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Financial statements of  
Engineering Undergraduate  
Society of McGill University Inc.

April 30, 2016

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Independent Auditor's Report.....	1-2
Statement of operations.....	3
Statement of changes in net assets .....	4
Statement of financial position .....	5
Statement of cash flows.....	6
Notes to the financial statements .....	7-9

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## Independent Auditor's Report

To the Engineering Undergraduate Society of  
McGill University Inc.

We have audited the accompanying financial statements of the Engineering Undergraduate Society of McGill University Inc. which comprise the statement of financial position as at April 30, 2016, 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.

*Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Engineering Undergraduate Society of McGill University Inc. derives revenue from social activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, the audit of these revenues was limited to the amounts recorded in the records of the Engineering Undergraduate Society of McGill University Inc. Therefore, we were not able to determine whether any adjustments might be necessary to total revenue, excess of revenue over expenses, and cash flows from operations for the years ended April 30, 2016 and 2015, current assets and deferred contributions as at April 30, 2016 and 2015, and net assets as at May 1, 2015 and 2014, and April 30, 2016 and 2015. Our audit opinion on the financial statements for the year ended April 30, 2015 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 the Engineering Undergraduate Society of McGill University Inc. as at April 30, 2016, 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.

*Deloitte LLP*

November 18, 2016

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A133206

**Engineering Undergraduate Society of McGill University Inc.**

## Statement of operations

Year ended April 30, 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
<b>Revenue</b>	<b><u>1,414,054</u></b>	<b><u>1,356,172</u></b>
<b>Expenses</b>		
Social activities	505,745	394,781
Services	236,057	257,262
Departmental	202,196	228,526
Clubs and design team	131,774	109,887
Office	83,934	92,919
External	76,586	78,621
Professional fees	52,154	43,704
Publications	16,310	30,577
Student fees expenses	22,482	22,392
Athletics	11,657	13,902
Philanthropic	23,655	13,781
Interest and bank charges	3,506	3,203
Amortization	22,943	19,997
	<b><u>1,388,999</u></b>	<b><u>1,309,552</u></b>
<b>Excess of revenue over expenses</b>	<b><u>25,055</u></b>	<b><u>46,620</u></b>

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

**Engineering Undergraduate Society of McGill University Inc.****Statement of changes in net assets**

Year ended April 30, 2016

	<b>2016</b>		<b>2015</b>
	<b>Invested in capital assets</b>	<b>Unrestricted</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of year	<b>98,112</b>	<b>277,654</b>	<b>375,766</b>
(Deficiency) excess of revenue over expenses	<b>(22,943)</b>	<b>47,998</b>	<b>25,055</b>
Purchase of capital assets	<b>24,392</b>	<b>(24,392)</b>	<b>—</b>
Balance, end of year	<b>99,561</b>	<b>301,260</b>	<b>400,821</b>

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

**Engineering Undergraduate Society of McGill University Inc.**

## Statement of financial position

As at April 30, 2016

	<b>2016</b>	<b>2015</b>
	\$	\$
<b>Assets</b>		
Current assets		
Cash	344,444	341,495
Accounts receivable	192,637	72,592
Inventory	15,320	17,797
Prepaid expenses	28,692	23,557
	<u>581,093</u>	<u>455,441</u>
Capital assets	<u>99,561</u>	<u>98,112</u>
	<u>680,654</u>	<u>553,553</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	68,807	42,464
Deferred contributions	211,026	135,323
	<u>279,833</u>	<u>177,787</u>
Commitments		
<b>Net assets</b>		
Unrestricted	301,260	277,654
Invested in capital assets	99,561	98,112
	<u>400,821</u>	<u>375,766</u>
	<u>680,654</u>	<u>553,553</u>

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

Approved by the Board

\_\_\_\_\_, Director

\_\_\_\_\_, Director

**Engineering Undergraduate Society of McGill University Inc.**

## Statement of cash flows

Year ended April 30, 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	25,055	46,620
Adjustment for Amortization	<u>22,943</u>	19,997
	<u>47,998</u>	66,617
 Changes in non-cash working capital items		
Accounts receivable	(120,045)	105,191
Inventory	2,477	713
Prepaid expenses	(5,135)	(722)
Accounts payable and accrued liabilities	26,343	22,312
Deferred contributions	<u>75,703</u>	36,456
	<u>27,341</u>	230,567
 <b>Investing activities</b>		
Purchase of capital assets	<u>(24,392)</u>	(46,754)
 Increase in cash	2,949	183,813
Cash, beginning of year	<u>341,495</u>	157,682
<b>Cash, end of year</b>	<u>344,444</u>	341,495

