

SHERIDAN STUDENT UNION INC.

FINANCIAL STATEMENTS

APRIL 30, 2019

- Management rep letter to be signed

Draft - October 21, 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Sheridan Student Union Inc.

Opinion

We have audited the financial statements of Sheridan Student Union Inc. (the "Organization"), which comprise the statement of financial position as at April 30, 2019, and the statements of operations, 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 the Organization as at April 30, 2019, and its results of operations 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization 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 the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 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:

INDEPENDENT AUDITORS' REPORT, continued

- 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 Organization'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 Organization'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 Organization 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.

*Mississauga, Ontario
October 30, 2019*

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

SHERIDAN STUDENT UNION INC.

STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30, 2019

	2019	2018
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 19,608,761	\$ 15,505,227
Accounts receivable	76,336	36,631
Inventory (Note 4)	53,252	56,015
Prepaid expenses	3,970	103,357
	<u>19,742,319</u>	<u>15,701,230</u>
Capital assets (Note 5)	<u>5,050,378</u>	<u>2,033,586</u>
	<u>\$ 24,792,697</u>	<u>\$ 17,734,816</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 673,548	\$ 607,335
Government remittances payable	37,265	39,127
Deferred revenue	-	5,766
Due to Sheridan College (Note 6)	3,977,887	768,759
	<u>4,688,700</u>	<u>1,420,987</u>
COMMITMENTS (Note 11)		
NET ASSETS		
Invested in capital assets (Note 7)	1,142,961	2,033,586
Internally restricted (Note 8)	15,958,875	12,223,355
Unrestricted	3,002,161	2,056,888
	<u>20,103,997</u>	<u>16,313,829</u>
	<u>\$ 24,792,697</u>	<u>\$ 17,734,816</u>

Approved on behalf of the Board

Director _____

Director _____

SHERIDAN STUDENT UNION INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED APRIL 30, 2019

	2019	2018
Revenue		
Student fees	\$ 6,821,785	\$ 5,657,998
Medical plan fees	4,516,534	4,527,260
Food and beverage operations	1,592,794	1,497,278
Interest income	306,027	200,992
Other	75,462	64,698
	<u>13,312,602</u>	<u>11,948,226</u>
Expenditures		
Medical plan premiums	3,799,870	4,347,557
Employment and benefits	2,141,451	1,916,591
Food and beverage operations	1,496,892	1,473,142
Student activity	951,022	951,317
General and administrative	624,160	612,073
Amortization	284,385	317,407
Repairs and maintenance	224,654	227,441
Loss on disposal of capital assets	-	1,381
	<u>9,522,434</u>	<u>9,846,909</u>
Excess of revenue over expenditures	<u>\$ 3,790,168</u>	<u>\$ 2,101,317</u>

See accompanying notes to the financial statements

SHERIDAN STUDENT UNION INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED APRIL 30, 2019

	<i>Invested in capital assets</i>	<i>Internally restricted</i>	<i>Unrestricted</i>	<i>2019 Total</i>	<i>2018 Total</i>
Net assets, beginning of year	\$ 2,033,586	\$ 12,223,355	\$ 2,056,888	\$ 16,313,829	\$ 14,212,512
Excess (deficiency) of revenue over expenditures	(284,385)	3,669,321	405,232	3,790,168	2,101,317
Invested in capital assets (Note 7)	(606,240)	-	606,240	-	-
Interfund transfers (Note 8)	-	66,199	(66,199)	-	-
Net assets, end of year	<u>\$ 1,142,961</u>	<u>\$ 15,958,875</u>	<u>\$ 3,002,161</u>	<u>\$ 20,103,997</u>	<u>\$ 16,313,829</u>

Draft - October 21, 2019

SHERIDAN STUDENT UNION INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED APRIL 30, 2019

	2019	2018
Cash flows from operating activities		
Excess of revenue over expenditures	\$ 3,790,168	\$ 2,101,317
Adjustment for non cash items		
Amortization	284,385	317,407
Loss on disposal of capital assets	-	1,381
Change in non-cash working capital items		
Accounts receivable	(39,705)	5,634
Inventory	2,763	3,803
Prepaid expenses	99,387	(93,593)
Amount due to/ from Sheridan College	3,209,128	871,560
Accounts payable and accrued liabilities	66,213	63,612
Government remittances payable	(1,862)	12,110
Deferred revenue	(5,766)	5,766
	<u>7,404,711</u>	<u>3,288,997</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(3,301,177)</u>	<u>(1,203,210)</u>
Increase in cash and cash equivalents	4,103,534	2,085,787
Cash and cash equivalents, beginning of year	<u>15,505,227</u>	<u>13,419,440</u>
Cash and cash equivalents, end of year	<u>\$ 19,608,761</u>	<u>\$ 15,505,227</u>

See accompanying notes to the financial statements

SHERIDAN STUDENT UNION INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2019

1. NATURE OF OPERATIONS

Sheridan Student Union Inc. (the "Organization") is incorporated without share capital under the laws of the Province of Ontario. The Organization operates for the benefit of all Sheridan College Institute of Technology and Advanced Learning ("Sheridan College") students as a non profit organization. The Organization is a non profit organization within the meaning of The Income Tax Act (Canada) section 149(1)(L) and, accordingly, is exempt from income taxes.

