

Fanshawe College
Student Union

(incorporated under the laws of the
Province of Ontario without share capital)

Financial Statements
April 30, 2020



Independent auditor's report

To the Members of Fanshawe College Student Union

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fanshawe College Student Union (the Student Union) as at April 30, 2020 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.

What we have audited

The Student Union's financial statements comprise:

- the statement of financial position as at April 30, 2020;
- the statement of operations and changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Student Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

PricewaterhouseCoopers LLP
465 Richmond Street, Suite 400, London, Ontario, Canada N6A 5P4
T: +1 519 640 8000, F: +1 519 640 8015

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the Student Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Student Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Student Union's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Student Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Student Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Student Union to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario
September 10, 2020

Fanshawe College Student Union

Statement of Financial Position

As at April 30, 2020

	2020			2019	
	General Fund \$	Reserve Funds \$	Capital Fund \$	Total \$ (restated – note 3)	
Assets					
Current assets					
Cash (note 4)	3,325,736	-	-	3,325,736	427,512
Accounts receivable, net of allowance for doubtful accounts of \$23,363 (2019 – \$16,561)	111,199	100,000	-	211,199	162,899
Inter-fund balances (payable) receivable	(5,833,732)	2,660,442	3,173,290	-	-
Inventory	72,806	-	-	72,806	51,449
Prepaid expenses	75,148	-	-	75,148	62,180
Deposit (note 6)	50,000	-	-	50,000	86,622
Due from London Transit Commission (note 17)	834,702	-	-	834,702	-
	(1,364,141)	2,760,442	3,173,290	4,569,591	790,662
Investments (note 5)	5,484,452	361,506	342,415	6,188,373	8,473,421
Capital assets (notes 7 and 8)	-	-	4,841,407	4,841,407	4,925,717
	4,120,311	3,121,948	8,357,112	15,599,371	14,189,800
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities (notes 7 and 14)	2,263,483	6,600	-	2,270,083	310,928
Due to London Transit Commission	-	-	-	-	479,076
Deferred revenue (note 9)	283,688	921,432	23,465	1,228,585	1,765,814
Current portion of long-term debt (notes 7 and 10)	-	-	189,218	189,218	177,482
	2,547,171	928,032	212,683	3,687,886	2,733,300
Long-term debt (notes 7 and 10)	-	-	1,959,551	1,959,551	2,148,769
	2,547,171	928,032	2,172,234	5,647,437	4,882,069
Net Assets					
General fund	1,573,140	-	-	1,573,140	1,027,262
Reserve funds (note 11)	-	2,193,916	-	2,193,916	2,220,211
Capital fund	-	-	6,184,878	6,184,878	6,060,258
	1,573,140	2,193,916	6,184,878	9,951,934	9,307,731
	4,120,311	3,121,948	8,357,112	15,599,371	14,189,800

Subsequent event (note 17)

Approved by the Board of Directors



Kaivalya Dahale – Chair, Board of Directors



Stacyann Stanley – Secretary, Board of Directors

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

Fanshawe College Student Union

Statement of Operations and Changes in Net Assets

For the year ended April 30, 2020

				2020	2019
	General Fund \$	Reserve Funds \$	Capital Fund \$	Total \$	Total \$ (restated – note 3)
Revenues					
Student fees (note 6)	9,234,571	2,855,659	871,920	12,962,150	12,174,384
Bus pass transfers (note 6)	(5,069,608)	-	-	(5,069,608)	(4,500,433)
Net student fees	4,164,963	2,855,659	871,920	7,892,542	7,673,951
Organizations and programs (note 12)	2,502,781	-	-	2,502,781	3,330,907
Interest	57,563	3,796	3,593	64,952	156,103
Rental	33,343	-	-	33,343	38,848
Other	43,262	81,014	-	124,276	132,827
	6,801,912	2,940,469	875,513	10,617,894	11,332,636
Expenses					
Health plan	-	2,875,574	-	2,875,574	2,444,204
Organizations and programs (notes 8 and 12)	4,351,446	-	93,031	4,444,477	5,132,820
General and administrative (notes 7 and 8)	1,504,588	91,190	657,862	2,253,640	2,284,962
Student relief (note 15)	400,000	-	-	400,000	-
	6,256,034	2,966,764	750,893	9,973,691	9,861,986
Excess (deficiency) of revenues over expenses for the year	545,878	(26,295)	124,620	644,203	1,470,650
Net assets – Beginning of year	1,027,262	2,220,211	6,060,258	9,307,731	7,837,081
Net assets – End of year	1,573,140	2,193,916	6,184,878	9,951,934	9,307,731

