

FINANCIAL STATEMENTS
SENECA STUDENT FEDERATION INCORPORATED
AS AT APRIL 30, 2019

SENECA STUDENT FEDERATION INCORPORATED

AS AT APRIL 30, 2019

INDEX

Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Operations and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 10

INDEPENDENT AUDITORS' REPORT

To the members of
Seneca Student Federation Incorporated

Opinion

We have audited the financial statements of **Seneca Student Federation Incorporated**, which comprise the statement of financial position as at April 30, 2019, and the statements of operations and changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Seneca Student Federation Incorporated** as at April 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

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 are independent of **Seneca Student Federation Incorporated** in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

In preparing the financial statements, management is responsible for assessing **Seneca Student Federation Incorporated'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 **Seneca Student Federation Incorporated** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing **Seneca Student Federation Incorporated'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:

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- 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 **Seneca Student Federation Incorporated'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 **Seneca Student Federation Incorporated'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 **Seneca Student Federation Incorporated** 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Gordon Lee.

Yale PGC LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
October 28, 2019

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SENECA STUDENT FEDERATION INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT APRIL 30, 2019
(With corresponding figures as at April 30, 2018)

	2019	2018
A S S E T S		
CURRENT		
Cash	\$ 10,281,471	\$ 7,424,568
Due from Seneca College of Applied Arts and Technology	98,003	198,826
HST receivable	6,985	-
Prepaid expenses	28,802	36,379
Inventory	<u>21,457</u>	<u>37,889</u>
	10,436,718	7,697,662
PROPERTY AND EQUIPMENT (note 3)	8,526,564	988,348
RESTRICTED CASH-STUDENT BUILDING FUND (note 5)	<u>9,116,077</u>	<u>14,593,728</u>
TOTAL ASSETS	<u>\$ 28,079,359</u>	<u>\$ 23,279,738</u>

LIABILITIES AND NET ASSETS

CURRENT		
Accounts payable and accrued liabilities	\$ 110,155	\$ 400,940
HST payable	-	733
Health and dental premiums payable	1,103,973	1,006,682
Deferred revenue	1,575	-
Liability to Seneca for building (note 5)	<u>2,250,000</u>	<u>-</u>
	<u>3,465,703</u>	<u>1,408,355</u>
DEFERRED STUDENT BUILDING FEES (note 5)	9,116,077	14,593,728
DEFERRED REVENUE - BUILDING (note 5)	<u>7,501,620</u>	<u>-</u>
	<u>16,617,697</u>	<u>14,593,728</u>
TOTAL LIABILITIES	20,083,400	16,002,083
NET ASSETS	<u>7,995,959</u>	<u>7,277,655</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,079,359</u>	<u>\$ 23,279,738</u>

APPROVED ON BEHALF OF THE BOARD

 Director

 Director

See accompanying notes
 To be read in conjunction with our Auditors' Report dated October 28, 2019

SENECA STUDENT FEDERATION INCORPORATED
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2019
(With corresponding figures for the year ended April 30, 2018)

	2019	2018
REVENUES		
Health, dental and extended health premiums	\$ 4,124,052	\$ 3,844,369
General student fees	3,713,445	3,008,472
TTC fare sales	503,269	1,079,639
Retail sales and leasing	614,051	461,144
Amortization of deferred revenue - building (note 5)	153,094	-
Interest income	<u>73,707</u>	<u>56,871</u>
	<u>9,181,618</u>	<u>8,450,495</u>
EXPENDITURES		
Health, dental and extended health costs	3,986,100	3,704,645
Wages and benefits	1,646,998	1,470,592
TTC fare purchases	509,917	1,074,542
General expenses and supplies	686,843	906,086
Shuttle bus service	509,221	446,976
Advertising and promotion	408,547	440,897
Retail cost of goods sold	221,181	176,689
Professional fees	80,893	133,778
Travel	69,520	52,073
Maintenance and repairs	61,861	36,125
Amortization	<u>282,233</u>	<u>120,028</u>
	<u>8,463,314</u>	<u>8,562,431</u>
SURPLUS (DEFICIT) FROM OPERATIONS	718,304	(111,936)
Non-recurring item - sales tax adjustment	<u>-</u>	<u>91,110</u>
SURPLUS (DEFICIT) FOR THE YEAR	718,304	(203,046)
Opening net assets	<u>7,277,655</u>	<u>7,480,701</u>
CLOSING NET ASSETS	<u>\$ 7,995,959</u>	<u>\$ 7,277,655</u>

See accompanying notes
To be read in conjunction with our Auditors' Report dated October 28, 2019

SENECA STUDENT FEDERATION INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2019
(With comparative figures for the year ended at April 30, 2018)

