

Fanshawe College Student Union

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

Financial Statements
April 30, 2021



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, 2021 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, 2021;
- 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 significant accounting policies and other explanatory information.

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
September 23, 2021

Fanshawe College Student Union

Statement of Financial Position

As at April 30, 2021

				2021	2020
	General Fund \$	Reserve Funds \$	Capital Fund \$	Total \$	Total \$
Assets					
Current assets					
Cash (note 3)	2,171,271	-	-	2,171,271	3,325,736
Accounts receivable, net of allowance for doubtful accounts of \$34,389 (2020 – \$23,363)	30,581	47,000	-	77,581	211,199
Inter-fund balances (payable) receivable	(6,263,433)	3,160,137	3,103,296	-	-
Inventory	38,871	-	-	38,871	72,806
Prepaid expenses	18,955	-	-	18,955	75,148
Due from Fanshawe College (note 6)	1,498,107	-	-	1,498,107	50,000
Due from London Transit Commission	-	-	-	-	834,702
	(2,505,648)	3,207,137	3,103,296	3,804,785	4,569,591
Investments (note 4)	6,620,244	374,928	355,128	7,350,300	6,188,373
Capital assets (note 7)	-	-	4,075,664	4,075,664	4,841,407
	4,114,596	3,582,065	7,534,088	15,230,749	15,599,371
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities (note 6)	344,933	-	-	344,933	2,270,083
Due to London Transit Commission	350,445	-	-	350,445	-
Deferred revenue (note 8)	644,280	1,027,307	41,096	1,712,683	1,228,585
Current portion of long-term debt (notes 6 and 9)	-	-	201,729	201,729	189,218
	1,339,658	1,027,307	242,825	2,609,790	3,687,886
Long-term debt (notes 6 and 9)	-	-	1,757,822	1,757,822	1,959,551
	1,339,658	1,027,307	2,000,647	4,367,612	5,647,437
Net Assets					
General fund	2,774,938	-	-	2,774,938	1,573,140
Reserve funds (note 10)	-	2,554,758	-	2,554,758	2,193,916
Capital fund	-	-	5,533,441	5,533,441	6,184,878
	2,774,938	2,554,758	5,533,441	10,863,137	9,951,934
	4,114,596	3,582,065	7,534,088	15,230,749	15,599,371

Approved by the Board of Directors



Chair, Board of Directors



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, 2021

				2021	2020
	General Fund \$	Reserve Funds \$	Capital Fund \$	Total \$	Total \$
Revenues					
Student fees (note 5)	5,610,659	2,986,641	266,955	8,864,255	12,962,150
Bus pass transfers (note 5)	(2,083,488)	-	-	(2,083,488)	(5,069,608)
Net student fees	3,527,171	2,986,641	266,955	6,780,767	7,892,542
Organizations and programs (note 11)	781,911	-	-	781,911	2,502,781
Interest	290,882	13,422	12,713	317,017	64,952
Rental	6,143	-	-	6,143	33,343
Other (note 14)	89,867	43,632	-	133,499	124,276
	4,695,974	3,043,695	279,668	8,019,337	10,617,894
Expenses					
Health plan	-	2,652,342	-	2,652,342	2,875,574
Organizations and programs (notes 7 and 11)	2,238,552	-	87,346	2,325,898	4,444,477
General and administrative (notes 6 and 7)	1,255,624	30,511	671,051	1,957,186	2,253,640
Student relief (note 12)	-	-	-	-	400,000
Impairment of capital assets (note 7)	-	-	172,708	172,708	-
	3,494,176	2,682,853	931,105	7,108,134	9,973,691
Excess (deficiency) of revenues over expenses for the year	1,201,798	360,842	(651,437)	911,203	644,203
Net assets – Beginning of year	1,573,140	2,193,916	6,184,878	9,951,934	9,307,731
Net assets – End of year	2,774,938	2,554,758	5,533,441	10,863,137	9,951,934

