

Fanshawe College
Student Union

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

Financial Statements
April 30, 2017



November 13, 2017

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, 2017 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, 2017 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, 2017

				2017	2016
	General Fund \$	Reserve Funds \$	Capital Fund \$	Total \$	Total \$
Assets					
Current assets					
Cash and short-term investments (note 3)	6,179,019	347,669	329,308	6,855,996	6,410,459
Accounts receivable, net of allowance for doubtful accounts of \$14,759 (2016 - \$14,862)	61,687	80,000	-	141,687	160,307
Inter-fund balances (payable) receivable	(3,007,905)	1,295,866	1,712,039	-	-
Inventory	40,741	-	-	40,741	40,477
Prepaid expenses	96,976	-	-	96,976	78,197
Deposit (note 4)	50,000	-	-	50,000	50,000
	3,420,518	1,723,535	2,041,347	7,185,400	6,739,440
Capital assets (notes 5 and 6)	-	-	4,682,874	4,682,874	5,090,155
	3,420,518	1,723,535	6,724,221	11,868,274	11,829,595
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities (note 12)	249,068	-	-	249,068	862,331
Due to London Transit Commission	154,873	-	-	154,873	53,356
Deferred revenue (note 7)	1,683,446	28,572	104,590	1,816,608	1,503,761
Current portion of long-term debt (notes 5 and 8)	-	-	156,149	156,149	146,464
	2,087,387	28,572	260,739	2,376,698	2,565,912
Long-term debt (notes 5 and 8)	-	-	2,492,725	2,492,725	2,648,874
	2,087,387	28,572	2,753,464	4,869,423	5,214,786
Net assets					
Capital fund	-	-	3,970,757	3,970,757	3,785,643
Reserve funds (note 9)	-	1,694,963	-	1,694,963	1,822,541
General fund	1,333,131	-	-	1,333,131	1,006,625
	1,333,131	1,694,963	3,970,757	6,998,851	6,614,809
	3,420,518	1,723,535	6,724,221	11,868,274	11,829,595

Commitments (note 13)

Approved by the Board of Directors

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Director

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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, 2017

				2017	2016
	General Fund \$	Reserve Funds \$	Capital Fund \$	Total \$	Total \$
Revenues					
Student fees (note 4)	6,592,636	2,590,491	822,850	10,005,977	9,459,805
Bus pass transfers (note 4)	(3,565,290)	-	-	(3,565,290)	(3,229,343)
Net student fees	3,027,346	2,590,491	822,850	6,440,687	6,230,462
Organizations and programs (note 10)	2,851,422	-	-	2,851,422	2,828,091
Interest income	45,851	4,036	3,823	53,710	58,976
Rental income	39,045	-	-	39,045	39,045
Other income	58,360	90,370	-	148,730	166,773
	6,022,024	2,684,897	826,673	9,533,594	9,323,347
Expenses					
Health plan	-	2,712,385	-	2,712,385	2,647,312
Organizations and programs (notes 6 and 10)	4,301,920	-	77,097	4,379,017	4,244,477
General and administrative (notes 5 and 6)	1,393,598	100,090	564,462	2,058,150	2,016,610
	5,695,518	2,812,475	641,559	9,149,552	8,908,399
Excess of revenues over expenses for the year	326,506	(127,578)	185,114	384,042	414,948
Net assets - Beginning of year	1,006,625	1,822,541	3,785,643	6,614,809	6,199,861
Net assets - End of year	1,333,131	1,694,963	3,970,757	6,998,851	6,614,809

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, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	384,042	414,948
Amortization, an item not affecting cash	466,580	475,462
	<hr/>	<hr/>
	850,622	890,410
Changes in non-cash working capital items		
Accounts receivable	18,620	(20,353)
Inventory	(264)	(1,072)
Prepaid expenses	(18,779)	32,244
Accounts payable and accrued liabilities	(613,263)	359,793
Due to London Transit Commission	101,517	88,537
Deferred revenue	312,847	87,920
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	651,300	1,437,479
Financing activities		
Repayment of long-term debt	(146,464)	(137,380)
Investing activities		
Purchase of capital assets	(59,299)	(198,186)
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Increase in cash during the year	445,537	1,101,913
Cash and short-term investments - Beginning of year	6,410,459	5,308,546
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Cash and short-term investments - End of year	6,855,996	6,410,459
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Cash and short-term investments are comprised of		
Cash	2,229,658	237,831
Short-term investments	4,626,338	6,172,628
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	6,855,996	6,410,459
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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, 2017

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, 2017

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.

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, 2017 and April 30, 2016.

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2017

Fair value

The carrying amounts of accounts receivable, inter-fund balances, accounts payable and accrued liabilities, due to London Transit Commission (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 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 and short-term investments

Cash includes cash on hand and balances with banks. Short-term investments are comprised of investments in mutual funds and guaranteed investment certificates. Included in cash and short-term investments in the general fund as at April 30, 2017 is \$52,755 (2016 - \$40,301) 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 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.

