

**SIMON HALL CHARTERED PROFESSIONAL ACCOUNTANT  
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To the Board of Directors  
University of Winnipeg Students' Association

You will have reviewed the audit report and audited financial statements of University of Winnipeg Students' Association (hereafter the U.W.S.A.) for the year ended March 31, 2019. In this report I will discuss my audit opinion, review the financial performance of the organization and throughout make recommendations I think may be useful to management.

**1. AUDIT REPORT**

An audit involves an examination of both the financial transactions of the U.W.S.A. for the 2019 fiscal year and the presentation of these transactions in the financial statements.

**1.1 AUDIT OPINION:**

The opinion provided on the financial statements is an unmodified opinion or clear opinion. An unmodified opinion is the strongest audit opinion regarding financial statements that can be provided.

**2. FINANCIAL PERFORMANCE**

The U.W.S.A. generated a surplus of \$370,834 in the 2019 fiscal year. This compares with a deficit of \$471,593 incurred in the prior (2018) fiscal year. The proximal causes of the 2019 operating surplus were surpluses in the Health Plan (\$301,661) and Administration (\$370,423) that were partially offset by deficits in Events of (\$126,758), Info Booth (\$84,449), Index (\$69,242) and W.U.S.C. (\$16,718).

The Health Plan results recovered from a deficit of \$384,712 in the 2018 fiscal year to generate a surplus of \$301,661 in the current fiscal year. The inconsistent results over the past two years are primarily the result of the issues with the U of W's computerized billing system being resolved.

### **2.1 REVENUES:**

The U.W.S.A. generated revenue of \$4,718,736 in the 2019 fiscal year, 9% less (\$485,205) than in 2018 (\$5,204,427). The overall revenue decrease was the result of a number of factors. The deferred capital revenue and health plan revenue decreased significantly but were partially offset by the increase in revenue generated by the daycare.

The 2019 student fee revenue decreased by roughly \$442,000 as compared to the 2018 fiscal year. This was primarily the result of the health plan revenue only being generated for six months of the 2019 fiscal year.

### **2.2 EXPENDITURES:**

The decline in revenue was more than offset by decreased expenses (\$1,335,057). Most notably Health plan costs and the UWSA contribution to the capital project costs declined significantly.

It should be noted that the U.W.S.A's expenses are program focused. The organization's funds are spent on the direct costs of the organization's operations. Expenditures on management and administration are fairly limited.

## **3. FINANCIAL POSITION**

### **3.1 SHORT TERM LIQUIDITY:**

The current financial position of an organization can be measured in several ways. One measure is the working capital ratio. This measure divides the current assets of the organization by the current liabilities of the organization. A ratio greater than one indicates that the organization has more currently maturing assets than liabilities and is therefore more likely able to meet its short term obligations as they arise. Conversely a current ratio of less than one indicates that an organization is more likely to have issues settling liabilities in a timely manner.

The U.W.S.A. has a working capital ratio of roughly .51 (depending on exactly how its calculated) as at March 31, 2018. This is a reduction from the 2018 fiscal year where the current ratio was 0.64. This means that the U.W.S.A. has more currently maturing liabilities than currently maturing assets. All other things equal this can indicate potential cash flow issues. It should be noted however that the U.W.S.A. is conservative in their allocation of liabilities between short and long term. Most of the U.W.S.A.'s deferred revenue amounts are not expected to be repaid/recognized in the near future (the building fund being an example).

### **3.2 LONGER TERM SOLVENCY:**

Most measures of long term solvency are focused on the debt of the organization as compared to assets, net assets or some other balance sheet component. The U.W.S.A. has a deficit of net assets of (\$985,019). This is a moderate accumulated deficit for an organization of the U.W.S.A.'s size (Roughly equivalent to 23% of annual U.W.S.A. revenue).

Similar to a working capital deficit, a deficit of net assets can cause cash flow issues (inability to pay suppliers in a timely basis, issues with payroll, etc..). The U.W.S.A. is not likely to suffer from these issues in the short term as a result of it's significant deferred revenue balance. While the U.W.S.A. remains solvent, it would be prudent to develop a plan to retire the deficit of net assets over a reasonable period of time (five to ten years).

### **4.0 OTHER ISSUES:**

#### **4.1 BANKING SERVICES PROVIDED TO STUDENT INITIATIVES:**

The U.W.S.A. provides banking services to several student organizations. As a consequence the U.W.S.A. provides de facto loans to these organizations as they require. This can complicate cash flow management and exposes the U.W.S.A. to increased risk. I would suggest the Executive review the banking arrangements provided to other organizations regularly.

As a result of the banking services provided by the U.W.S.A., there was a significant balance receivable at March 31, 2019. The balance had grown significantly over the last few years. Subsequent to the end of the 2019 fiscal year management collected a majority of the balance outstanding. This was a very positive development.

#### **4.2 CONFLICT OF INTEREST POLICIES:**

Given the small size of the U.W.S.A. administration conflicts of interest can arise. I would recommend that the U.W.S.A. review their conflict of interest policies periodically to ensure they are meeting the needs of the organization.

#### **4.3 ANNUAL AUDIT OF FINANCIAL STATEMENTS:**

Given the nature of the U.W.S.A. as a publicly accountable organization, as well as the size of it's financial footprint (over four million in revenue) the U.W.S.A. would be well served to establish an audit committee. The committee would establish the terms of the audit engagement with the auditor, plan the timing of the audit work and financial statement completion with the auditor and meet with the auditor periodically throughout the audit process to discuss any issues arising. The committee could include members of the executive as voting members of the committee as well it may include staff in key positions as non-voting members. The committee would serve to include the executive in the audit process to a greater degree than currently happens as well as reduce significant delays in the audit process.

#### **4.4 PERIODIC DEPOSITS:**

Currently deposits are made on a weekly basis. Management may want to consider increasing the frequency of deposits. Making deposits more frequently reduces the risk of cheques being misplaced and also assists in managing cash flow.

#### **4.5 CAPITAL BUDGETING:**

Preparing capital budgets would assist with the management of cash flow as well as provide information relevant to determining the need for student fees to be earmarked for capital expenditures (deferred capital revenue). Note that capital budgeting should take into account legacy costs associated with the maintenance and repair of capital assets acquired or the cost for the lease of assets that would otherwise have been purchased.

#### **4.6 PROGRAM SURPLUSES:**

It should be noted that surpluses generated by all of the U.W.S.A. programs are included in the overall net assets of the organization at year end. Management may have plans to earmark the surpluses generated by a particular program in a particular year for future program costs. A transparent and informative way to provide this information to the users of the financial statements would be to defer the surplus funding in the financial statements. If such an allocation is not made it provides users of the financial statements with a misleading view of the financial resources available to the organization.

#### **SUMMARY:**

The financial records audited were of high quality, complete and accurate. All required information was readily accessible. Tom and Karolya were able to provide all information requested. All of this greatly facilitated my audit of the 2019 UWSA financial statements.

I would like to thank the Business Manager and the General Manager for their assistance and cooperation during the audit. Tom and Karolya's assistance was greatly appreciated and necessary to conducting the audit. As well I would like to thank the Executive for their time and patience throughout this process.

Sincerely,

**SIMON HALL**  
**CHARTERED PROFESSIONAL ACCOUNTANT**