

Financial Statements of

**NIAGARA COLLEGE STUDENT
ADMINISTRATIVE COUNCIL INCORPORATED**

Year ended March 31, 2019



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INDEPENDENT AUDITOR'S REPORT

To the Members of Niagara College Student Administrative Council Incorporated

Opinion

We have audited the financial statements of Niagara College Student Administrative Council Incorporated (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "*Basis for Qualified Opinion*" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from special activities, video commissions and pool tables, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statement of financial position as at March 31, 2019 and March 31, 2018



- the revenues and excess of revenues over expenses reported in the statement of operations for the years ended March 31, 2019 and March 31, 2018
- the unrestricted net assets, at the beginning and end of the year, reported in the statement of changes in net assets for the years ended March 31, 2019 and March 31, 2018

Our opinion on the financial statements for the year ended March 31, 2018 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditors' Responsibilities for the Audit of the Financial Statements"* section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

September 18, 2019

NIAGARA COLLEGE STUDENT ADMINISTRATIVE COUNCIL INCORPORATED

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 1,667,059	\$ 455,676
Short-term investments (note 2)	225,801	395,801
Accounts receivable:		
General (note 3)	142,407	147,668
Niagara College (note 11)	2,260,504	2,028,061
Prepaid expenses	877,236	795,275
Inventory	38,478	30,830
	<u>5,211,485</u>	<u>3,853,311</u>
Long term investments (note 2)	170,090	-
Capital assets (note 4)	328,802	313,507
Intangible assets (note 5)	8,214	11,735
	<u>\$ 5,718,591</u>	<u>\$ 4,178,553</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,904,183	\$ 238,446
Deferred revenue (note 6)	1,034,669	882,482
	<u>2,938,852</u>	<u>1,120,928</u>
Net assets:		
Investment in capital assets (note 8)	328,802	313,507
Internally restricted (note 7)	25,000	25,000
Unrestricted	2,425,937	2,719,118
	<u>2,779,739</u>	<u>3,057,625</u>
Commitments (note 9)		
Related party transactions (note 11)		
	<u>\$ 5,718,591</u>	<u>\$ 4,178,553</u>

See accompanying notes to financial statements.

NIAGARA COLLEGE STUDENT ADMINISTRATIVE COUNCIL INCORPORATED

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Fees	\$ 1,804,074	\$ 1,351,738
Special annual student levy	1,639,819	1,246,459
Health care plan revenue	1,437,194	1,372,469
U Pass	3,622,802	2,306,707
The Core Bar	118,118	109,591
Alexander Davidson's Bar	104,421	92,747
The Knights Quarters Kitchen	262,113	211,133
The Armoury Kitchen	129,237	120,685
Welland SAC Shack	193,058	153,605
Niagara-on-the-lake SAC Shack	82,363	22,183
Interest earned	30,700	33,885
Student handbook revenue	27,419	28,500
CSA fees	75,723	67,641
Grad photo revenue	-	6,201
Miscellaneous	22,365	7,328
	9,549,406	7,130,872
Expenses:		
Administrative	1,443,453	1,188,989
Health care expenses	1,481,559	1,388,553
U Pass	3,929,861	2,710,269
The Core Bar	208,039	164,998
Alexander Davidson's Bar	157,691	127,669
The Knights Quarters Kitchen	254,537	193,983
The Armoury Kitchen	151,947	131,904
Welland SAC Shack	205,560	150,972
Niagara-on-the-Lake SAC Shack	91,070	33,736
Student handbooks	25,983	25,868
Other	59,759	84,617
	8,009,459	6,201,558
Excess of revenue over expenses before the undernoted item	1,539,947	929,314
Transfer to Niagara College	(1,817,833)	(1,281,071)
Deficiency of revenue over expenses	\$ (277,886)	\$ (351,757)

See accompanying notes to financial statements.

NIAGARA COLLEGE STUDENT ADMINISTRATIVE COUNCIL INCORPORATED

Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

March 31, 2019	Invested in Capital Assets	Internally Restricted	Unrestricted	2019 Total
Balance, beginning of year	\$ 313,507	\$ 25,000	\$ 2,719,118	\$ 3,057,625
Deficiency of revenue over expenses	(79,527)	-	(198,359)	(277,886)
Net change in investment in capital assets (note 8)	94,822	-	(94,822)	-
Internal transfer for capital expenditures (note 7)	-	-	-	-
Balance, end of year	\$ 328,802	\$ 25,000	\$ 2,425,937	\$ 2,779,739

March 31, 2018	Invested in Capital Assets	Internally Restricted	Unrestricted	2018 Total
Balance, beginning of year	\$ 290,289	\$ 25,000	\$ 3,094,093	\$ 3,409,382
Deficiency of expenses over revenue	(86,533)	(25,000)	(240,224)	(351,757)
Net change in investment in capital assets (note 8)	109,751	-	(109,751)	-
Internal transfer for capital expenditures (note 7)	-	25,000	(25,000)	-
Balance, end of year	\$ 313,507	\$ 25,000	\$ 2,719,118	\$ 3,057,625

See accompanying notes to financial statements.