	2019	2018
CASH PROVIDED BY (USED IN)		
OPERATIONS		
Surplus (Deficit)	\$ 718,304	\$ (203,046)
Non-cash item:		
Amortization	282,233	120,028
Non-cash working capital:		
Due from Seneca College	100,823	37,917
HST receivable	(7,718)	(183,613)
Prepaid expenses	7,577	42,503
Inventory	16,432	(15,447)
Accounts payable and accrued liabilities	(290,785)	3,060
Health and dental premiums payable	97,291	5,385
Liability to Seneca for building	2,250,000	-
Deferred revenue	1,575	-
Deferred building fund fees	(5,477,651)	1,992,269
Deferred revenue building	<u>7,501,620</u>	<u>-</u>
	<u>5,199,701</u>	<u>1,799,056</u>
INVESTING		
Purchase of property, plant and equipment	(7,820,449)	(58,723)
Increase in cash restricted for building fund	<u>5,477,651</u>	<u>(1,992,269)</u>
	<u>(2,342,798)</u>	<u>(2,050,992)</u>
CHANGE IN CASH	2,856,903	(251,936)
OPENING CASH	<u>7,424,568</u>	<u>7,676,504</u>
CLOSING CASH	<u>\$ 10,281,471</u>	<u>\$ 7,424,568</u>

See accompanying notes

To be read in conjunction with our Auditors' Report dated October 28, 2019

SENECA STUDENT FEDERATION INCORPORATED
NOTES TO FINANCIAL STATEMENTS
AS AT APRIL 30, 2019

1. STATUS AND PURPOSE OF THE ORGANIZATION

The Seneca Student Federation Incorporated (the Federation) is a non-profit corporation. The Federation was incorporated on February 3, 2000, 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%

SENECA STUDENT FEDERATION INCORPORATED
NOTES TO FINANCIAL STATEMENTS
AS AT APRIL 30, 2019

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, 2019

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 deferred revenues, 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>	
			2019	2018
Building improvements	\$ 8,508,822	\$ 428,983	\$ 8,079,839	\$ 602,310
Storage shed and fencing	29,320	23,312	6,007	6,530
Furniture and fixtures	1,696,575	1,459,238	237,337	271,268
Java junction equipment	20,229	18,743	1,486	1,857
Computer equipment	422,841	270,663	152,178	57,245
Other equipment	125,053	77,387	47,666	46,909
Ramp	8,990	6,939	2,051	2,229
	<u>\$10,811,830</u>	<u>\$ 2,285,265</u>	<u>\$ 8,526,564</u>	<u>\$ 988,348</u>

4. 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, 2019.

5. 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 King campus. 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. In 2018, a decision was made to allocate the interest income earned on the fund towards the building fund.

SENECA STUDENT FEDERATION INCORPORATED
NOTES TO FINANCIAL STATEMENTS
AS AT APRIL 30, 2019

5. STUDENT BUILDING FUND - continued

	2019	2018
Opening fund balance	\$ 14,593,728	\$ 12,601,459
Fees received	1,952,260	1,754,091
Interest earned on building fund	224,803	238,178
Building additions and expenditures	<u>(7,654,714)</u>	<u>-</u>
Closing fund balance	<u>\$ 9,116,077</u>	<u>\$ 14,593,728</u>

In fiscal 2019, contributions were made for the construction of Magna Hall at King Campus. The amount spent in the year totalled \$5,404,714 plus a \$2,250,000 liability to Seneca College. This amount has been reclassified to Deferred Revenue Building. The deferred revenue - building account is being reduced as depreciation is booked against the capital asset.

6. WORKING CAPITAL AND INTERNAL RESERVE FUNDS

	2019	2018
The Federation's working capital is as follows:		
Current assets	\$ 10,436,718	\$ 7,697,662
Current liabilities	<u>(3,465,703)</u>	<u>(1,408,355)</u>
Working capital	<u>\$ 6,971,015</u>	<u>\$ 6,289,307</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.

7. FINANCIAL INSTRUMENT - RISKS AND UNCERTAINTIES

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

	2019	2018
Financial assets measured at amortized cost		
Cash	\$ 10,281,471	\$ 7,424,568
Restricted cash - student building fund	9,116,077	14,593,728
Due from Seneca College	<u>98,003</u>	<u>198,826</u>
	<u>\$ 19,495,551</u>	<u>\$ 22,217,122</u>
Financial liabilities measured at amortized cost		
Accounts payable and accrued liabilities	\$ 110,155	\$ 400,940
Health and dental premiums payable	<u>1,103,973</u>	<u>1,006,682</u>
	<u>\$ 1,214,128</u>	<u>\$ 1,407,622</u>

SENECA STUDENT FEDERATION INCORPORATED
NOTES TO FINANCIAL STATEMENTS
AS AT APRIL 30, 2019

7. FINANCIAL INSTRUMENT - RISKS AND UNCERTAINTIES - continued

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.

8. 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 ACL Student Benefits for the year ending August 31, 2019 was renewed for the year ending August 31, 2020.