

FINANCIAL STATEMENTS
SENECA STUDENT FEDERATION INCORPORATED
AS AT APRIL 30, 2017

SENECA STUDENT FEDERATION INCORPORATED

AS AT APRIL 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the members of
Seneca Student Federation Incorporated

We have audited the accompanying financial statements of **Seneca Student Federation Incorporated**, which comprise the statement of financial position as at April 30, 2017, the statements of change in net assets, operations and cash flows for the year then ended, and 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.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the federation as at April 30, 2017, and the results of its operations and the cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Yale & Partners LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
October 31, 2017

SENECA STUDENT FEDERATION INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT APRIL 30, 2017
(With corresponding figures as at April 30, 2016)

	2017	2016
A S S E T S		
CURRENT		
Cash	\$ 7,676,504	\$ 7,966,066
Due from Seneca College of Applied Arts and Technology	236,744	371,669
HST receivable	-	310,399
Prepaid expenses	78,882	39,442
Inventory	<u>22,442</u>	<u>31,937</u>
	8,014,572	8,719,513
PROPERTY AND EQUIPMENT (note 3)	1,049,652	1,172,328
RESTRICTED CASH - STUDENT BUILDING FUND (note 6)	<u>12,601,459</u>	<u>10,690,858</u>
TOTAL ASSETS	<u>\$ 21,665,683</u>	<u>\$ 20,582,699</u>

LIABILITIES AND NET ASSETS

CURRENT		
Accounts payable and accrued liabilities	\$ 397,879	\$ 222,042
HST Payable	184,347	-
Health and dental premiums payable	<u>1,001,297</u>	<u>2,059,503</u>
	1,583,523	2,281,545
DEFERRED STUDENT BUILDING FEES (note 6)	<u>12,601,459</u>	<u>10,690,858</u>
TOTAL LIABILITIES	14,184,982	12,972,403
NET ASSETS	<u>7,480,701</u>	<u>7,610,296</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,665,683</u>	<u>\$ 20,582,699</u>

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

See accompanying notes
To be read in conjunction with our Auditors' Report dated October 31, 2017

SENECA STUDENT FEDERATION INCORPORATED
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2017
(With corresponding figures for the year ended April 30, 2016)

	2017	2016
REVENUES		
Health, dental and extended health premiums	\$ 3,673,712	\$ 3,645,590
General student fees	2,917,760	3,693,557
TTC fare sales	1,107,704	1,092,540
Retail sales and leasing	431,132	441,593
Interest income	<u>122,568</u>	<u>146,044</u>
	<u>8,252,876</u>	<u>9,019,324</u>
EXPENDITURES		
Health, dental and extended health costs	3,411,412	3,516,534
Salaries	1,208,887	1,277,354
TTC fare purchases	1,115,095	1,090,810
General expenses and supplies	837,730	843,298
Shuttle bus service	384,796	407,974
Advertising and promotion	306,595	420,922
Retail cost of goods sold	167,772	131,006
Staff benefits	216,480	237,608
Professional fees	107,809	164,814
Travel	31,153	51,468
Maintenance and repairs	50,591	50,803
Amortization	<u>134,976</u>	<u>164,513</u>
	<u>7,973,296</u>	<u>8,357,104</u>
SURPLUS FROM OPERATIONS	279,580	662,220
Non-recurring item - sales tax adjustment	<u>409,175</u>	<u>374,561</u>
SURPLUS (DEFICIT) FOR THE YEAR	(129,595)	287,659
Opening net assets	<u>7,610,296</u>	<u>7,322,637</u>
CLOSING NET ASSETS	<u>\$ 7,480,701</u>	<u>\$ 7,610,296</u>

See accompanying notes
To be read in conjunction with our Auditors' Report dated October 31, 2017

SENECA STUDENT FEDERATION INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2017
(With comparative figures for the year ended at April 30, 2016)

