

Non-consolidated financial statements of

**CONCORDIA STUDENT UNION –
SYNDICAT DES ÉTUDIANTS ET
ÉTUDIANTES DE CONCORDIA**

May 31, 2016

**CONCORDIA STUDENT UNION –
SYNDICAT DES ÉTUDIANTS ET ÉTUDIANTES DE
CONCORDIA**

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Independent auditor's report

To the Members of
Concordia Student Union – Syndicat des Étudiants et Étudiantes de Concordia

We have audited the accompanying non-consolidated financial statements of Concordia Student Union – Syndicat des Étudiants et Étudiantes de Concordia (the “Union”), which comprise the non-consolidated balance sheet as at May 31, 2016, and the non-consolidated 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 Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated 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 non-consolidated 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 non-consolidated 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

The financial statements of Gestion Cusacorp Ltée – Cusacorp Management Ltd have not been audited. Therefore, since this investment is accounted for using the equity method, we were not able to determine whether any adjustments might be necessary to operations and cash flows for the years ended May 31, 2016 and May 31, 2015, investment as at May 31, 2016 and May 31, 2015 and net assets as at June 1, 2015 and 2016 and as at May 31, 2016 and May 31, 2015. Our audit opinion on the non-consolidated financial statements for the year ended May 31, 2015 was modified accordingly because of the 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 non-consolidated financial statements present fairly, in all material respects, the financial position of the Concordia Student Union – Syndicat des Étudiants et Étudiantes de Concordia as at May 31, 2016, and the results of its operations and its cash flows for the year ended May 31, 2016 in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP¹

October 27, 2016

¹ CPA auditor, CA, public accountancy permit No. A127130

**CONCORDIA STUDENT UNION –
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CONCORDIA**

**Non-consolidated statement of operations
Year ended May 31, 2016**

| | 2016 | | | Total |
|---|------------------------|---|---|--------------------|
| | Student Center Fund | Student Space, Accessible Education, and Legal Contingency Fund | General Fund and invested in capital assets | |
| | \$ | \$ | \$ | \$ |
| Revenue | | | | |
| Student membership fees | - | - | 2,164,383 | 2,164,383 |
| Student space fees | - | 867,527 | - | 867,527 |
| Health and dental plan fees (Note 6) | - | - | 3,548,064 | 3,548,064 |
| | - | 867,527 | 5,712,447 | 6,579,974 |
| Expenses | | | | |
| Administrative | - | - | 2,133,750 | 2,133,750 |
| Financial | - | - | 2,467 | 2,467 |
| Amortization | 47,494 | - | 180,635 | 228,129 |
| Health plan premiums (Note 6) | - | - | 3,374,366 | 3,374,366 |
| Sponsorship | - | 2,148,473 | - | 2,148,473 |
| Other expenses | - | 191,554 | - | 191,554 |
| | 47,494 | 2,340,027 | 5,691,218 | 8,078,739 |
| | (47,494) | (1,472,500) | 21,229 | (1,498,765) |
| Other revenues | 72,829 | 30,864 | 182,165 | 285,858 |
| (Deficiency) excess of revenue over expenses | 25,335 | (1,441,636) | 203,394 | (1,212,907) |

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

**CONCORDIA STUDENT UNION –
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**Non-consolidated statement of operations
Year ended May 31, 2015**

| | 2015 | | | Total |
|---|------------------------|---|---|----------------|
| | Student Center Fund | Student Space, Accessible Education, and Legal Contingency Fund | General Fund and invested in capital assets | |
| | \$ | \$ | \$ | \$ |
| Revenue | | | | |
| Student membership fees | - | - | 1,731,864 | 1,731,864 |
| Student space fees | - | 1,080,714 | - | 1,080,714 |
| Health and dental plan fees (Note 6) | - | - | 3,251,995 | 3,251,995 |
| | - | 1,080,714 | 4,983,859 | 6,064,573 |
| Expenses | | | | |
| Administrative | - | - | 2,065,323 | 2,065,323 |
| Financial | - | - | 4,654 | 4,654 |
| Amortization | 44,957 | - | 84,316 | 129,273 |
| Health plan premiums (Note 6) | - | - | 3,111,738 | 3,111,738 |
| Other expenses | 137,675 | 298,230 | - | 435,905 |
| | 182,632 | 298,230 | 5,266,031 | 5,746,893 |
| | (182,632) | 782,484 | (282,172) | 317,680 |
| Other revenues | 131,299 | 34,842 | 102,820 | 268,961 |
| Excess (deficiency) of revenue over expenses | (51,333) | 817,326 | (179,352) | 586,641 |