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

Fanshawe College Student Union

Statement of Cash Flows

For the year ended April 30, 2020

	2020 \$	2019 \$ (restated – note 3)
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	644,203	1,470,650
Items not affecting cash		
Change in unrealized gain/loss on investments	55,187	(27,765)
Amortization	608,383	586,745
	<hr/>	<hr/>
	1,307,773	2,029,630
Changes in non-cash working capital items		
Accounts receivable	(48,300)	84,549
Inventory	(21,357)	7,473
Prepaid expenses	(12,968)	15,621
Deposit	36,622	(17,921)
Accounts payable and accrued liabilities	1,959,155	(219,761)
Due from/to London Transit Commission	(1,313,778)	340,183
Deferred revenue	(537,229)	282,552
	<hr/>	<hr/>
	1,369,918	2,522,326
Financing activities		
Repayment of long-term debt	(177,482)	(166,474)
Investing activities		
Decrease (increase) in investments, net	2,229,861	(4,278,338)
Purchase of capital assets	(524,073)	(116,999)
	<hr/>	<hr/>
	1,705,788	(4,395,337)
Change in cash during the year	2,898,224	(2,039,485)
Cash – Beginning of year	427,512	2,466,997
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Cash – End of year	3,325,736	427,512
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The accompanying notes are an integral part of these financial statements.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2020

1 Purpose of the organization

Fanshawe College Student Union (the Student Union) is a student representative body incorporated under the statutes of the Province of Ontario, designed to meet the varied needs and expectations of college students. The Student Union supports various services to students and operates the Student Centre and Student Union building.

2 Summary of significant accounting policies

Basis of accounting

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

Fund accounting

In order to ensure observance of limitations and restrictions placed on funds entrusted to the Student Union, the accounts are maintained in accordance with principles of fund accounting. Under these principles, resources for various purposes are classified into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for general, internally restricted (reserve) and capital funds.

General fund

The general fund records amounts used for the administration and general costs financed by student fees and other general income that are unrestricted as to their use.

Reserve funds

Reserve funds are separately maintained internally as follows:

Technology renewal fund

The fund is to be utilized for future technology needs.

Health plan reserve fund

The fund is to be utilized for future costs related to the health plan.

Contingency fund

The fund is to be utilized for capital improvements and unforeseen contingencies to the existing Student Union building.

Student initiatives fund

The fund is utilized specifically for enhancement of student life on campus.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2020

Capital fund

The capital fund is used to capture all capital used in the operations of the Student Union.

Revenue recognition

Revenue from organizations and programs is recognized when the services have been performed and programs have been made available.

Student fee is derived from a levy collected from each full-time student by Fanshawe College and transferred to the Student Union monthly. The fees are recorded as revenue in the year in which the fees relate.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of estimates include the useful life of capital assets. Actual results could differ from those estimates.

Inventory

Inventory is valued at the lower of cost, on a first-in, first-out basis, and net realizable value.

Investments and investment income

Investments are recorded at fair value. Changes in fair value are recognized on the statement of operations in the period during which they are incurred.

Capital assets

Capital assets are initially recorded at cost. Building improvements and replacements are capitalized and normal maintenance and repair expenditures are expensed as incurred.