NIAGARA COLLEGE STUDENT ADMINISTRATIVE COUNCIL INCORPORATED

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash from operating activities:		
Operations:		
Deficiency of expenses over revenue	\$ (277,886)	\$ (351,757)
Items not involving cash:		
Amortization of capital assets	79,527	86,533
Amortization of intangible assets	3,521	5,030
Net change in non-cash working capital:		
General accounts receivable	5,261	9,551
Niagara College accounts receivable	(232,443)	1,351,703
Prepaid expenses	(81,961)	(603,360)
Inventory	(7,648)	(855)
Accounts payable and accrued liabilities	1,665,737	(82,726)
Deferred revenue	152,187	(174,263)
	1,306,295	239,856
Investing activities:		
Increase in investments	(90)	(6,922)
Purchase of capital assets	(94,822)	(109,751)
Purchase of intangible assets	-	(3,058)
	(94,912)	(119,731)
Increase in cash	1,211,383	120,125
Cash, beginning of year	455,676	335,551
Cash, end of year	\$ 1,667,059	\$ 455,676

See accompanying notes to financial statements.

NIAGARA COLLEGE STUDENT ADMINISTRATIVE COUNCIL INCORPORATED

Notes to Financial Statements

Year ended March 31, 2019

Niagara College Student Administrative Council Incorporated (the "Student Council") is incorporated without share capital under the laws of Ontario and provides a variety of services and activities for the students of Niagara College of Applied Arts and Technology ("Niagara College"). The Student Council is exempt from tax under the Income Tax Act.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting.

(a) Revenue recognition:

The Student Council follows the deferral method of accounting for contributions which include donations and grants.

Revenue is generated from the sale of student services, including health plans and bus passes, as well as restaurant services, events and sale of materials. Unrestricted contributions are recognized when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Amounts received for delivery of services, including health care plan and bus pass, is recognized in the period in which the service is performed.

(b) Inventory:

Inventory consisting of bar and kitchen supplies and products, is stated at the lower of cost and net realizable value where cost is determined using the first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. For the year ended March 31, 2019 a total of \$415,726 (2018 - \$323,718) was expensed in the statement of operations.

(c) Capital assets:

Purchased capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate.

NIAGARA COLLEGE STUDENT ADMINISTRATIVE COUNCIL INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(c) Capital assets (continued):

Capital assets are amortized using the following annual rates with only one half of the calculated amortization being taken in the first year the asset is in use.

Asset	Basis	Rate
Furniture and equipment	Declining balance	30%
Leasehold improvements	Straight-line	10 years

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the assets carrying amount is not recoverable and exceeds its fair value.

When a capital asset no longer contributes to the Student Council ability to provide services, its carrying amount is written down to its residual value.

(d) Intangible assets:

Intangible assets include website, application development costs and software for the POS system which are stated at cost less accumulated amortization. Amortization of intangible assets is done on a declining-balance basis at a rate of 30% with only one half of the calculated amortization being taken in the first year the asset is in use.

Intangible assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the assets carrying amount is not recoverable and exceeds its fair value.

(e) Allocation of expenses:

The Student Council records a number of its expenses by segment. The costs for each segment include the costs of sales and other expenses that are directly related to the segment.

NIAGARA COLLEGE STUDENT ADMINISTRATIVE COUNCIL INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of accounts receivable and capital assets. Actual results could differ from those estimates.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Student Council has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Congregation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Congregation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

NIAGARA COLLEGE STUDENT ADMINISTRATIVE COUNCIL INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Investments:

The investments held by Student Council consist of Guaranteed Investment Certificates ("GIC") bearing interest at 0.55% (2018 -0.550%) maturing between 1 and 3 years. The GIC's are recorded at cost plus accrued interest, which approximates fair value.

3. Accounts receivable:

Included in accounts receivable is harmonized sales tax recoverable of \$140,689 (2018 -\$120,379).