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

**CONCORDIA STUDENT UNION –
SYNDICAT DES ÉTUDIANTS ET ÉTUDIANTES DE
CONCORDIA**

**Non-consolidated statement of changes in net assets
Year ended May 31, 2016**

| | 2016 | | | | |
|--|------------------------|---|-----------------|----------------------------------|-------------------|
| | Student Center Fund | Student Space, Accessible Education, and Legal Contingency Fund | General Fund | Invested in capital assets | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Balance, beginning of year | 9,219,432 | 3,434,253 | (17,879) | 517,659 | 13,153,465 |
| (Deficiency) excess of revenue over expenses | 25,335 | (1,441,636) | 384,029 | (180,635)* | (1,212,907) |
| Internal allocation (Note 7) | (3,349,341) | 959,111 | 2,390,230 | - | - |
| Capital assets acquisitions | - | - | (1,805,255) | 1,805,255 | - |
| Balance, end of year | 5,895,426 | 2,951,728 | 951,125 | 2,142,279 | 11,940,558 |

* Represents amortization of capital assets

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

**CONCORDIA STUDENT UNION –
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Non-consolidated statement of changes in net assets

Year ended May 31, 2015

| | 2015 | | | | |
|--|------------------------|---|-----------------|----------------------------------|------------|
| | Student Center Fund | Student Space, Accessible Education, and Legal Contingency Fund | General Fund | Invested in capital assets | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Balance, beginning of year | 9,016,980 | 2,616,927 | 639,808 | 293,109 | 12,566,824 |
| Excess (deficiency) of revenue over expenses | (51,333) | 817,326 | (95,036) | (84,316)* | 586,641 |
| Internal allocation (Note 7) | 137,675 | - | (137,675) | - | - |
| Capital assets acquisitions | 116,110 | - | (424,976) | 308,866 | - |
| Balance, end of year | 9,219,432 | 3,434,253 | (17,879) | 517,659 | 13,153,465 |

* Represents amortization of capital assets

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

**CONCORDIA STUDENT UNION –
SYNDICAT DES ÉTUDIANTS ET ÉTUDIANTES DE
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**Non-consolidated balance sheet
As at May 31, 2016**

| | 2016 | 2015 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash | 1,306,436 | 5,141,778 |
| Short-term investment | - | 5,000,000 |
| Term deposit, bearing interest at 1.00%, maturing on April 7, 2017 | 2,717,605 | 2,130,479 |
| Term deposit, expired during the year | - | 982,592 |
| Term deposit, bearing interest at 1.00%, maturing on December 14, 2016 | 1,029,620 | 2,798,644 |
| Accounts receivable (Note 3) | 199,195 | 33,046 |
| Accounts receivable - Concordia University | 357,312 | - |
| Prepaid expenses | 43,128 | 62,851 |
| Due from subsidiary, non-interest bearing | - | 289 |
| Due from a not-for-profit organization, non-interest bearing | 2,789 | 2,013 |
| | 5,656,085 | 16,151,692 |
| Investment (10 units of Concordia Community Solidarity Bookstore) | 100 | 100 |
| Investment in the subsidiary (Note 4) | 1 | 1 |
| Portfolio investment | 5,039,353 | - |
| Capital assets (Note 5) | 2,291,153 | 714,027 |
| | 12,986,692 | 16,865,820 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 378,294 | 223,066 |
| Health care plan liability | 563,056 | 515,852 |
| Government remittances payable | 37,284 | 60,957 |
| Deferred revenue | 67,500 | 2,912,480 |
| | 1,046,134 | 3,712,355 |
| Commitments (Note 8) | | |
| Net assets | | |
| Student Center Fund | 5,895,426 | 9,219,432 |
| Student Space, Accessible Education, and Legal Contingency Fund | 2,951,728 | 3,434,253 |
| General Fund | 951,125 | (17,879) |
| Invested in capital assets | 2,142,279 | 517,659 |
| | 11,940,558 | 13,153,465 |
| | 12,986,692 | 16,865,820 |