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, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	911,203	644,203
Items not affecting cash		
Change in unrealized gain/loss on investments	(233,237)	55,187
Amortization of capital assets	627,385	608,383
Impairment of capital assets	172,708	-
	<hr/>	<hr/>
	1,478,059	1,307,773
Changes in non-cash working capital items		
Accounts receivable	133,618	(48,300)
Inventory	33,935	(21,357)
Prepaid expenses	56,193	(12,968)
Due from Fanshawe College	(1,448,107)	36,622
Accounts payable and accrued liabilities	(1,925,150)	1,959,155
Due to/from London Transit Commission	1,185,147	(1,313,778)
Deferred revenue	484,098	(537,229)
	<hr/>	<hr/>
	(2,207)	1,369,918
Financing activities		
Repayment of long-term debt	(189,218)	(177,482)
Investing activities		
(Increase) decrease in investments, net	(928,690)	2,229,861
Purchase of capital assets	(34,350)	(524,073)
	<hr/>	<hr/>
	(963,040)	1,705,788
Change in cash during the year	(1,154,465)	2,898,224
Cash – Beginning of year	3,325,736	427,512
Cash – End of year	<hr/> <u>2,171,271</u>	<hr/> <u>3,325,736</u>

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

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2021

1 Purpose of the organization

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

2 Summary of significant accounting policies

Basis of accounting

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

Fund accounting

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

General fund

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

Reserve funds

Reserve funds are separately maintained internally as follows:

- Technology renewal fund

The fund is to be utilized for future technology needs.

- Health plan reserve fund

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

- Contingency fund

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

- Student initiatives fund

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

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2021

Capital fund

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

Revenue recognition

Student fees are 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.

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

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

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2021

Taxation

The Student Union claims exemption from federal and provincial income taxes under provisions of the Income Tax Act (Canada) and the Ontario Corporations Tax Act 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.

Financial instruments

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

3 Cash

Cash includes cash on hand and balances with banks. Included in cash in the general fund as at April 30, 2021 is \$77,660 (2020 – \$40,302), which is restricted for use at the Student Union's satellite campuses.

4 Investments

Investments at April 30 are summarized as follows:

	2021		2020	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Canadian bonds	1,696,416	1,686,632	189,747	204,743
Foreign bonds	196,229	193,612	193,684	185,985
Canadian equity	428,093	446,140	422,892	315,912
Foreign equity	514,933	652,325	502,806	512,290
Canadian money market and short-term	4,371,591	4,371,591	4,969,443	4,969,443
	<u>7,207,262</u>	<u>7,350,300</u>	<u>6,278,572</u>	<u>6,188,373</u>

5 Student fees

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

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2021

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

	2021 \$	2020 \$
Student fees		
Activity fees	3,527,171	4,164,963
Building fee (note 6)	266,955	871,920
Bus pass fee	2,083,488	5,069,608
Health plan fee	2,986,641	2,855,659
	<u>8,864,255</u>	<u>12,962,150</u>

The health plan fee is net of \$198,498 (2020 – \$262,518) for amounts repaid to students who elected to opt out of the health care plan.

6 Balances and transactions with Fanshawe College

As at April 30, 2021, included within due from Fanshawe College is \$50,000 (2020 – \$50,000) held on deposit (note 5). The remaining balance due from Fanshawe College is non-interest bearing and was collected subsequent to year-end.

As at April 30, 2021, included within accounts payable and accrued liabilities is \$168,178 (2020 – \$1,844,626) due to Fanshawe College. Of this amount, \$nil (2020 – \$400,000) relates to funding for Fanshawe College Foundation's Fanshawe Student Emergency Fund, collected by Fanshawe College on behalf of the Fanshawe College Foundation. The remaining balance of \$168,178 (2020 – \$1,444,626) was incurred in the ordinary course of operations.

Phase 3 of the Student Union expansion (the Student Centre) was completed in fiscal 2005. The \$7.7 million project was financed by \$1.7 million in accumulated residual funds restricted for this purpose, plus \$6 million in loans secured by Fanshawe College, repayable over a 25-year period (note 9). This debt is financed through a \$42 per student annual building fee (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.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2021

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

	2021 \$	2020 \$
Utilities, recycling and waste management	128,119	283,589
Meal plan administration	-	75,083
Interest	155,922	181,134
General administration and student support	19,985	35,208

During the year, capital assets purchased through Fanshawe College were \$nil (2020 – \$485,180).

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 \$nil (2020 – \$75,157), which was paid to Fanshawe College in respect to college meal plan sales. The occupancy agreement expires on March 31, 2029.

7 Capital assets

	2021		
	Cost \$	Accumulated amortization \$	Net book value \$
Furniture and equipment	1,345,888	1,125,017	220,871
Leasehold improvements	9,841,896	5,987,103	3,854,793
	<u>11,187,784</u>	<u>7,112,120</u>	<u>4,075,664</u>
	2020		
	Cost \$	Accumulated amortization \$	Net book value \$
Furniture and equipment	1,347,690	1,054,022	293,668
Leasehold improvements	10,386,380	5,838,641	4,547,739
	<u>11,734,070</u>	<u>6,892,663</u>	<u>4,841,407</u>

Included in organizations and programs expense is amortization of \$87,346 (2020 – \$93,031). Included in general and administrative expense is amortization of \$540,039 (2020 – \$515,352).

