

Fanshawe College Student Union

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

Financial Statements
April 30, 2015



October 6, 2015

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, 2015 and the statements of operations, 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.

*PricewaterhouseCoopers LLP
465 Richmond Street, Suite 300, London, Ontario, Canada N6A 5P4
T: +1 519 640 8000, F: +1 519 640 8015*



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, 2015 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, 2015

	General Fund \$	Reserve Funds \$	Capital Fund \$	2015 \$	2014 \$
Assets					
Current assets					
Cash and short-term investments (note 3)	4,645,311	340,316	322,919	5,308,546	6,067,910
Accounts receivable, net of allowance for doubtful accounts of \$16,824 (2014 - \$17,856)	95,954	44,000	-	139,954	148,285
Due from London Transit Commission	35,181	-	-	35,181	-
Due from general fund	-	1,364,239	986,171	2,350,410	2,653,415
Inventory	39,405	-	-	39,405	31,576
Prepaid expenses	110,441	-	-	110,441	150,388
Deposit (note 4)	50,000	-	-	50,000	50,000
	4,976,292	1,748,555	1,309,090	8,033,937	9,101,574
Capital assets (notes 5 and 6)	-	-	5,367,431	5,367,431	5,541,380
	4,976,292	1,748,555	6,676,521	13,401,368	14,642,954
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	502,538	-	-	502,538	383,556
Due to London Transit Commission	-	-	-	-	96,462
Health plan obligation (note 12)	800,000	-	-	800,000	725,001
Deferred revenue (note 7)	514,975	32,000	68,866	615,841	561,670
Current portion of long-term debt (notes 5 and 8)	-	-	137,380	137,380	867,411
Due to reserve funds	1,364,239	-	-	1,364,239	1,792,857
Due to capital fund	986,171	-	-	986,171	860,558
	4,167,923	32,000	206,246	4,406,169	5,287,515
Long-term debt (notes 5 and 8)	-	-	2,795,338	2,795,338	2,932,719
	4,167,923	32,000	3,001,584	7,201,507	8,220,234
Net assets					
Capital fund	-	-	3,674,937	3,674,937	3,597,619
Reserve funds (note 9)	-	1,716,555	-	1,716,555	2,119,712
General fund	808,369	-	-	808,369	705,389
	808,369	1,716,555	3,674,937	6,199,861	6,422,720
	4,976,292	1,748,555	6,676,521	13,401,368	14,642,954

Approved by the Board of Directors



Director



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, 2015

	General Fund \$	Reserve Funds \$	Capital Fund \$	2015 \$	2014 \$
Revenues					
Student fees (note 4)	5,653,338	2,653,476	742,175	9,048,989	8,926,841
Bus pass transfers (note 4)	(3,088,140)	-	-	(3,088,140)	(2,928,213)
Net student fees	2,565,198	2,653,476	742,175	5,960,849	5,998,628
Organizations and programs (note 10)	3,270,020	-	-	3,270,020	3,315,453
Interest income	61,783	5,461	5,745	72,989	80,436
Rental income	38,129	-	-	38,129	39,545
Other income	107,448	65,578	-	173,026	148,373
	6,042,578	2,724,515	747,920	9,515,013	9,582,435
Expenses					
Health plan (note 12)	-	3,084,409	-	3,084,409	2,919,168
Organizations and programs (note 10)	4,476,358	-	121,589	4,597,947	4,495,256
General and administrative (note 5)	1,463,240	43,263	549,013	2,055,516	1,863,273
	5,939,598	3,127,672	670,602	9,737,872	9,277,697
Excess of revenue over expenses (expenses over revenue) for the year	102,980	(403,157)	77,318	(222,859)	304,738
Net assets - Beginning of year	705,389	2,119,712	3,597,619	6,422,720	6,117,982
Net assets - End of year	808,369	1,716,555	3,674,937	6,199,861	6,422,720