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

Approved by the Board

.....Director

.....Director

**CONCORDIA STUDENT UNION –
SYNDICAT DES ÉTUDIANTS ET ÉTUDIANTES DE
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Non-consolidated statement of cash flows

Year ended May 31, 2016

| | 2016 | 2015 |
|---|------------------|-------------------|
| | \$ | \$ |
| Operating activities | | |
| (Deficiency) excess of revenue over expenses | (1,212,907) | 586,641 |
| Item not affecting cash: | | |
| Amortization | 228,129 | 129,273 |
| | (984,778) | 715,914 |
| Changes in non-cash operating working capital items | (3,170,446) | 3,186,378 |
| | (4,155,224) | 3,902,292 |
| Investing activities | | |
| Purchase of capital assets | (1,805,255) | (424,976) |
| Change in term deposits | 2,164,490 | 5,439,122 |
| | 359,235 | 5,014,146 |
| Transfer of short-term investment in portfolio investment | (5,039,353) | - |
| Net (decrease) increase in cash and cash equivalents | (8,835,342) | 8,916,438 |
| Cash and cash equivalents, beginning of year | 10,141,778 | 1,225,340 |
| Cash and cash equivalents, end of year | 1,306,436 | 10,141,778 |

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

CONCORDIA STUDENT UNION – SYNDICAT DES ÉTUDIANTS ET ÉTUDIANTES DE CONCORDIA

Notes to the non-consolidated financial statements

May 31, 2016

1. Description of the business

Concordia Student Union – Syndicat des Étudiants et Étudiantes de Concordia (the “Union”) was founded under Part III of the *Companies Act* (Quebec). The Union’s main purpose is to represent its members and to promote their interests, particularly respecting teaching, educational methods, student services and the administration of Concordia University. It provides students with orientation seminars, the handbook, and funds of various groups and associations. It is accredited since December 20, 2000, pursuant to *An Act Respecting the Accreditation and Financing of Students’ Associations* and is thereby recognized as the representative of its members and entitled to have its membership fees collected by Concordia University. The Union is a tax-exempt organization according to the *Income Tax Act*.

2. Accounting policies

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

Fund accounting

The Union follows the Restricted Fund of accounting for contributions.

The General Fund accounts for and reports all unrestricted operating activities of the Union. The activities include program delivery, administrative and general operations, and the management of an insurance plan.

The Student Center Fund accounts for all the revenues and expenses in connection with the future construction of the new building connected to the University. The fee levy for this fund was discontinued as of December 31, 2011.

The Student Space, Accessible Education, and Legal Contingency Fund was created as of January 1, 2012 (a fee levy of \$1.50 per credit).

**CONCORDIA STUDENT UNION –
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**Notes to the non-consolidated financial statements
May 31, 2016**

2. Accounting policies (continued)

Fund accounting (continued)

An extract of the Special By-Law I describes this fund:

“The Council of Representatives of the Union is authorized to incur expenses from the Student Space, Accessible Education, and Legal Contingency Fund, with the utmost transparency and diligence, to:

