

**Fanshawe College**  
**Student Union**

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

Financial Statements  
**April 30, 2018**



October 12, 2018

## **Independent Auditor's Report**

### **To the Members of Fanshawe College Student Union**

We have audited the accompanying financial statements of Fanshawe College Student Union, which comprise the statement of financial position as at April 30, 2018 and the statements of operations and changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fanshawe College Student Union as at April 30, 2018 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# Fanshawe College Student Union

## Statement of Financial Position

As at April 30, 2018

				2018	2017
	General Fund \$	Reserve Funds \$	Capital Fund \$	Total \$	Total \$
<b>Assets</b>					
<b>Current assets</b>					
Cash (note 3)	2,466,997	-	-	2,466,997	2,229,657
Accounts receivable, net of allowance for doubtful accounts of \$16,561 (2017 - \$14,759)	167,448	80,000	-	247,448	141,687
Inter-fund balances (payable) receivable	(3,189,626)	2,138,797	1,050,829	-	-
Inventory	58,922	-	-	58,922	40,741
Prepaid expenses	77,801	-	-	77,801	96,976
Deposit (note 5)	68,701	-	-	68,701	50,000
	(349,757)	2,218,797	1,050,829	2,919,869	2,559,061
<b>Investments</b> (note 4)	3,483,617	351,122	332,579	4,167,318	4,626,339
<b>Capital assets</b> (notes 6 and 7)	-	-	5,395,463	5,395,463	4,682,874
	3,133,860	2,569,919	6,778,871	12,482,650	11,868,274
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities (note 13)	530,689	-	-	530,689	249,068
Due to London Transit Commission	138,893	-	-	138,893	154,873
Deferred revenue (note 8)	728,576	855,670	94,787	1,679,033	1,816,608
Current portion of long-term debt (notes 6 and 9)	-	-	166,474	166,474	156,149
	1,398,158	855,670	261,261	2,515,089	2,376,698
<b>Long-term debt</b> (notes 6 and 9)	-	-	2,326,251	2,326,251	2,492,725
	1,398,158	855,670	2,587,512	4,841,340	4,869,423
<b>Net Assets</b>					
Capital fund	-	-	4,191,359	4,191,359	3,970,757
Reserve funds (note 10)	-	1,714,249	-	1,714,249	1,694,963
General fund	1,735,702	-	-	1,735,702	1,333,131
	1,735,702	1,714,249	4,191,359	7,641,310	6,998,851
	3,133,860	2,569,919	6,778,871	12,482,650	11,868,274

Approved by the Board of Directors

*Suzanne E Mann*

Director

*Jan 16*

Director

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, 2018

				2018	2017
	General Fund \$	Reserve Funds \$	Capital Fund \$	Total \$	Total \$
<b>Revenues</b>					
Student fees (note 5)	7,365,737	2,655,966	907,425	10,929,128	10,005,977
Bus pass transfers (note 5)	(4,002,419)	-	-	(4,002,419)	(3,565,290)
<b>Net student fees</b>	3,363,318	2,655,966	907,425	6,926,709	6,440,687
Organizations and programs (note 11)	3,169,709	-	-	3,169,709	2,831,320
Interest income	34,254	3,453	3,270	40,977	53,710
Rental income	39,900	-	-	39,900	39,045
Other income	59,372	84,510	-	143,882	148,730
	6,666,553	2,743,929	910,695	10,321,177	9,513,492
<b>Expenses</b>					
Health plan	-	2,629,077	-	2,629,077	2,712,385
Organizations and programs (notes 7 and 11)	4,841,768	-	85,858	4,927,626	4,367,488
General and administrative (notes 6 and 7)	1,422,214	95,566	604,235	2,122,015	2,049,577
	6,263,982	2,724,643	690,093	9,678,718	9,129,450
<b>Excess of revenues over expenses for the year</b>	402,571	19,286	220,602	642,459	384,042
<b>Net assets - Beginning of year</b>	1,333,131	1,694,963	3,970,757	6,998,851	6,614,809
<b>Net assets - End of year</b>	1,735,702	1,714,249	4,191,359	7,641,310	6,998,851