Amortization is provided on the straight-line basis for furniture and equipment over 5 or 10 years. Leasehold improvements are amortized over 10, 20 or 25 years. Amortization commences in the month of purchase or when the asset has become operational. Gains or losses on disposal of individual capital assets are recognized in income in the year of disposal.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2020

Financial instruments

Financial instruments include cash, accounts receivable, inter-fund balances, due from/to London Transit Commission, investments, accounts payable and accrued liabilities and long-term debt. Financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Financial assets are tested for impairment at the end of each reporting period when there are indications that an asset may be impaired. Any excess of the carrying amount of a financial asset over its recoverable amount is recorded as an impairment charge within the statement of operations. A previously recorded impairment charge may be reversed in future periods.

3 Correction of error

During the year, the Student Union determined that there were errors related to deferred revenue as at April 30, 2019, accumulated net assets as at May 1, 2018, as well as student fees for the year ended April 30, 2019. As a result, deferred revenue as at April 30, 2019 was decreased by \$400,844, accumulated net assets as at May 1, 2018 was increased by \$195,771 and student fees for the year ended April 30, 2019 was increased by \$205,073.

	2019		
	Deferred revenue	Net assets – Beginning of year	Student fees
	\$	\$	\$
As previously stated	2,166,658	7,641,310	11,969,311
Correction of error	(400,844)	195,771	205,073
As restated	<u>1,765,814</u>	<u>7,837,081</u>	<u>12,174,384</u>

4 Cash

Cash includes cash on hand and balances with banks. Included in cash in the general fund as at April 30, 2020 is \$40,302 (2019 – \$66,441) which is restricted for use at the Student Union's satellite campuses.

5 Investments

Investments at April 30 are summarized as follows:

	2020		2019	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Canadian bonds	189,747	204,743	185,273	188,658
Foreign bonds	193,684	185,985	185,584	181,026
Canadian equity	422,892	315,912	419,225	362,835
Foreign equity	502,806	512,290	502,694	525,245
Canadian money market	4,969,443	4,969,443	7,215,657	7,215,657
	<u>6,278,572</u>	<u>6,188,373</u>	<u>8,508,433</u>	<u>8,473,421</u>

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2020

6 Student fees

The Student Union transfers student fees collected for the bus passes to the London Transit Commission, less an administrative fee, to provide students with unlimited ridership privileges on all London Transit Commission regular routes.

As part of the student fee collection agreement, the Student Union is required to keep \$50,000 as a deposit with Fanshawe College.

	2020 \$	2019 \$
Student fees		
Activity fees	4,164,963	3,999,384
Building fee (note 7)	871,920	840,019
Bus pass fee	5,069,608	4,500,433
Health plan fee	2,855,659	2,834,548
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	12,962,150	12,174,384

The health plan fee is net of \$262,518 (2019 – \$273,083) for amounts repaid to students that elected to opt out of the health care plan.

7 Balances and transactions with Fanshawe College

As at April 30, 2020, included within accounts payable and accrued liabilities is \$1,844,626 (2019 – \$1,649) due to Fanshawe College. Of this amount, \$400,000 (2019 – \$nil) relates to funding for Fanshawe College Foundation's Fanshawe Student Emergency Fund, collected by Fanshawe College on behalf of the Fanshawe College Foundation. The remaining balance of \$1,444,626 (2019 – \$1,649) was incurred in the ordinary course of operations.

Phase 3 of the Student Union expansion (the Student Centre) was completed in fiscal 2005. The \$7.7 million project was financed by \$1.7 million in accumulated residual funds restricted for this purpose, plus \$6 million in loans secured by Fanshawe College, repayable over a 25-year period (note 10). This debt is financed through a \$50 per student annual building fee revenue (note 6).

In addition, the Student Union pays Fanshawe College for utilities, recycling and waste management, meal plan administration and other support and facility services.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2020

Included in general and administrative expenses are the following transactions with Fanshawe College:

	2020 \$	2019 \$
Utilities, recycling and waste management	283,589	205,144
Meal plan administration	75,083	86,182
Interest	181,134	192,976
General administration and student support	35,208	36,865

Capital assets purchased through Fanshawe College were \$485,180 (2019 – \$60,764).