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, 2015

	2015 \$	2014 \$
Cash was provided by (used for)		
Operating activities		
Excess of (expenses over revenue) revenue over expenses for the year	(222,859)	304,738
Add: Amortization	478,473	479,225
	<hr/> 255,614	<hr/> 783,963
Changes in non-cash working capital items		
Accounts receivable	8,331	(14,893)
Inventory	(7,829)	(3,367)
Prepaid expenses	39,947	4,622
Accounts payable and accrued liabilities	118,982	(24,503)
Due to/from London Transit Commission	(131,643)	64,977
Health plan obligation	74,999	188,001
Deferred revenue	54,171	69,421
	<hr/> 412,572	<hr/> 1,068,221
Financing activities		
Repayment of long-term debt	<hr/> (867,412)	<hr/> (147,980)
Investing activities		
Purchase of capital assets	<hr/> (304,524)	<hr/> (126,669)
(Decrease) increase in cash for the year	(759,364)	793,572
Cash and short-term investments - Beginning of year	<hr/> 6,067,910	<hr/> 5,274,338
Cash and short-term investments - End of year	<hr/> 5,308,546	<hr/> 6,067,910
Cash and cash equivalent are comprised of:		
Cash	867,883	1,627,247
Short term investments	4,440,663	4,440,663
	<hr/> 5,308,546	<hr/> 6,067,910

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

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2015

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 provides and/or 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, capital and internally restricted funds (reserve 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, 2015

Scholarship and bursary fund

The fund is primarily utilized for payment of student scholarships and bursaries. This fund is funded through the beverage exclusivity contract.

Capital fund

This 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.

Fees are charged at cost between programs within the organization. Fees charged are included in revenues while fees incurred are included as expenses. Amounts net together for a nil impact to net revenues over expenses.

Measurement uncertainty

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 valuation of the health plan obligation and 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, 2015 and April 30, 2014.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2015

Fair value

The carrying amounts of accounts receivable, due from general fund, accounts payable and accrued liabilities, due to reserve fund, due to capital fund, due to/from LTC, and health plan obligation, approximate their fair value due to their short-term nature. The fair value of long -term debt does not differ from its carrying values due to the interest structure.

Inventories

Inventories of liquor, beer and hospitality supplies are valued at the lower of cost, on a first-in, first-out basis, and net realizable value.

Capital assets and amortization

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

Amortization is provided on the straight-line basis for office and hospitality equipment over 5 years. Office and hospitality equipment with longer useful lives are amortized over 10 years. Leasehold improvements are amortized over 5, 10 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 and short-term investments

Cash includes cash on hand and balances with banks. Short-term investments are comprised of investments in mutual funds and GICs. Included in cash and short-term investments in the general fund as at April 30, 2015 is \$30,017 (2014 - \$12,585) which is restricted for use at the Student Union's satellite campuses.

4 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 all student fees collected for the bus passes to the London Transit Commission (LTC), less an administrative fee, to provide students with unlimited ridership privileges on all LTC regular routes.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2015

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

	2015	2014
	\$	\$
Student fees		
Activity fee	2,565,198	2,576,400
Building fee (note 5)	742,175	737,300
Bus pass fee	3,088,140	2,928,213
Health plan fee	2,653,476	2,684,928
	<hr/>	<hr/>
	9,048,989	8,926,841

5 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. In fiscal 2011, additional debt with Fanshawe College was negotiated (note 8). This debt is financed through a \$50 per student annual building fee revenue (note 4).

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:

	2015	2014
	\$	\$
Utilities, waste and recycling	206,328	214,636
Meal plan administration	92,560	95,490
Interest	219,981	204,795
General administration and student support	226,101	152,418

Capital assets purchased through Fanshawe College:

	2015	2014
	\$	\$
Capital additions	260,748	24,316

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2015

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 \$92,565 which was paid to Fanshawe College in respect to College meal plan sales (2014 - \$93,240). The occupancy agreement expires on March 31, 2029.

6 Capital assets

	2015		
	Cost	Accumulated	Net book
	\$	amortization	value
	\$	\$	\$
Office and hospitality equipment	1,509,887	1,066,964	442,923
Leasehold improvements - 25 years	8,046,677	3,432,084	4,614,593
Leasehold improvements - 10 years	354,975	45,457	309,518
Leasehold improvements - 5 years	3,971	3,574	397
	9,915,510	4,548,079	5,367,431
	2014		
	Cost	Accumulated	Net book
	\$	amortization	value
	\$	\$	\$
Office and hospitality equipment	1,439,055	934,963	504,092
Leasehold improvements - 25 years	8,046,677	3,110,217	4,936,460
Leasehold improvements - 10 years	121,282	21,645	99,637
Leasehold improvements - 5 years	3,971	2,780	1,191
	9,610,985	4,069,605	5,541,380

