment	5 years
Computer equipment	3 years

MCMASTER ENGINEERING SOCIETY

Notes to Financial Statements (continued):

Year ended April 30, 2017

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and 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. The Society 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 Society 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 Society 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.

(f) Use of estimates:

The preparation of the 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 amounts of capital assets and accounts payable and accrued liabilities. Actual results could differ from those estimates.

MCMASTER ENGINEERING SOCIETY

Notes to Financial Statements (continued):

Year ended April 30, 2017

2. Short-term deposits:

Short-term deposits consists of a guaranteed income certificate ("GIC") in the amount of \$78,715 (2016 - \$78,245). The effective interest rate on the GIC held at April 30, 2017 is 0.6% (2016 - 0.6%). The GIC matures in December, 2017. Interest income earned on the GIC is reflected in the statement of operations and changes in net assets.

3. Accounts receivable:

Included in accounts receivable is \$25,468 (2016 - \$nil) receivable from McMaster University. McMaster University is a related party of the McMaster Engineering Society.

4. Advances to clubs and organizations:

The Society will occasionally advance funds to student clubs and organizations who request funds to support their initiatives or events until such time that the student club or organization can repay the Society. These advances have no fixed repayment terms and bear no interest.

5. Capital assets:

April 30, 2017	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 1,498	\$ 717	\$ 781
Equipment	24,600	15,629	8,971
Computer equipment	2,698	2,072	626
	\$ 28,796	\$ 18,418	\$ 10,378

April 30, 2016	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 1,498	\$ 417	\$ 1,081
Equipment	24,600	10,709	13,891
Computer equipment	2,698	1,307	1,391
	\$ 28,796	\$ 12,433	\$ 16,363

MCMMASTER ENGINEERING SOCIETY

Notes to Financial Statements (continued):

Year ended April 30, 2017

6. Financial instruments:

(a) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget forecasts to ensure it has sufficient funds to fulfill its obligations. There have been no significant changes to the risk exposures from 2016.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to the accounts receivable. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There have been no significant changes to the risk exposures from 2016.

(c) Interest and currency risk:

The Society believes that it is not exposed to significant interest rate or currency risk arising from its financial instruments.