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Shauna Major, General Manager  
Algoma University Students' Union  
1520 Queen Street East  
Sault Ste. Marie, ON P6A 2G4

October 2, 2015

**Re: Management Letter - Algoma University Students' Union**

Dear Madam

The objective of an audit is to obtain reasonable assurance whether the financial statements are free of any material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly an audit would not usually identify all such matters.

During the course of our audit of the financial statements of Algoma University Students' Union for the year ended April 30, 2015, we did not encounter any significant matters which we believe should be brought to your attention.

This communication is prepared solely for the information of the Board of Directors and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

Yours sincerely

BDO Canada LLP  
Chartered Professional Accountants, Licensed Public Accountants

Gabriel R. Stefanizzi, CPA, CA, BAcc  
Partner



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**Private & Confidential**  
Members of the Board of Directors  
Algoma University Students' Union  
1520 Queen Street East  
Sault Ste. Marie, ON P6A 2G4

October 2, 2015

**Re: Audit of the Financial Statements of Algoma University Students' Union  
For the year ended April 30, 2015**

Our report is designed to highlight and explain key issues which we believe to be relevant to the audit including audit risks, the nature, extent, timing and results of our audit work and the terms of our engagement, including fees. This report forms a significant part of our overall communication strategy with the Board of Directors and is designed to promote effective two-way communication throughout the audit process. It is important that we maintain effective two-way communication with the Board of Directors throughout the entire audit process so that we may both share timely information.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Board of Directors in fulfilling its responsibilities.

This report has been prepared solely for the use of the Board of Directors and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

#### Terms of Reference

Our overall responsibility is to form and express an opinion on the financial statements. These financial statements are prepared by management, with oversight by those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. The scope of our work, as confirmed in our engagement letter, and a summary of our proposed fees are set out below.

#### Engagement Objectives

- Forming and expressing an audit opinion on the financial statements.
- Present significant findings to the Board of Directors including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work.
- Provide timely and constructive management letters. This will include deficiencies in internal control identified during our audit.
- Consult regarding accounting, income taxes and reporting matters as requested throughout the year.
- Prepare (review) applicable tax returns for the year ended April 30, 2015.
- Work with management towards the timely issuance of financial statements and tax returns.

#### Audit Strategy

Our overall audit strategy involved extensive partner and manager involvement in all aspects of the planning and execution of the audit and was based on our overall understanding of the not-for-profit organization.

We performed a risk based audit which allows us to focus our audit effort on higher risk areas and other areas of concern for management and the Board of Directors.

To assess risk accurately, we gained a detailed understanding of the not-for-profit organization's business and the environment it operates in. This allowed us to identify, assess and respond to the risks of material misstatement.

To identify, assess and respond to risk, we obtained an understanding of the system of internal control in place in order to consider the adequacy of these controls as a basis for the preparation of the financial statements, to determine whether adequate accounting records have been maintained and to assess the adequacy of these controls and records as a basis upon which to design and undertake our audit testing.

Based on our risk assessment, we designed an appropriate audit strategy to obtain sufficient assurance to enable us to report on the financial statements.

We chose audit procedures that we believed were the most effective and efficient to reduce audit risk to an acceptable low level. The procedures are a combination of testing the operating effectiveness of internal controls (when appropriate), substantive analytical procedures and other tests of detailed transactions.

Having planned our audit, we performed audit procedures, maintaining an appropriate degree of professional skepticism, in order to collect evidence to support our audit opinion.

**Risks and Planned Audit Responses**

Based on our knowledge of the not-for-profit organization's business, our past experience, and knowledge gained from management and you, we identified the following financial statements areas with significant risks; those risks of material misstatement that, in our judgment, required special consideration.

These risks arose mainly because of the complexity of the accounting rules, the extent of estimation and judgment involved in the valuation of these financial statement areas, and the existence of new accounting pronouncements that affect them.

Financial Statement Areas With Significant Risks	Audit Procedures Performed
<ul style="list-style-type: none"><li>Accounting for insurance premiums, refunds and rate stabilization reserve fund</li></ul>	<ul style="list-style-type: none"><li>reviewed transactions in the reserve fund to ensure reconciliation to bank account.</li></ul>

**Materiality**

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances and include an assessment of both quantitative and qualitative factors and can be affected by the size or nature of a misstatement, or a combination of both.

