

Fanshawe College
Student Union

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

Financial Statements
April 30, 2019



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, 2019 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, 2019;
 - 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 the financial statements, which include a summary of significant accounting policies.
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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.

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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
November 20, 2019

Fanshawe College Student Union

Statement of Financial Position

As at April 30, 2019

				2019	2018
	General Fund \$	Reserve Funds \$	Capital Fund \$	Total \$	Total \$
Assets					
Current assets					
Cash (note 3)	427,512	-	-	427,512	2,466,997
Accounts receivable, net of allowance for doubtful accounts of \$16,561 (2018 – \$16,561)	82,899	80,000	-	162,899	247,448
Inter-fund balances (payable) receivable	(6,038,780)	2,792,476	3,246,304	-	-
Inventory	51,449	-	-	51,449	58,922
Prepaid expenses	62,180	-	-	62,180	77,801
Deposit (note 5)	86,622	-	-	86,622	68,701
	(5,328,118)	2,872,476	3,246,304	790,662	2,919,869
Investments (note 4)	7,776,888	357,712	338,821	8,473,421	4,167,318
Capital assets (notes 6 and 7)	-	-	4,925,717	4,925,717	5,395,463
	2,448,770	3,230,188	8,510,842	14,189,800	12,482,650
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities (note 13)	310,928	-	-	310,928	530,689
Due to London Transit Commission	479,076	-	-	479,076	138,893
Deferred revenue (note 8)	1,032,348	1,009,977	124,333	2,166,658	1,679,033
Current portion of long-term debt (notes 6 and 9)	-	-	177,482	177,482	166,474
	1,822,352	1,009,977	301,815	3,134,144	2,515,089
Long-term debt (notes 6 and 9)	-	-	2,148,769	2,148,769	2,326,251
	1,822,352	1,009,977	2,450,584	5,282,913	4,841,340
Net Assets					
General fund	626,418	-	-	626,418	1,735,702
Reserve funds (note 10)	-	2,220,211	-	2,220,211	1,714,249
Capital fund	-	-	6,060,258	6,060,258	4,191,359
	626,418	2,220,211	6,060,258	8,906,887	7,641,310
	2,448,770	3,230,188	8,510,842	14,189,800	12,482,650

Approved by the Board of Directors


 Cole Ayerst
 Chair, Board of Directors


 Christine Belanger
 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, 2019

				2019	2018
	General Fund \$	Reserve Funds \$	Capital Fund \$	Total \$	Total \$
Revenues					
Student fees (note 5)	8,294,744	2,834,548	840,019	11,969,311	10,929,128
Bus pass transfers (note 5)	(4,500,433)	-	-	(4,500,433)	(4,002,419)
Net student fees	3,794,311	2,834,548	840,019	7,468,878	6,926,709
Organizations and programs (note 11)	3,330,907	-	-	3,330,907	3,169,709
Interest income	143,271	6,590	6,242	156,103	40,977
Rental income	38,848	-	-	38,848	39,900
Other income	51,341	81,486	-	132,827	143,882
	7,358,678	2,922,624	846,261	11,127,563	10,321,177
Expenses					
Health plan	-	2,444,204	-	2,444,204	2,629,077
Organizations and programs (notes 7 and 11)	5,034,128	-	98,692	5,132,820	4,927,626
General and administrative (notes 6 and 7)	1,568,432	72,702	643,828	2,284,962	2,122,015
	6,602,560	2,516,906	742,520	9,861,986	9,678,718
Excess of revenues over expenses for the year	756,118	405,718	103,741	1,265,577	642,459
Net assets – Beginning of year	1,735,702	1,714,249	4,191,359	7,641,310	6,998,851
Inter-fund transfer (note 14)	(1,865,402)	100,244	1,765,158	-	-
Net assets – End of year	626,418	2,220,211	6,060,258	8,906,887	7,641,310

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, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	1,265,577	642,459
Items not affecting cash		
Change in unrealized gain/loss on investments	(27,765)	62,777
Amortization	586,745	523,184
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	1,824,557	1,228,420
Changes in non-cash working capital items		
Accounts receivable	84,549	(105,761)
Inventory	7,473	(18,181)
Prepaid expenses	15,621	19,175
Deposit	(17,921)	(18,701)
Accounts payable and accrued liabilities	(219,761)	281,621
Due to London Transit Commission	340,183	(15,980)
Deferred revenue	487,625	(137,575)
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	2,522,326	1,233,018
Financing activities		
Repayment of long-term debt	(166,474)	(156,149)
Investing activities		
(Increase) decrease in investments, net	(4,278,338)	396,244
Purchase of capital assets	(116,999)	(1,235,773)
	<hr/>	<hr/>
	(4,395,337)	(839,529)
Change in cash during the year	(2,039,485)	237,340
Cash – Beginning of year	2,466,997	2,229,657
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Cash – End of year	427,512	2,466,997
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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, 2019

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, 2019

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.