During the year, certain furniture and equipment and leasehold improvements with a net book value of \$172,708 (2020 – \$nil) were impaired as a result of the cessation of use of a building leased by the Student Union.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2021

8 Deferred revenue

	2021 \$	2020 \$
Deferred health plan fees	1,021,588	910,002
Deferred student fees	646,017	273,062
Student Life fees	25,433	25,433
Deferred revenue related to exclusivity agreement	5,716	11,430
Other	13,929	8,658
	<u>1,712,683</u>	<u>1,228,585</u>

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

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

9 Long-term debt

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

	2021 \$	2020 \$
Loan payable with a fixed interest rate of 6.42%, maturing January 2, 2029	1,959,551	2,148,769
Less: Current portion	<u>201,729</u>	<u>189,218</u>
	<u>1,757,822</u>	<u>1,959,551</u>

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

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

	\$
2022	201,729
2023	215,068
2024	229,289
2025	244,450
2026	260,614
Thereafter	<u>808,401</u>
	<u>1,959,551</u>

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2021

Fanshawe College and a Canadian chartered bank have entered into a swap agreement for the loan balance disclosed above with a notional amount of \$4,000,000, 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:

	2021 \$	2020 \$
Technology renewal fund	40,000	40,000
Health plan reserve fund	1,778,243	1,443,944
Contingency fund	523,808	510,386
Student initiatives fund	212,707	199,586
	<u>2,554,758</u>	<u>2,193,916</u>

As administrator for the health care plan, the Student Union is responsible for ensuring there are sufficient assets in the plan to cover potential claims. The plan's terms allow for students to receive medical and dental benefits for one academic school year, from September 1 to August 31; it 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 \$1,778,243 as at April 30, 2021 (2020 – \$1,443,944); however, any deficits would be funded by the Student Union.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2021

11 Revenues and expenses from organizations and programs

	2021		
	Revenues	Expenses	Net expense (revenues)
	\$	\$	\$
Operations and maintenance	-	485,036	485,036
Publications	56,783	400,947	344,164
Hospitality operations	720,523	1,169,117	448,594
Entertainment	-	131,963	131,963
Internal services	-	70,344	70,344
FSU Games Room	1,251	68,433	67,182
Used Book Shop	3,354	58	(3,296)
	781,911	2,325,898	1,543,987

	2020		
	Revenues	Expenses	Net expense
	\$	\$	\$
Operations and maintenance	-	838,162	838,162
Publications	113,843	488,120	374,277
Hospitality operations	2,364,799	2,594,460	229,661
Entertainment	-	264,673	264,673
Internal services	-	128,405	128,405
FSU Games Room	19,900	123,208	103,308
Used Book Shop	4,239	7,449	3,210
	2,502,781	4,444,477	1,941,696

Included within hospitality operations expenses is \$433,051 (2020 – \$1,089,949) of inventory recognized as an expense during the year.

12 Student relief

During the year, the Student Union committed to contributing \$nil (2020 – \$400,000) to the Fanshawe Emergency Student Fund established by Fanshawe College in support of short-term support for current students who are experiencing unforeseen financial challenges.

13 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.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2021

Credit risk

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

Interest rate risk

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

Fair value

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

14 COVID-19

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

On March 17, 2020, the Student Union closed substantially all on-campus student operations with certain operations, such as food services, resuming operations in July 2020, followed by a series of closures and openings in accordance with regional and provincial government guidelines. The plan for continuing education offered by Fanshawe College includes fully remote learning and blended learning (partial remote learning and partial on-campus learning) for the upcoming summer, fall and winter terms, which may continue to have implications on student fee revenues and the operations of organizations and programs for the Student Union.

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

During the year, the Student Union received \$82,755 (2020 – \$nil) through the Canada Emergency Wage Subsidy, which is included in other revenues.

As the impacts of COVID-19 continue, there could be further impacts on the Student Union, its students and funding sources. Management is actively monitoring the effect on the Student Union's financial condition, liquidity, operations, suppliers and workforce. As it is not yet known when public health restrictions will be fully removed, nor the long-term impact of COVID-19, it is not possible to estimate the financial impact of this event on the Student Union's financial results subsequent to April 30, 2021.