Occupancy agreement

The occupancy agreement between Fanshawe College and the Student Union requires the Student Union to pay \$1 annually to Fanshawe College as well as a percentage of college meal plan sales within 15 calendar days of each quarter-end. Included in meal plan administration is \$75,157 (2019 – \$85,132) which was paid to Fanshawe College in respect to college meal plan sales. The occupancy agreement expires on March 31, 2029.

8 Capital assets

	2020		
	Cost \$	Accumulated amortization \$	Net book value \$
Furniture and equipment	1,347,690	1,054,022	293,668
Leasehold improvements	10,386,380	5,838,641	4,547,739
	<u>11,734,070</u>	<u>6,892,663</u>	<u>4,841,407</u>
	2019		
	Cost \$	Accumulated amortization \$	Net book value \$
Furniture and equipment	1,308,797	960,991	347,806
Leasehold improvements	9,901,200	5,323,289	4,577,911
	<u>11,209,997</u>	<u>6,284,280</u>	<u>4,925,717</u>

Included in organizations and programs expense is amortization of \$93,031 (2019 – \$98,692). Included in general and administrative expense is amortization of \$515,352 (2019 – \$488,053).

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2020

9 Deferred revenue

	2020 \$	2019 \$
Deferred health plan fees	910,002	992,833
Deferred student fees	273,062	704,177
Student Life fees	25,433	27,273
Deferred revenue related to exclusivity agreement	11,430	17,144
Other	8,658	24,387
	<u>1,228,585</u>	<u>1,765,814</u>

The Student Union has collected student activity fees and health plan fees from Fanshawe College that relate to fiscal year 2021. Since the revenues have not yet been earned, they have been deferred in accordance with the revenue recognition accounting policy.

The Student Union has collected funds for Student Life activities. Services related to these fees collected have yet to be provided, and accordingly, the revenue has been deferred until the services are provided.

10 Long-term debt

The Student Union has entered into the following loan agreement with Fanshawe College.

	2020 \$	2019 \$
Loan payable with a notional amount of \$4,000,000, a fixed interest rate of 6.42%, maturing January 2, 2029	2,148,769	2,326,251
Less: Current portion	<u>189,218</u>	<u>177,482</u>
	<u>1,959,551</u>	<u>2,148,769</u>

The loan is based on a 25-year term and is unsecured. The loan has a final payment consisting of the balance of principal and interest outstanding on the maturity date.

Principal payments required in each of the next five years and thereafter are as follows:

	\$
2021	189,218
2022	201,729
2023	215,068
2024	229,289
2025	244,450
Thereafter	<u>1,069,015</u>
	<u>2,148,769</u>

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2020

Fanshawe College and a Canadian chartered bank have entered into a swap agreement for the loan balance disclosed above, converting variable interest rates to fixed interest rates. Fanshawe College and the bank have the option to terminate the agreement in January 2024. The maturity date for the swap agreement corresponds with the loan maturity. Accordingly, interest on the loan with Fanshawe College is recorded based on the swap rate Fanshawe College has negotiated with the bank.

11 Reserve funds

The internally restricted funds are composed of the following:

	2020	2019
	\$	\$
Technology renewal fund	40,000	40,000
Health plan reserve fund	1,443,944	1,463,859
Contingency fund	510,386	506,590
Student initiatives fund	199,586	209,762
	<u>2,193,916</u>	<u>2,220,211</u>

As administrator for the health care plan, the Student Union is responsible for ensuring there are sufficient assets in the plan to cover potential claims. The plan's terms allow for students to receive medical and dental benefits for one academic school year, from September 1 to August 31, and is renewed annually as the student continues enrolment, or new students enter the plan. Currently, the health plan reserve fund has accumulated net assets of \$1,443,944 as at April 30, 2020 (2019 – \$1,463,859) however, any deficits would be funded by the Student Union.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2020