	2017	2016
CASH PROVIDED BY (USED IN)		
OPERATIONS		
Surplus	\$ (129,595)	\$ 287,659
Non-cash item:		
Amortization	134,976	164,513
Non-cash working capital:		
Due from Seneca College	134,925	2,159,611
HST receivable	494,746	(168,350)
Prepaid expenses	(39,440)	(17,390)
Inventory	9,495	(6,296)
Accounts payable and accrued liabilities	175,837	(322,269)
Health and dental premiums payable	(1,058,206)	(46,484)
Deferred revenue		(1,118,911)
Deferred Building Fund fees	<u>1,910,601</u>	<u>786,564</u>
	<u>1,633,339</u>	<u>1,718,647</u>
 INVESTING		
Purchase of property, plant and equipment	(12,300)	(79,827)
Increase in cash restricted for building fund	<u>(1,910,601)</u>	<u>(786,564)</u>
	<u>(1,922,901)</u>	<u>(866,391)</u>
 CHANGE IN CASH	(289,562)	852,256
 OPENING CASH	<u>7,966,066</u>	<u>7,113,810</u>
 CLOSING CASH	<u>\$ 7,676,504</u>	<u>\$ 7,966,066</u>

See accompanying notes
To be read in conjunction with our Auditors' Report dated October 31, 2017

SENECA STUDENT FEDERATION INCORPORATED
NOTES TO FINANCIAL STATEMENTS
AS AT APRIL 30, 2017

1. STATUS AND PURPOSE OF THE ORGANIZATION

The Seneca Student Federation Incorporated (the Federation) is a non-profit corporation. The Federation was incorporated on November 1, 1999, for the purpose of carrying on activities for the benefit of the students of Seneca College of Applied Arts and Technology. As the Federation's revenues are derived from Seneca College's student body, it is economically dependent upon the college. As a non-profit organization the corporation is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Part III of the *CPA Canada Handbook - Accounting Standards for Not-For-Profit Organizations*.

Cash

Cash consists of cash on hand, as well as chequing and savings account balances at Canadian Chartered banks.

Financial instruments

The Federation initially records a financial instrument at its fair value.

The Federation recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transactions costs that are directly attributable to their origination, issuance or assumption.

Subsequently, the Federation measures financial instruments as follows:

- investments in equity instruments that are quoted in an active market at fair value;
- all other investments in equity instruments at cost less impairment;
- all other financial assets at amortized cost;
- all financial liabilities at amortized cost

Property, Plant And Equipment

Property, plant and equipment are recorded at cost and are amortized on a declining balance basis using the following rates:

Building improvements	4%
Storage shed	10%
Furniture and fixtures and Java Junction	20%
Computer and other equipment	30%
Computer software	100%
Ramp	8%

To be read in conjunction with our Auditors' Report dated October 31, 2017

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NOTES TO FINANCIAL STATEMENTS
AS AT APRIL 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of Property, Plant and Equipment

Property, plant and equipment subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.

Impairment of Financial Assets Measured at Cost and Amortized Cost

When there are indications of possible impairment, the Federation determines if there has been a significant adverse change to the expected timing or amounts of future cash flows expected from the financial asset. The amount of any impairment loss is determined by comparing the carrying amount of the financial asset with the highest of three amounts:

- i. The present value of the cash flows expected to be generated by holding the asset, discounted using a current market rate of interest appropriate to that asset;
- ii. The amount that could be realized by selling the asset at the date of the balance sheet; and,
- iii. The amount expected to be realized by exercising its rights to any collateral held to secure repayment of the asset, net of all costs necessary to exercise those rights.

Reversals are permitted, but the adjusted carrying amount of the financial asset shall be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized.

Revenue

The federation follows the deferral method of accounting for internally restricted contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Membership fees are recognized when received, or receivable, provided that collection is reasonably assured and the amount is determinable. Although the federation's fiscal year ends in April, the student fees received for the summer term from May to August, which begins immediately after the year-end, are recorded as deferred revenue.

Sales revenues are recognized when the related goods are sold or services performed.

SENECA STUDENT FEDERATION INCORPORATED
NOTES TO FINANCIAL STATEMENTS
AS AT APRIL 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis.

Contributed Services

The federation makes use of volunteers in its operations. Due to the difficulty in determining the fair value of the services, they are not recognized in the financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect revenue and expenditures reported during the period, in addition to the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements. Significant items requiring the use of estimates include allocation of fees between programs, deferred revenues, HST receivables, and the net book value and associated amortization of the property and equipment. Actual results could differ from those estimates.

3. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			2017	2016
Building improvements	\$ 845,257	\$ 226,885	\$ 618,372	\$ 644,137
Storage shed and fencing	29,320	22,222	7,098	7,715
Furniture and fixtures	1,673,994	1,334,909	339,085	423,856
Java junction equipment	20,229	17,908	2,321	2,901
Computer equipment	246,682	218,660	28,022	32,920
Other Equipment	108,184	55,853	52,331	58,165
Ramp	<u>8,990</u>	<u>6,567</u>	<u>2,423</u>	<u>2,634</u>
	<u>\$ 2,932,656</u>	<u>\$ 1,883,004</u>	<u>\$ 1,049,652</u>	<u>\$ 1,172,328</u>

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4. DEFERRED REVENUE

Deferred revenue represents the student fees received for semesters subsequent to the year end. Deferred revenue will be reflected in revenues in the subsequent year.

5. OPERATING LEASE

The Federation is to pay an annual additional rent equal to the lesser of the operating costs and the maximum as defined in the lease agreement. The maximum was set at \$80,319 for the year ended April 30, 2017.

6. STUDENT BUILDING FUND

The student building fund accumulates the building fund fee charged to students each semester. This fund will be used for the building and renovations of the Newnham Student Centre and future construction of student space at Markham or King campuses. The student building fund fee started in the Fall of 2010. The fund is reserved for future commitments and it is not part of the operations.

	2017	2016
Opening fund balance	\$ 10,690,858	\$ 9,904,294
Fees received	<u>1,910,601</u>	<u>786,564</u>
Closing fund balance	<u>\$ 12,601,459</u>	<u>\$ 10,690,858</u>

7. WORKING CAPITAL AND INTERNAL RESERVE FUNDS

	2017	2016
The union's working capital is as follows:		
Current assets	\$ 8,014,572	\$ 8,719,513
Current liabilities	<u>(1,583,523)</u>	<u>(2,281,545)</u>
Working capital	<u>\$ 6,431,049</u>	<u>\$ 6,437,968</u>

The primary source of cash used for operational expenses is the student fees. The management of working capital involves controlling disbursements such that sufficient working capital is maintained through the year to cover operating expenses. The working capital calculated above must be sufficient both in amount and liquidity to cover operating expenses.

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NOTES TO FINANCIAL STATEMENTS
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8. FINANCIAL INSTRUMENT - RISKS AND UNCERTAINTIES

The following table shows the amounts of the indicated financial instruments:

	2017	2016
Financial assets measured at amortized cost		
Cash	\$ 7,676,504	\$ 7,966,066
Restricted cash - student building fund	12,601,459	10,690,858
Due from Seneca College	<u>236,744</u>	<u>371,669</u>
	<u>\$ 20,514,707</u>	<u>\$ 19,028,593</u>
Financial liabilities measured at amortized cost		
Accounts payable and accrued liabilities	\$ 397,879	\$ 222,042
Health and dental premiums payable	<u>1,001,297</u>	<u>2,059,503</u>
	<u>\$ 1,399,176</u>	<u>\$ 2,281,545</u>

Financial risks

The Federation is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Federation's exposure to these risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risk relates to its receivable from Seneca College.

Interest rate risk

The interest rate paid on the Federations deposits with the bank is based on the prime rate of interest. The amount of interest earned is therefore subject to change as the bank changes its prime rate of interest.

Liquidity risk

Liquidity risk is the risk that the Federation will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, and contractual obligations. The primary sources of liabilities are the purchase of TTC fares and the monthly payments required under the group health and dental plan.

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9. CONTRACTUAL OBLIGATIONS

The Federation engages its insurer for the health and dental plan for a one-year period beginning in September of each year. The Federation's agreement with SSQ Financial Group for the year ending August 31, 2017 was renewed for the year ending August 31, 2018.

10. LETTER OF CREDIT

Seneca College has a \$438,750 letter of credit in favour of the Toronto Transit Commission to secure the purchase of TTC fares by the Federation. The letter bears interest at the rate of 1.15%.