4. Capital assets:

March 31, 2019	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 1,205,225	\$ 1,040,264	\$ 164,961
Leasehold improvements	476,108	312,267	163,841
	\$ 1,681,333	\$ 1,352,531	\$ 328,802

March 31, 2018	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 1,113,244	\$ 960,736	\$ 152,508
Leasehold improvements	473,267	312,268	160,999
	\$ 1,586,511	\$ 1,273,004	\$ 313,507

5. Intangible assets:

	2019	2018
Website and application	\$ 45,345	\$ 45,345
Accumulated amortization	(38,884)	(36,115)
Software	8,198	8,198
Accumulated amortization	(6,445)	(5,693)
	\$ 8,214	\$ 11,735

NIAGARA COLLEGE STUDENT ADMINISTRATIVE COUNCIL INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2019

6. Deferred revenue:

Deferred revenue is related to the following amounts:

	2019	2018
U Pass	\$ 402,495	\$ 238,443
Health Care benefits	618,361	631,329
Other	13,813	12,710
	<u>\$ 1,034,669</u>	<u>\$ 882,482</u>

7. Internally restricted net assets:

The Board of Directors has designated amounts to be restricted from net assets commencing April, 2011 in the amount of \$25,000 per year. Payments are made subsequent to year-end and transferred annually to maintain a balance of \$25,000. During the year, no transfers to or from internally restricted net assets were authorized by the Board.

NIAGARA COLLEGE STUDENT ADMINISTRATIVE COUNCIL INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2019	2018
Capital assets	\$ 328,802	\$ 313,507

(b) Change in net assets invested in capital assets is calculated as follows:

	2019	2018
Excess of expenses over revenue:		
Amortization of deferred capital contributions	\$ -	\$ -
Amortization of capital assets	(79,527)	(86,533)
	\$ (79,527)	\$ (86,533)
	2019	2018
Net change in investment in capital assets:		
Purchase of capital assets	\$ 94,822	\$ 109,751
	\$ 94,822	\$ 109,751

9. Commitments:

The Student Council is committed to payments under an agreement with Niagara College for the Niagara College Master Plan through the year 2023, with a memorandum of understanding signed to commit payments through to the 2033 school year. Payments are based upon a special annual student levy charged to students of Niagara College of \$135 per student for 2019/20, increasing by 6.00% per year thereafter. Estimated minimum commitment through 2023 and beyond based upon enrolment of 10,000 students are: 2020 - \$1,350,000; 2021 - \$1,435,000; 2022 - \$1,520,000; 2023 - \$1,610,000; 2024 - \$1,710,000; Thereafter - \$33,850,000. These payments will be adjusted based on actual enrolment figures for the respective year. The extension of the commitment is not yet based on an enrolment figure and will be determined at a future date as agreed upon between the Student Council and Niagara College.

NIAGARA COLLEGE STUDENT ADMINISTRATIVE COUNCIL INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2018

10. Financial risks and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Student Council will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Student Council manages its liquidity risk by monitoring its operating requirements. The Student Council prepares budgets to ensure it has sufficient funds to fulfill its obligations. There has been no significant change to the risk exposure from 2018.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. The Student Council is exposed to credit risk with respect to the accounts receivable. The Student Council assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There has been no significant change to the risk exposure from 2018.

NIAGARA COLLEGE STUDENT ADMINISTRATIVE COUNCIL INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2019

11. Related party transactions:

The Niagara College of Applied Arts and Technology ("Niagara College") is a related party of the Student Council.

A capital reserve fund was established to cover any anticipated capital expenditure for the Student Centre. The Student Council pays into the fund \$25,000 on the first day of the fiscal year. The capital reserve fund is held by Niagara College on behalf of the Student Council.

Niagara College collects rent from the Student Council at a rate of \$135 increased by 6% per annum per student based on an estimate of 7,300 students as set out in the lease agreement signed on April 1, 2011. This total is adjusted to actual enrolment on an annual basis by Niagara College.

Furthermore, Niagara College collects fees from students on behalf of the Student Council for Health care benefits, Universal bus passes, and student alliance fees. These fees are transferred by Niagara College to the Student Council.

The following amounts are included in accounts receivable at year end:

	2019	2018
Capital reserve building fund	\$ 149,241	\$ 130,285
Other receivable from Niagara College	2,111,263	1,897,776
	<u>\$ 2,260,504</u>	<u>\$ 2,028,061</u>