

Financial Statements of

**MCMASTER ENGINEERING  
SOCIETY**

Year ended April 30, 2018  
(Unaudited)



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## **INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT**

To Members of the McMaster Engineering Society

We have reviewed the accompanying financial statements of McMaster Engineering Society, which comprise the statement of financial position as at April 30, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

### *Practitioners' Responsibility*

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.



*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the McMaster Engineering Society as at April 30, 2018, 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

November 8, 2018

# MCMMASTER ENGINEERING SOCIETY

## Statement of Financial Position

As at April 30, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 223,389	\$ 446,644
Short-term deposits (note 2)	79,187	78,715
Accounts receivable (note 3)	13,563	41,244
Harmonized sales tax receivable	3,797	1,297
Advances to clubs and organizations (note 4)	8,509	-
Inventory	11,332	10,553
	<u>339,777</u>	<u>578,453</u>
Capital assets (note 5)	6,073	10,378
	<u>\$ 345,850</u>	<u>\$ 588,831</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,679	13,683
Due to McMaster University	-	210,835
	<u>6,679</u>	<u>224,518</u>
Unrestricted net assets	226,861	353,935
Invested in capital assets	6,073	10,378
Internally restricted net assets – program operations	106,237	-
	<u>\$ 345,850</u>	<u>\$ 588,831</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# MCMASTER ENGINEERING SOCIETY

## Statement of Operations

Year ended April 30, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Student fees	\$ 249,875	\$ 258,271
Events	60,863	57,392
Welcome week	27,863	13,524
Sponsorships	16,087	47,915
Advertising revenue	11,880	16,120
Other income	6,084	6,249
Le Drain	4,896	4,240
Jacket sales	2,037	2,304
Student academic assistance program	-	850
	<u>379,585</u>	<u>406,865</u>
Expenses:		
Events	90,763	91,467
Welcome week	54,985	74,635
Team and group funding	46,269	41,347
External relations and affairs	48,442	32,839
Finance and administration	26,878	32,162
Executive operations	12,146	28,932
Production and services	15,324	24,474
Academic support and services	89,171	17,824
Eco-car	9,198	9,198
Depreciation	4,905	5,985
Internal affairs	3,057	3,260
Le Drain operating and merchandise expenses	3,589	2,214
	<u>404,727</u>	<u>364,337</u>
(Deficiency) excess of revenue over expenses	<u>(25,142)</u>	<u>42,528</u>

See accompanying notes to financial statements.

# MCMASTER ENGINEERING SOCIETY

## Statement of Changes in Net Assets

Year ended April 30, 2018, with comparative information for 2017

	Unrestricted Net Assets	Internally Restricted	Invested in Capital Assets	Total 2018	Total 2017
Net assets, beginning of year	\$ 353,935	\$ -	\$ 10,378	\$ 364,313	\$ 321,785
(Deficiency) excess of revenues over expenditures	44,635	(65,472)	(4,305)	(25,142)	42,528
Transfer between funds	(171,709)	171,709	-	-	-
Net assets, end of year	\$ 226,861	\$ 106,237	\$ 6,073	\$ 339,171	\$ 364,313

See accompanying notes to financial statements.

# MCMMASTER ENGINEERING SOCIETY

## Statement of Cash Flows

Year ended April 30, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
(Deficiency) excess of revenue over expenses	\$ (25,142)	\$ 42,528
Items not involving cash:		
Depreciation of capital assets	4,905	5,985
Changes in non-cash working capital items:		
Accounts receivable	27,681	(39,244)
Harmonized sales tax receivable	(2,500)	14,925
Inventory	(779)	(2,062)
Advances to clubs and organizations	(8,509)	17,686
Accounts payable and accrued liabilities	(7,004)	8,733
Due to McMaster	(210,835)	187,125
	<u>(222,183)</u>	<u>235,676</u>
Investing activity:		
Purchase of capital assets	(600)	-
Increase in short-term deposits	(472)	(470)
	<u>(1,072)</u>	<u>(470)</u>
Net (decrease) increase in cash	(223,255)	235,206
Cash, beginning of year	446,644	211,438
Cash, end of year	<u>\$ 223,389</u>	<u>\$ 446,644</u>

See accompanying notes to financial statements.

# MCMASTER ENGINEERING SOCIETY

## Notes to Financial Statements

Year ended April 30, 2018

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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 \$787 (2017 - \$984).

#### (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

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# MCMASTER ENGINEERING SOCIETY

Notes to Financial Statements (continued):

Year ended April 30, 2018

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## 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.

### (e) 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.

# MCMMASTER ENGINEERING SOCIETY

Notes to Financial Statements (continued):

Year ended April 30, 2018

## 2. Short-term deposits:

Short-term deposits consists of a guaranteed income certificate ("GIC") in the amount of \$79,187 (2017 - \$78,715). The effective interest rate on the GIC held at April 30, 2018 is 0.45% (2017 - 0.6%). The GIC matures in December, 2018. 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 \$1,000 (2017 - \$25,468) 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, 2018	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 1,498	\$ 1,017	\$ 481
Equipment	25,181	19,827	5,354
Computer equipment	2,717	2,479	238
	\$ 29,396	\$ 23,323	\$ 6,073

  

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

# MCMMASTER ENGINEERING SOCIETY

Notes to Financial Statements (continued):

Year ended April 30, 2018

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## 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 2017.

### (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 2017.

### (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.

## 7. Comparative information:

Certain comparative information has been reclassified to conform to the presentation adopted for the current year. There is no impact to ending net assets or deficiency of revenues over expenses as a result of the reclassification.