Fanshawe College Student Union

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As part of the student fee collection agreement, the Student Union is required to keep \$50,000 as a deposit with Fanshawe College. The deposit is non-interest bearing and is due on demand.

	2017	2016
	\$	\$
Student fees		
Activity fee	3,027,346	2,760,407
Building fee (note 5)	822,850	767,575
Bus pass fee	3,565,290	3,229,343
Health plan fee, net	2,896,895	2,702,480
	<u>10,312,381</u>	<u>9,459,805</u>

Health plan fee, net is net of \$355,306 (2016 - \$397,853) for amounts repaid to students that elected to opt out of the health care plan.

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 (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:

	2017	2016
	\$	\$
Utilities, waste and recycling	230,191	217,967
Meal plan administration	87,845	90,930
Interest	206,899	213,361
General administration and student support	173,197	208,584

Capital assets purchased through Fanshawe College:

	2017	2016
	\$	\$
Capital asset additions	8,989	176,035

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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 \$85,582 (2016 - \$84,500) which was paid to Fanshawe College in respect to college meal plan sales. The occupancy agreement expires on March 31, 2029.

6 Capital assets

	2017		
	Cost	Accumulated	Net book
	\$	amortization	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>
			2016
	Cost	Accumulated	Net book
	\$	amortization	value
		\$	\$
Furniture and equipment	1,166,764	886,743	280,021
Leasehold improvements	8,824,989	4,014,855	4,810,134
	<u>9,991,753</u>	<u>4,901,598</u>	<u>5,090,155</u>

Included in organizations and programs expense is amortization of \$77,097 (2016 - \$90,200). Included in general and administrative expense is amortization of \$389,483 (2016 - \$385,262).

7 Deferred revenue

	2017	2016
	\$	\$
Deferred health plan fees	983,202	800,000
Deferred student fees	758,138	615,017
Student Life fees	41,166	52,221
Deferred revenue related to exclusivity agreement	28,572	34,286
Other	5,530	2,237
	<u>1,816,608</u>	<u>1,503,761</u>

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The Student Union has collected student activity fees and health plan fees from Fanshawe College that relate to fiscal year 2018. 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.

8 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 5).

	2017	2016
	\$	\$
Bank loan payable with a notional amount of \$4,000,000, a fixed interest rate of 6.42%, maturing December 1, 2028.	2,648,874	2,795,338
Less: Current portion	<u>156,149</u>	<u>146,464</u>
	<u>2,492,725</u>	<u>2,648,874</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.

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

	\$
2018	156,149
2019	166,474
2020	177,482
2021	189,217
2022	201,729
Thereafter	<u>1,757,823</u>
	<u>2,648,874</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.

Fanshawe College Student Union

Notes to Financial Statements

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9 Reserve funds

The internally restricted funds are composed of the following:

	2017	2016
	\$	\$
Technology renewal fund	40,000	40,000
Health plan reserve fund	1,058,090	1,179,984
Contingency fund	408,781	404,745
Student initiatives fund	188,092	197,812
	<u>1,694,963</u>	<u>1,822,541</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 \$1,058,090 as at April 30, 2017 (2016 - \$1,179,984), however, any deficits would be funded by the Student Union.

10 Revenues and expenses from organizations and programs

	2017		
	Revenues	Expenses	Net expense (revenue)
	\$	\$	\$
Operations and maintenance	-	718,619	718,619
Publications	145,779	421,589	275,810
Hospitality operations	2,672,783	2,683,551	10,768
Entertainment	-	326,702	326,702
Internal services	-	133,554	133,554
FSU Games Room	31,298	87,631	56,333
Used Book Shop	1,562	7,371	5,809
	<u>2,851,422</u>	<u>4,379,017</u>	<u>1,527,595</u>

Fanshawe College Student Union

Notes to Financial Statements

April 30, 2017

	2016		
	Revenues	Expenses	Net expense (revenue)
	\$	\$	\$
Operations and maintenance	-	708,269	708,269
Publications	144,821	385,112	240,291
Hospitality operations	2,656,963	2,609,785	(47,178)
Entertainment	-	310,730	310,730
Internal services	-	140,380	140,380
FSU Games Room	24,199	85,192	60,993
Used Book Shop	2,108	5,009	2,901
	<u>2,828,091</u>	<u>4,244,477</u>	<u>1,416,386</u>

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 (HST) on its commercial activities pursuant to provisions of the Excise Tax Act.

12 Government remittances

Included in accounts payable and accrued liabilities are statutory remittances of \$1,590 (2016 - \$nil) for HST payable. There were no remittances in arrears as at April 30, 2017.

13 Commitments

As at April 30, 2017, the Student Union has a future commitment to pay \$93,324 of membership dues for fiscal year 2018.

14 Comparative figures

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