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, 2018

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	2018 \$	2017 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenses for the year	642,459	384,042
Items not affecting cash		
Change in unrealized gain/loss on investments	62,777	-
Amortization	523,184	466,580
	<hr/>	<hr/>
	1,228,420	850,622
Changes in non-cash working capital items		
Accounts receivable	(105,761)	18,620
Inventory	(18,181)	(264)
Prepaid expenses	19,175	(18,779)
Deposit	(18,701)	-
Accounts payable and accrued liabilities	281,621	(613,263)
Due to London Transit Commission	(15,980)	101,517
Deferred revenue	(137,575)	312,847
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	1,233,018	651,300
<b>Financing activities</b>		
Repayment of long-term debt	(156,149)	(146,464)
<b>Investing activities</b>		
Decrease in investments, net	396,244	1,546,289
Purchase of capital assets	(1,235,773)	(59,299)
	<hr/>	<hr/>
	(839,529)	1,486,990
<b>Change in cash during the year</b>	237,340	1,991,826
<b>Cash - Beginning of year</b>	2,229,657	237,831
	<hr/>	<hr/>
<b>Cash - End of year</b>	2,466,997	2,229,657
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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, 2018

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### 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.

# Fanshawe College Student Union

## Notes to Financial Statements

April 30, 2018

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### *Student initiatives fund*

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

### **Capital fund**

The 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.

Fee revenue 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.

### **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*

The Student Union is exposed to market interest rate fluctuations with respect to its long-term debt at April 30, 2018 and April 30, 2017.



# Fanshawe College Student Union

## Notes to Financial Statements

April 30, 2018

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### *Fair value*

The carrying amounts of accounts receivable, inter-fund balances, accounts payable and accrued liabilities and due to London Transit Commission (LTC) 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.

### **Inventory**

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

### **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 assets are recognized in income in the year of disposal.

## **3 Cash**

Cash includes cash on hand and balances with banks. Included in cash in the general fund as at April 30, 2018 is \$48,408 (2017 - \$52,755) which is restricted for use at the Student Union's satellite campuses.

## **4 Investments**

Investments at April 30 are summarized as follows:

	<u>2018</u>		<u>2017</u>	
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Canadian bonds	181,778	178,305	-	-
Foreign bonds	183,716	179,349	-	-
Canadian equity	389,399	350,795	-	-
Foreign equity	486,253	469,920	-	-
Canadian money market	2,988,949	2,988,949	4,626,339	4,626,339
	<u>4,230,095</u>	<u>4,167,318</u>	<u>4,626,339</u>	<u>4,626,339</u>

# Fanshawe College Student Union

## Notes to Financial Statements

April 30, 2018

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### 5 Student fees

Student fee revenue 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.

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

As part of the student fee collection agreement, the Student Union has a deposit with Fanshawe College of \$68,701 (2017 - \$50,000). The deposit is non-interest bearing and is due on demand.

	2018	2017
	\$	\$
<b>Student fees</b>		
Activity fee	3,363,318	3,027,346
Building fee (note 6)	907,425	822,850
Bus pass fee	4,002,419	3,565,290
Health plan fee, net	2,655,966	2,590,491
	<hr/>	<hr/>
	10,929,128	10,005,977

Health plan fee, net is net of \$474,732 (2017 - \$355,306) for amounts repaid to students that elected to opt out of the health care plan.

### 6 Transactions with Fanshawe College

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 9). This debt is financed through a \$50 per student annual building fee revenue (note 5).

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

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

	2018	2017
	\$	\$
Utilities, recycling and waste management	224,519	230,191
Meal plan administration	84,831	87,845
Interest	198,914	206,899
General administration and student support	218,064	173,197

# Fanshawe College Student Union

## Notes to Financial Statements

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Capital assets purchased through Fanshawe College:

	2018 \$	2017 \$
Capital asset additions	722,688	8,989

### 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 \$83,680 (2017 - \$85,582) which was paid to Fanshawe College in respect to college meal plan sales. The occupancy agreement expires on March 31, 2029.