- a) Carry out such studies, make such inquiries, retain such professionals, contractors and other service providers and make any decisions and enter into any transactions or agreements, and generally take any and all other actions that the Council of Representatives of the Union considers desirable from time to time in its discretion to improve the facilities available to students for use as student spaces, including without limitation:
 - (i) the construction, acquisition, disposal, replacement, renovation of, and/or repairs to, such lands and buildings (or parts thereof) located at one or more sites considered suitable by the Council of Representatives of the Union to serve as student centres;
 - (ii) acquiring, maintaining and/or disposing of ownership or other occupancy rights in such lands and buildings (or parts thereof) and the operation thereof, including without limitation the leasing, subleasing or use of space by persons carrying on commercial and/or non-commercial activities beneficial or useful to the students, engaging such contractors, building managers and other service providers desirable for the operation, maintenance, repair and/or renovation of such lands and buildings (or parts thereof) and including the payment of all fees and expenses associated with the foregoing (including for greater certainty any rents, taxes, management fees and other costs);
 - (iii) the obtaining of any financing (in capital and interest and secured or unsecured) contracted for the purposes set forth in this paragraph 4, according to terms and conditions determined by the Council of Representatives of the Union; and the use of the funds forming part of the Union Building Fund for any or all of the above purposes as may be authorized from time to time by the Council of Representatives of the Union;
- b) With permission of a two-thirds (2/3) majority vote of the Council of Representatives, to satisfy a judgment or to settle a legal action where the cost to the Student Union would compromise the general operations of the Union;
- c) Limited exclusively to the annual interest accrued on the fund from the previous fiscal year, for the provision of additional resources and to accommodate costs needed in case of a binding strike mandate approved by the membership at a duly convened Special General Meeting specifically for the purpose of protecting the accessibility of postsecondary education.”

CONCORDIA STUDENT UNION – SYNDICAT DES ÉTUDIANTS ET ÉTUDIANTES DE CONCORDIA

Notes to the non-consolidated financial statements

May 31, 2016

2. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities, except for accounts receivable – Concordia University, due from subsidiary and accounts payable – Concordia University, are initially recognized at fair value when the Union becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for the following instruments:

- a) Investment in the Concordia Community Solidarity Bookstore which is measured at cost less any reduction for impairment.
- b) Investments in listed shares, which are measured at fair value at the non-consolidated balance sheet date. The fair value of listed shares is based on the latest closing price.

Interest earned on term deposit, dividends, unrealized gains and losses on listed shares and realized gains and losses on listed shares are included in other revenues in the non-consolidated statement of operations.

Transaction costs related to other financial instruments 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 effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Union recognizes in net earnings an impairment loss, if any, when there are indicators of impairment and 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 is reversed to net earnings in the period the reversal occurs.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term investments with a term to maturity of three months or less at the date of acquisition.

Investment in the subsidiary

The Union's investments in the subsidiary consist of a 100% interest in Gestion Cusacorp Ltée – Cusacorp Management Ltd (“Cusacorp”) and advances to the subsidiary. The Union made interest-free advances to its subsidiary. These advances are to be repaid out of the subsidiary's profit at the discretion of the Union. The investment in Cusacorp is accounted for using the equity method. Since it is not appropriate to continue to record the Union's share in the losses of the subsidiary, the Union will include its share of future profits only after its share of the profits equals its share of the losses not recognized.

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**Notes to the non-consolidated financial statements
May 31, 2016**

2. Accounting policies (continued)

Capital assets

Capital assets are recorded at cost. Amortization is based on their estimated useful life using the following methods and rates or terms:

| | <u>Methods</u> | <u>Rates/terms</u> |
|-------------------------------|-------------------|--------------------|
| Building improvements | Straight-line | Term of the lease |
| Computer equipment | Declining balance | 30% |
| Office furniture and fixtures | Declining balance | 20% |
| TV equipment | Declining balance | 20% |

They should also be tested for impairment.

Capital assets in progress are not depreciated until they can be operated in the manner intended by management.

Revenue recognition

The Union used the restricted fund method. Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured.

Use of estimates

The preparation of non-consolidated financial statements in conformity 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 and disclosures of contingent assets and liabilities at the date of the non-consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Key components of the non-consolidated financial statements requiring management to make estimates include the useful life of long-lived assets and some provisions related to accrued liabilities. Actual results could differ from these estimates.

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Notes to the non-consolidated financial statements

May 31, 2016

3. Accounts receivable

| | 2016 | 2015 |
|------------------|----------------|---------------|
| | \$ | \$ |
| Others | 7,097 | 33,046 |
| Taxes receivable | 192,098 | - |
| | 199,195 | 33,046 |

4. Investment in the subsidiary

Cusacorp is incorporated under the *Business Corporations Act* (Québec), and was created with the sole purpose of providing and running student entertainment services at the University.