12 Revenues and expenses from organizations and programs

	2020		
	Revenues	Expenses	Net expense
	\$	\$	\$
Operations and maintenance	-	838,162	838,162
Publications	113,843	488,120	374,277
Hospitality operations	2,364,799	2,594,460	229,661
Entertainment	-	264,673	264,673
Internal services	-	128,405	128,405
FSU Games Room	19,900	123,208	103,308
Used Book Shop	4,239	7,449	3,210
	<u>2,502,781</u>	<u>4,444,477</u>	<u>1,941,696</u>
			2019
	Revenues	Expenses	Net expense
	\$	\$	\$
Operations and maintenance	-	773,614	773,614
Publications	116,522	481,672	365,150
Hospitality operations	3,176,486	3,334,597	158,111
Entertainment	-	275,318	275,318
Internal services	-	137,992	137,992
FSU Games Room	29,929	121,597	91,668
Used Book Shop	7,970	8,030	60
	<u>3,330,907</u>	<u>5,132,820</u>	<u>1,801,913</u>

Included within hospitality operations expenses is \$1,089,949 (2019 – \$1,571,405) of inventory recognized as an expense during the year.

13 Taxation

The Student Union claims exemption from federal and provincial income taxes under provisions of the Income Tax Act, Canada and the Corporations Tax Act, Ontario relating to non-profit organizations. The Student Union is subject to the harmonized sales tax (HST) on its commercial activities pursuant to provisions of the Excise Tax Act.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2020

14 Government remittances

Included in accounts payable and accrued liabilities are government remittances of \$nil (2018 – \$4,993) for HST payable. There were no remittances in arrears as at April 30, 2020.

15 Student relief

During the year, the Student Union committed to contributing \$400,000 (2019 – \$nil) to the Fanshawe Emergency Student Fund established by Fanshawe College in support of short-term support for current students who are experiencing unforeseen financial challenges.

16 Financial instruments

Foreign exchange risk

The Student Union had no revenue or operating expenses during the years presented, nor monetary assets or liabilities at year-end dates, that were denominated in a foreign currency.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Student Union is exposed to credit risk from members and customers and manages this risk through evaluation and monitoring.

Interest rate risk

Interest rate risk arises from fluctuations in interest rates and the degree of volatility of these rates. The Student Union has limited interest rate risk as the interest rate with respect to its long-term debt is fixed.

Fair value

The carrying amounts of cash, accounts receivable, inter-fund balances, due from/to London Transit Commission and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The fair value of long-term debt does not differ from its carrying value due to the interest structure.

17 Subsequent events

On March 11, 2020, the World Health Organization characterized the COVID-19 virus as a global pandemic. As a result of the COVID-19 outbreak, on March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020. In addition, the Canadian government has imposed travel restrictions to Canada until further notice.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2020

On March 17, 2020, the Student Union closed substantially all on-campus student operations with certain operations, such as food services, resuming operations in July 2020. The plan for continuing education offered by Fanshawe College will be fully remote learning for the summer term and an opportunity of either fully remote learning or a blended option (partial remote learning and partial on-campus learning) for the fall term, which will have implications on student fee revenues and the operations of organizations and programs for the Student Union.

Further, a significant portion of the Student Union's student fees are derived from international students. If the travel restrictions to Canada remain in place, the Student Union may be impacted by the ability to earn student fees from international students who choose to defer their studies until in-class sessions resume and travel restrictions are lifted.

As at the report date, the Student Union has received \$78,500 through the Canadian Emergency Wage Subsidy. The Student Union expects the due from London Transit Commission balance as at April 30, 2020 of \$834,702 (2019 – \$nil) to be settled through reimbursement by the LTC or applied against future amounts owing to the LTC in the next fiscal year.

As the impacts of COVID-19 continue, there could be further impacts on the Student Union, its students and funding sources. Management is actively monitoring the effect on the Student Union's financial condition, liquidity, operations, suppliers and workforce. As it is not yet known when public health restrictions will be fully removed, nor the long-term impact of COVID-19, it is not possible to estimate the financial impact of this event on the Student Union's financial results subsequent to April 30, 2020.

As at April 30, 2020, the COVID-19 global pandemic had not yet had a significant impact on the Student Union's operations, therefore no significant adjustments have been recorded in the financial statements relating to this crisis for the year then ended.