## 7 Capital assets

	2018		
	Cost \$	Accumulated amortization \$	Net book value \$
Furniture and equipment	1,300,215	862,863	437,352
Leasehold improvements	9,793,346	4,835,235	4,958,111
	<u>11,093,561</u>	<u>5,698,098</u>	<u>5,395,463</u>
	2017		
	Cost \$	Accumulated amortization \$	Net book value \$
Furniture and equipment	1,321,355	1,090,461	230,894
Leasehold improvements	8,851,639	4,399,659	4,451,980
	<u>10,172,994</u>	<u>5,490,120</u>	<u>4,682,874</u>

Included in organizations and programs expense is amortization of \$85,858 (2017 - \$77,097). Included in general and administrative expense is amortization of \$437,326 (2017 - \$389,483).

# Fanshawe College Student Union

## Notes to Financial Statements

April 30, 2018

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### 8 Deferred revenue

	2018 \$	2017 \$
Deferred health plan fees	832,812	983,202
Deferred student fees	778,383	758,138
Student Life fees	34,743	41,166
Deferred revenue related to exclusivity agreement	22,858	28,572
Other	10,237	5,530
	<u>1,679,033</u>	<u>1,816,608</u>

The Student Union has collected student activity fees and health plan fees from Fanshawe College that relate to fiscal year 2019. 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. All expenditures related to these fees have not been made in the current year, and accordingly, the revenue has been deferred to be matched with related future expenditures.

### 9 Long-term debt

The Student Union has entered into an agreement with Fanshawe College, whereby the Student Union will repay the following bank loan that Fanshawe College has secured on behalf of the Student Union (note 6).

	2018 \$	2017 \$
Bank loan payable with a notional amount of \$4,000,000, a fixed interest rate of 6.42%, maturing December 1, 2028	2,492,725	2,648,874
Less: Current portion	<u>166,474</u>	<u>156,149</u>
	<u>2,326,251</u>	<u>2,492,725</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.

# Fanshawe College Student Union

## Notes to Financial Statements

April 30, 2018

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

	\$
2019	166,474
2020	177,482
2021	189,217
2022	201,729
2023	215,068
Thereafter	<u>1,542,755</u>
	<u>2,492,725</u>

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.

### 10 Reserve funds

The internally restricted funds are composed of the following:

	2018 \$	2017 \$
Technology renewal fund	40,000	40,000
Health plan reserve fund	1,073,515	1,058,090
Contingency fund	409,756	408,781
Student initiatives fund	<u>190,978</u>	<u>188,092</u>
	<u>1,714,249</u>	<u>1,694,963</u>

As administrator for the health care plan, the Student Union is responsible to ensure 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 1st to August 31st, 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 \$1,073,515 as at April 30, 2018 (2017 - \$1,058,090), however, any deficits would be funded by the Student Union.

# Fanshawe College Student Union

## Notes to Financial Statements

April 30, 2018

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### 11 Revenues and expenses from organizations and programs

	<b>2018</b>		
	<b>Revenues</b>	<b>Expenses</b>	<b>Net expense (revenue)</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Operations and maintenance	-	813,034	813,034
Publications	85,584	410,124	324,540
Hospitality operations	3,053,618	3,227,091	173,473
Entertainment	-	250,270	250,270
Internal services	-	128,211	128,211
FSU Games Room	29,189	90,957	61,768
Used Book Shop	1,318	7,939	6,621
	<b>3,169,709</b>	<b>4,927,626</b>	<b>1,757,917</b>
	<b>2017</b>		
	<b>Revenues</b>	<b>Expenses</b>	<b>Net expense (revenue)</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Operations and maintenance	-	713,464	713,464
Publications	88,479	417,988	329,509
Hospitality operations	2,709,982	2,734,940	24,958
Entertainment	-	289,798	289,798
Internal services	-	119,056	119,056
FSU Games Room	31,298	85,739	54,441
Used Book Shop	1,561	6,503	4,942
	<b>2,831,320</b>	<b>4,367,488</b>	<b>1,536,168</b>

### 12 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.

### 13 Government remittances

Included in accounts payable and accrued liabilities are statutory remittances of \$25,912 (2017 - \$1,590) for HST payable. There were no remittances in arrears as at April 30, 2018.

# Fanshawe College Student Union

Notes to Financial Statements

April 30, 2018

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## 14 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.