The investment in the subsidiary is stated at \$1 in the book of the Union.

| | 2016 | 2015 |
|--|---------------|--------------------|
| | \$ | \$ |
| Share in the shareholder's deficiency, beginning of year | (1,390,018) | (1,343,968) |
| Net earnings (loss) during the year | 1,478,361 | (46,050) |
| | 88,343 | (1,390,018) |
| Advances to the subsidiary, non-interest bearing and without specific terms of repayment | - | 1,420,054 |
| | 88,343 | 30,036 |
| Provision | (88,342) | (30,035) |
| Investment in the subsidiary | 1 | 1 |

The financial summary of the subsidiary, extracted from unaudited financial statements, as at May 31, 2016 and 2015 and for the years then ended is as follows:

| | 2016 | 2015 |
|------------------------------|-------------------|-----------------|
| | \$ | \$ |
| Statement of earnings (loss) | | |
| Revenues | 1,834,929 | 343 |
| Expenses | 356,568 | 46,393 |
| Net earnings (loss) | 1,478,361* | (46,050) |

* Includes a gain on settlement on advances from a parent company of \$1,420,054.

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Notes to the non-consolidated financial statements

May 31, 2016

4. Investment in the subsidiary (continued)

| | 2016 | 2015 |
|-----------------------------------|----------------|---------------|
| | \$ | \$ |
| Balance sheet | | |
| Total assets | 134,021 | 48,757 |
| Total liabilities* | 45,678 | 1,438,775 |
| Shareholder's equity (deficiency) | 88,343 | (1,390,018) |
| | 134,021 | 48,757 |

* Including advances from parent entity totalling nil as at May 31, 2016 (\$1,420,054 as at May 31, 2015).

5. Capital assets

| | | | 2016 | 2015 |
|-------------------------------|------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Building improvements | 2,530,304 | 436,205 | 2,094,099 | 164,414 |
| Computer equipment | 270,943 | 173,616 | 97,327 | 134,072 |
| Office furniture and fixtures | 458,472 | 365,204 | 93,268 | 111,410 |
| TV equipment | 177,533 | 171,074 | 6,459 | 5,824 |
| Capital assets in progress | - | - | - | 298,307 |
| | 3,437,252 | 1,146,099 | 2,291,153 | 714,027 |

The net book value is presented in these two funds:

- Student Center Fund: \$148,874 (\$196,368 in 2015)
- Invested in capital assets: \$2,142,279 (\$517,659 in 2015)

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Notes to the non-consolidated financial statements

May 31, 2016

6. Health and dental plan

To ensure full transparency, the following figures show the plan's performance for the fiscal year:

| | 2016 | 2015 |
|---------------------------------|------------------|------------------|
| | \$ | \$ |
| Health and dental fees | 3,374,366 | 3,111,738 |
| Administrative revenue | 173,698 | 140,258 |
| | 3,548,064 | 3,251,996 |
| Health plan premium | 3,374,366 | 3,111,738 |
| Excess of revenue over expenses | 173,698 | 140,258 |

7. Internal allocation

During the year, the Council approved the transfer of an amount of \$3,349,341 from the Student Center Fund to the Student Space Accessible Education and Legal Contingency Fund (\$959,111) and to the General Fund (\$2,390,230).

In 2015, the Council approved the transfer of an amount of \$137,675 from the General Fund to the Student Center Fund.

8. Commitments

The Union is committed under an operating lease contract effective from March 1, 2016 and expires on February 29, 2028. Future payments overall rental of \$877,500 and include amounts payable over the next five years:

| | \$ |
|------|--------|
| 2017 | 90,000 |
| 2018 | 90,000 |
| 2019 | 90,000 |
| 2020 | 90,000 |
| 2021 | 90,000 |

9. Financial instruments

Credit risk

The Union provides credit to its customers in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for doubtful accounts, if necessary.

Liquidity risk

The Union's objective is to have sufficient liquidity to meet its liabilities when due. The Union monitors its cash balances and cash flows generated from operations to meet its requirements. As at May 31, 2016, the most significant financial liabilities are the accounts payable and accrued liabilities, accounts payable - Cusacorp Management Ltd and health care plan liability.