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 assets are recognized in income in the year of disposal.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2019

Financial instruments

Financial instruments include cash, accounts receivable, inter-fund balances, investments, accounts payable and accrued liabilities, and due to London Transit Commission. 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 Cash

Cash includes cash on hand and balances with banks. Included in cash in the general fund as at April 30, 2019 is \$66,441 (2018 – \$48,408) which is restricted for use at the Student Union's satellite campuses.

4 Investments

Investments at April 30 are summarized as follows:

	2019		2018	
	Book value \$	Fair value \$	Book value \$	Fair value \$
Canadian bonds	185,273	188,658	181,778	178,305
Foreign bonds	185,584	181,026	183,716	179,349
Canadian equity	419,225	362,835	389,399	350,795
Foreign equity	502,694	525,245	486,253	469,920
Canadian money market	7,215,657	7,215,657	2,988,949	2,988,949
	<u>8,508,433</u>	<u>8,473,421</u>	<u>4,230,095</u>	<u>4,167,318</u>

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2019

5 Student fees

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 is required to keep \$50,000 as a deposit with Fanshawe College.

	2019 \$	2018 \$
Student fees		
Activity fee	3,794,311	3,363,318
Building fee (note 6)	840,019	907,425
Bus pass fee	4,500,433	4,002,419
Health plan fee	2,834,548	2,655,966
	<u>11,969,311</u>	<u>10,929,128</u>

The health plan fee is net of \$273,083 (2018 – \$474,732) 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:

	2019 \$	2018 \$
Utilities, recycling and waste management	205,144	224,519
Meal plan administration	86,182	84,831
Interest	192,976	198,914
General administration and student support	36,865	218,064

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2019

Capital assets purchased through Fanshawe College were \$60,764 (2018 – \$722,688).

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 \$85,132 (2018 – \$83,680) which was paid to Fanshawe College in respect to college meal plan sales. The occupancy agreement expires on March 31, 2029.

7 Capital assets

	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
	11,209,997	6,284,280	4,925,717
	2018		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	1,253,124	862,863	390,261
Leasehold improvements	9,840,437	4,835,235	5,005,202
	11,093,561	5,698,098	5,395,463

Included in organizations and programs expense is amortization of \$98,692 (2018 – \$85,858). Included in general and administrative expense is amortization of \$488,053 (2018 – \$437,326).

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2019

8 Deferred revenue

	2019 \$	2018 \$
Deferred health plan fees	992,833	832,812
Deferred student fees	1,105,021	778,383
Student Life fees	27,273	34,743
Deferred revenue related to exclusivity agreement	17,144	22,858
Other	24,387	10,237
	<u>2,166,658</u>	<u>1,679,033</u>

The Student Union has collected student activity fees and health plan fees from Fanshawe College that relate to fiscal year 2020. 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.

9 Long-term debt

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

	2019 \$	2018 \$
Loan payable with a notional amount of \$4,000,000, a fixed interest rate of 6.42%, maturing January 2, 2029	2,326,251	2,492,725
Less: Current portion	<u>177,482</u>	<u>166,474</u>
	<u>2,148,769</u>	<u>2,326,251</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, 2019

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

	\$
2020	177,482
2021	189,217
2022	201,729
2023	215,068
2024	229,289
Thereafter	<u>1,313,466</u>
	<u>2,326,251</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:

	2019 \$	2018 \$
Technology renewal fund	40,000	40,000
Health plan reserve fund	1,463,859	1,073,515
Contingency fund	506,590	409,756
Student initiatives fund	209,762	190,978
	<u>2,220,211</u>	<u>1,714,249</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 \$1,463,859 as at April 30, 2019 (2018 – \$1,073,515) however, any deficits would be funded by the Student Union.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2019

11 Revenues and expenses from organizations and programs

	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
	3,330,907	5,132,820	1,801,913
	2018		
	Revenues	Expenses	Net expense
	\$	\$	\$
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
	3,169,709	4,927,626	1,757,917

Included within hospitality operations expenses is \$1,571,405 (2018 – \$1,574,325) of inventory recognized as an expense during the year.

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 government remittances of \$4,993 (2018 – \$25,912) for HST payable. There were no remittances in arrears as at April 30, 2019.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2019

14 Inter-fund transfer

During the year, the Student Union executive council approved a fund transfer to allocate \$100,244 (2018 – \$nil) from the general fund to the reserve fund and \$1,765,158 (2018 – \$nil) from the general fund to the capital fund. Of the \$100,244 transferred to the reserve fund, \$10,000 represented the accumulated surplus of stale dated cheques and the remaining \$90,244 was transferred to maintain the internally required minimum net assets in the fund. The capital fund transfer occurred to allocate funds for future building improvements expected to be completed by the Student Union.

15 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, 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.