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2015

7 Deferred revenue

	2015 \$	2014 \$
Deferred student fees	514,638	432,840
Student Life fees	62,183	73,056
Deferred revenue related to exclusivity agreement	32,000	52,000
Other	7,020	3,774
	<hr/> 615,841	<hr/> 561,670

The Student Union has collected student activity fees from Fanshawe College that relate to fiscal year 2016. Since the revenues have not yet been earned, they have been deferred in accordance with the revenue recognition 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.

8 Long-term debt

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

	2015 \$	2014 \$
Bank loan payable with a notional amount of \$4,000,000, a fixed interest rate of 6.42%, maturing December 1, 2028.	2,932,718	3,061,578
Bank loan payable with a notional amount of \$1,000,000, a fixed interest rate of 4.87% due on demand.	-	738,552
	<hr/> 2,932,718	<hr/> 3,800,130
Less: Current portion	137,380	867,411
	<hr/> 2,795,338	<hr/> 2,932,719

Loans are based on 25 year terms and are unsecured. All loans have a final payment consisting of the balance of principal and interest outstanding on the maturity date.

During the year, the Student Union repaid its demand loan with Fanshawe College.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2015

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

	\$
2016	137,380
2017	146,464
2018	156,149
2019	166,474
2020 and thereafter	<u>2,326,251</u>
	<u>2,932,718</u>

Fanshawe College and the bank have entered into a SWAP agreement for each of the loan balances disclosed above, converting variable interest rates to fixed interest rates. Fanshawe College and the bank have the option to terminate the agreements in January 2024. The maturity dates for each SWAP agreement correspond with each loan maturity. Accordingly, interest on the loans with Fanshawe College is recorded based on the SWAP rate Fanshawe College has negotiated with the bank.

9 Reserve funds

The internally restricted funds are composed of the following:

	2015 \$	2014 \$
Technology renewal fund	40,000	40,000
Health plan reserve fund	1,124,816	1,554,173
Contingency fund	401,429	395,968
Scholarship and bursary fund	<u>150,310</u>	<u>129,571</u>
	<u>1,716,555</u>	<u>2,119,712</u>

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2015

10 Revenue and expenses from organizations and programs

	2015		
	Revenues	Expenses	Net expense
	\$	\$	(revenue)
			\$
Operations and maintenance	-	792,492	842,492
Publications	168,270	352,226	183,956
Hospitality operations	3,080,882	2,912,623	(168,259)
Entertainment	-	302,094	302,094
Internal	-	112,146	112,146
FSU Games Room	19,537	75,529	55,992
Used Book Shop	1,331	50,837	49,506
	3,270,020	4,597,947	1,377,927
	2014		
	Revenues	Expenses	Net expense
	\$	\$	(revenue)
			\$
Operations and maintenance	-	773,887	773,887
Publications	164,468	321,105	156,637
Hospitality operations	3,131,983	2,926,956	(205,027)
Entertainment	-	293,846	293,846
Internal	-	108,540	108,540
FSU Games Room	19,002	70,922	51,920
	3,315,453	4,495,256	1,179,803

11 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 on its commercial activities pursuant to provisions of the Excise Tax Act.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2015

12 Health plan obligation

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 30th, 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 \$1,173,240 as at April 30, 2015 (2014 - \$1,554,173) however, any deficits would be funded by the Student Union. A provision of \$800,000 as at April 30, 2015 (2014 - \$725,001), based on the Student Union's historical experience of claims, has been recorded in the financial statements to cover anticipated claims until the current year's plan expires on August 31, 2015. No additional provision has been made for unanticipated claims under the plan. Health plan expense includes \$369,389 (2014 - \$399,546) of amounts repaid to students that elected to opt out of the Health plan.

13 Government remittances

Included in accounts payable and accrued liabilities are statutory remittances of \$18,982 as at April 30, 2015 (2014 - \$7,434), which includes HST payable, Employee Health Tax, CPP, EI and employee tax deductions. There were no remittances in arrears as at April 30, 2015.