For purposes of our audit, preliminary materiality was set at \$8,800 for the not-for-profit organization.

We communicated all corrected and uncorrected misstatements identified during our audit to the Board of Directors, other than those which we determine to be "clearly trivial". Misstatements are considered to be clearly trivial for purposes of the audit when they are inconsequential both individually and in aggregate.

We encouraged management to correct any misstatements identified throughout the audit process.

**Independence**

At the core of the provision of external audit services is the concept of independence. We are communicating all relationships between BDO Canada LLP and its related entities and Algoma University Students' Union and its related entities that, in our professional judgment, may

reasonably be thought to have influenced our independence during the audit engagement.

In determining which relationships to report, we have considered the applicable legislation and relevant rules of professional conduct and related interpretations prescribed by the appropriate provincial institute/ordre covering such matters as the following:

- holding of a financial interest, either directly or indirectly in a client;
- holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- economic dependence on a client; and
- provision of services in addition to the external audit engagement.

We are aware of the following relationships between the not-for-profit organization and us that, in our professional judgment, may reasonably be thought to have influenced our independence. The following relationships represent matters that have occurred from January 30, 2015 to October 2, 2015.

- We have provided assistance in the preparation of the financial statements, including adjusting journal entries and/or bookkeeping services. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with Canadian accounting standards for not-for-profit organizations.
- We, therefore, required that the following safeguards be put in place related to the above:
  - Management created the source data for all the accounting entries.
  - Management reviewed and approved all journal entries prepared by us, as well as changes to financial statement presentation and disclosure.
  - Someone other than the preparer reviewed the proposed journal entries and financial statements.

#### Auditor's considerations of possible fraud and illegal activities

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud, by:

- Identifying and assessing the risks of material misstatement due to fraud;
- Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- Responding appropriately to fraud or suspected fraud identified during the audit.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

During the audit, we performed risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the not-for-profit organization's internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and made inquiries of management regarding:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- Management's process for identifying and responding to the risks of fraud in the not-for-profit organization, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the not-for-profit organization; and
- Management's communication, if any, to employees regarding its view on business practices and ethical behaviour.

In response to our risk assessment and our inquiries of management, we performed procedures to address the assessed risks, which may have included:

- Inquired of management, the Board of Directors, and others related to any knowledge of fraud, suspected fraud or alleged fraud;
- Performed disaggregated analytical procedures and consider unusual or unexpected relationships identified in the planning of our audit;
- Incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures; and
- Performed additional required procedures to address the risk of management's override of controls including:
  - ◆ Testing internal controls designed to prevent and detect fraud;
  - ◆ Testing the appropriateness of a sample of adjusting journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
  - ◆ Reviewing accounting estimates for biases that could result in material misstatements due to fraud, including a retrospective review of significant prior years' estimates; and
  - ◆ Evaluated the business rational for significant unusual transactions.

#### Management Representations

During the course of the audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base the audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

We will provide you a copy of the management representation letter which summarizes the representations we have requested from management.

We wish to express our appreciation for the co-operation we received during the audit from the not-for-profit organization's management and staff who have assisted us in carrying out our work. We would be pleased to discuss with you the contents of this report and any other matters that you consider appropriate.

Yours sincerely

BDO Canada LLP  
Chartered Professional Accountants, Licensed Public Accountants



Gabriel R. Stefanizzi, CPA, CA, BAcc  
Partner

**Algoma University Students' Union**  
**Financial Statements**  
For the year ended April 30, 2015

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## Independent Auditor's Report

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To the Members of Algoma University Students' Union

We have audited the accompanying financial statements of Algoma University Students' Union, which comprise the statement of financial position as at April 30, 2015 and the statements of operations and 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 audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Algoma University Students' Union as at April 30, 2015, and the results of operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario  
October 2, 2015

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**Algoma University Students' Union**  
**Statement of Financial Position**

<b>April 30</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 131,890	\$ 57,404
Due from Algoma University	25,342	116,385
	<hr/>	<hr/>
	\$ 157,232	\$ 173,789
<hr/>		
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 4,725	\$ 5,228
<b>Net assets (Note 3)</b>	<hr/>	<hr/>
	152,507	168,561
	<hr/>	<hr/>
	\$ 157,232	\$ 173,789
<hr/>		