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



## Engineering Undergraduate Society of McGill University Inc.

Notes to the financial statements

April 30, 2016

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### 1. Purpose and incorporation of the Society

Engineering Undergraduate Society of McGill University Inc. (the "Society") is a not-for-profit organization whose membership is limited to regularly registered undergraduate McGill University engineering students. The Society's purpose is to provide various services and activities to its members. The Society was incorporated under Part III of the *Quebec Companies Act* as a not-for-profit organization without share capital on April 6, 1990. The Society is exempt from tax under provisions of the *Income Tax Act*.

### 2. Accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

#### *Revenue recognition*

The Society applies the deferral method to account for revenue. Restricted revenue is recognized as revenue in the year in which the related expenses are incurred. Unrestricted revenue is recognized as revenue when received or receivable if the amount to be receivable can be reasonably estimated and collection is reasonably assured.

#### *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the Society becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statements of operations as income or expense.

The Society recognizes in the statements of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases, and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statements of operations in the period the reversal occurs.

#### *Inventory*

Inventory, which consists of finished goods is valued at the lower of cost or net realizable value. Cost is determined on a specific identification basis. Net realizable value is the estimated selling price, less the estimated cost necessary to make the sale. The inventories recognized as an expense during the year amounted to \$102,854 (\$106,970 in 2015).

## Engineering Undergraduate Society of McGill University Inc.

### Notes to the financial statements

April 30, 2016

## 2. Accounting policies (continued)

### Capital assets

The capital assets are recorded at cost, and are amortized using the following rates and methods on their useful lives:

Furniture and equipment	Declining balance	20%
Computers	Declining balance	30%
Leasehold improvements	Term of the lease	Straight-line

### Volunteer services

The Society benefits from substantial services in the form of volunteer time. Due to the difficulty of determining their fair value, volunteer services are not recorded in these financial statements.

### Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organization 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 revenues and expenses during the reporting period. The key estimates relate to the estimated life of capital assets. Actual results could differ from those estimates.

## 3. Capital assets

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and equipment	67,160	40,104	27,056	26,162
Computers	147,726	139,313	8,413	8,512
Leasehold improvements	145,871	81,779	64,092	63,438
	<b>360,757</b>	<b>261,196</b>	<b>99,561</b>	<b>98,112</b>

## 4. Deferred contributions

Deferred contributions relate to restricted contributions received in the current period related to expenses of subsequent periods.

	2016								2015	
	Civil	Chemical	Electrical	Mechanical	Mining	Materials	Architec- ture	Club and other	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	5,003	1,223	13,299	6,359	1,557	5,516	8,624	93,742	135,323	98,867
Contribution received	26,420	24,615	45,173	35,912	25,429	19,907	38,503	112,144	328,103	406,501
Less: amount recognized as revenue	(32,034)	(29,815)	(39,019)	(37,733)	(17,819)	(23,387)	(38,509)	(34,084)	(252,400)	(370,045)
Balance, end of year	<b>(611)</b>	<b>(3,977)</b>	<b>19,453</b>	<b>4,538</b>	<b>9,167</b>	<b>2,036</b>	<b>8,618</b>	<b>171,802</b>	<b>211,026</b>	<b>135,323</b>

## Engineering Undergraduate Society of McGill University Inc.

Notes to the financial statements

April 30, 2016

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### 5. Commitments

The Society rents equipment under operating leases, which expire at various dates up to October 2021, and for which minimum lease payments total \$187,238. The minimum rentals payable under long-term operating leases are exclusive of certain operating costs for which the Society is responsible. The minimum rentals payable under long-term leases are as follows:

	\$
2017	50,676
2018	30,347
2019	30,347
2020	30,347
2021	30,347
2022	15,174

### 6. Financial instruments

#### *Credit risk*

The Society does not have a significant exposure to credit risk as the majority of its revenue has been collected within the normal terms.