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



## Algoma University Students' Union Statement of Operations and Net Assets

For the year ended April 30	2015	2014
<b>Revenue</b>		
Student fees	\$ 218,909	\$ 212,294
Insurance premiums	146,020	-
Events	6,734	9,850
Other	6,610	2,337
Student capital enhancement fees	44,880	-
Insurance premiums experience refund	19,151	15,470
	<u>442,304</u>	<u>239,951</u>
<b>Expenses</b>		
Clubs and services	29,375	24,332
Conferences and travel	11,288	18,127
Donations and sponsorships	62,100	8,950
Events	27,673	11,704
Furniture and equipment	47,017	-
Honorariums	29,563	22,950
Insurance, fees and dues	2,058	2,049
Orientation	33,140	39,527
Postage, stationery and office supplies	6,938	2,404
Professional fees	6,575	6,860
Satellite campuses - student life programming	6,362	2,469
Shingwauk Aboriginal Students' Association	20,000	20,000
Student health plan	146,020	-
The Sentient	1,426	6,250
Wages and benefits	28,823	-
	<u>458,358</u>	<u>165,622</u>
<b>Excess (deficiency) of revenues over expenses</b>	<b>(16,054)</b>	<b>74,329</b>
<b>Net assets, beginning of year</b>	<b>168,561</b>	<b>94,232</b>
<b>Net assets, end of year</b>	<b>\$ 152,507</b>	<b>\$ 168,561</b>

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**Algoma University Students' Union**  
**Statement of Cash Flows**

<b>For the year ended April 30</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ (16,054)	\$ 74,329
Changes in non-cash working capital balances		
Due from Algoma University	91,043	(50,156)
Accounts payable and accrued liabilities	<u>(503)</u>	<u>(14,125)</u>
<b>Increase in cash</b>	<b>74,486</b>	<b>10,048</b>
<b>Cash, beginning of year</b>	<b><u>57,404</u></b>	<b><u>47,356</u></b>
<b>Cash, end of year</b>	<b>\$ 131,890</b>	<b>\$ 57,404</b>

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

# Algoma University Students' Union

## Notes to Financial Statements

**April 30, 2015**

### 1. Summary of significant accounting policies

**Nature of Operations** The organization was incorporated without share capital under the laws of Ontario. Its objectives are to promote student endeavours, protect educational interests of its members and to foster student spirit. The organization has claimed exemption from taxation pursuant to section 149 of the Income Tax Act.

**Basis of Accounting** The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

**Revenue Recognition** The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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. Endowment contributions are recognized as direct increases in net assets.

**Tangible Capital Assets** Tangible capital assets are recorded as expenses at the time of purchase. Major categories of tangible capital assets not recorded in these financial statements include furniture, equipment and computers.

**Use of Estimates** The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

**Financial Instruments** Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, they are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

### 2. Government remittances payable

There were no government remittances payable at year end.

### 3. Net assets

	2015	2014
Insurance premium stabilization fund	\$ 55,052	\$ 34,863
Unrestricted net assets	97,455	133,698
	\$ 152,507	\$ 168,561

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# Algoma University Students' Union

## Notes to Financial Statements

April 30, 2015

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#### 4. Economic dependence

Algoma University Students' Union has an agreement with Algoma University to collect student fees on behalf of the Algoma University Students' Union. The funds are used to administer its operations and provide services to its members.

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#### 5. Financial instrument risks

The organization's management monitors, evaluates and manages the principal risks assumed with financial instruments on a daily basis. The risks that arise from transacting financial instruments include liquidity risk, credit and concentration of credit risk.

##### *Liquidity risk*

Liquidity risk arises from the organization's management of accounts payable. It is the risk that the organization will encounter difficulty in meeting its financial obligations as they fall due. The company's policy to minimize this risk is to monitor their daily cash flow in order to meet its financial obligations. Algoma University will also advance the organization funds to cover expenses if necessary.

##### *Credit and concentration of credit risk*

Credit risk arises principally from the organization's accounts receivable. The organization is exposed to normal credit risk resulting from the possibility that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. All of the organization's receivables are from student fees collected by Algoma University on the organization's behalf.