The Organization provides a wide variety of services to enhance the students college experience including a student health and dental plan, food and beverage operations, legal counselling, employment opportunities and housing assistance.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements of the Organization have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies adopted by the Organization are as follows:

(a) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Revenue from student fees, net of refunds, and special levies are recognized when received. The student fees are comprised of the following:

- 1) Activity fee which is used to cover the Organization's operating expenses, initiatives, events and student activities;
- 2) Building restricted fund fee which is collected for the purpose of paying for the cost of major renovations to the buildings that the students utilize;
- 3) Mandatory medical fee to provide critical health and dental service to the students;
- 4) Capital fund fee which is used to cover the cost of major repairs and maintenance which are capitalized and new capital asset purchases;
- 5) Shuttle bus fee to support shuttle bus services for students to travel between the three campuses of Sheridan College.

Revenue from food and beverage operations and other commercial activities are recorded as the related service is provided. Contributions restricted for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization of the related capital asset.

(b) Cash and cash equivalents

Cash and cash equivalents include cash and cash in trust held by Sheridan College on behalf of the Organization.

(c) Inventory

Inventory is comprised of food and alcoholic and non-alcoholic beverages for resale and is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

SHERIDAN STUDENT UNION INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Capital assets

The Organization reports capital assets at cost and amortizes the assets over their estimated useful lives. Amortization is provided annually using the following methods at the following annual rates:

Computer equipment	Declining balance	33%
Computer software	Declining balance	33%
Office equipment	Declining balance	20%
Furniture and fixtures	Declining balance	20%
Restaurant and bar equipment	Declining balance	20%
Sound and lighting	Declining balance	20%
Leasehold improvements	Straight-line	5 years
Smallwares	Declining balance	33%
Elevator	Straight-line	25 years

(e) Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost.

Financial assets subsequently measured at amortized cost include accounts receivable. Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities and amounts due to Sheridan College.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment.

(f) Impairment of long lived assets

The preparation of financial statements in conformity with generally accepted accounting principles requires that long lived assets, including capital assets, are amortized over their useful lives. The Organization reviews long lived assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the undiscounted cash flows expected to result from the use and eventual disposition of a group of assets is less than its carrying amount, it is considered impaired. An impairment loss is measured as the amount by which the carrying amount of the group of asset exceeds its fair value. At April 30, 2019, no such impairment has occurred.

(g) Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements.

SHERIDAN STUDENT UNION INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 rate of amortization of capital assets and accounts payable and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. CASH AND CASH EQUIVALENTS

	2019	2018
Operating	\$ 3,649,886	\$ 3,281,872
Building fund	11,265,351	9,193,374
Capital fund	1,973,098	1,453,234
Medical fund	2,417,930	1,576,747
Shuttle bus fund	<u>302,496</u>	<u>-</u>
	<u>\$ 19,608,761</u>	<u>\$ 15,505,227</u>

As at April 30, 2019 a total of \$18,618,999 of cash was held by Sheridan College on behalf of the Organization (2018 - \$14,763,265). The building, capital, medical and shuttle bus accounts are internally restricted by the Organization.

4. INVENTORY

	2019	2018
Food	\$ 21,765	\$ 24,469
Beverage	20,474	21,709
Other supplies	<u>11,013</u>	<u>9,837</u>
	<u>\$ 53,252</u>	<u>\$ 56,015</u>

Inventories recognized as expense during the year amount to \$711,161 (2018 - \$712,050).

SHERIDAN STUDENT UNION INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2019

5. CAPITAL ASSETS

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2019 Net</i>	<i>2018 Net</i>
Computer equipment	\$ 97,013	\$ 71,640	\$ 25,373	\$ 35,057
Computer software	49,592	45,681	3,911	5,866
Office equipment	58,142	33,069	25,073	25,669
Furniture and fixtures	702,848	496,171	206,677	258,346
Restaurant and bar equipment	551,146	397,741	153,405	191,756
Sound and lighting	428,720	300,308	128,412	127,055
Leasehold improvements	764,608	408,080	356,528	394,497
Smallwares	37,251	35,330	1,921	2,881
Elevator	140,555	33,733	106,822	112,444
Construction in progress	4,042,256	-	4,042,256	880,015
	<u>\$ 6,872,131</u>	<u>\$ 1,821,753</u>	<u>\$ 5,050,378</u>	<u>\$ 2,033,586</u>

6. DUE TO SHERIDAN COLLEGE

The balance due to (due from) Sheridan College is comprised of the following:

	<i>2019</i>	<i>2018</i>
Utilities	\$ 4,572	\$ 6,067
Hazel McCallion Campus 2A Building Project	3,973,315	749,076
Trafalgar campus renovations	-	(11,384)
Other	-	25,000
	<u>\$ 3,977,887</u>	<u>\$ 768,759</u>

The Organization has an economic interest in Sheridan College. The Organization, an independent organization, provides a wide variety of services to the students of Sheridan College. Sheridan College collects student fees on behalf of the Organization and holds the funds in trust until required by the Organization for operations.

SHERIDAN STUDENT UNION INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2019

7. INVESTED IN CAPITAL ASSETS

The change in net assets invested in capital assets is calculated as follows:

	2019	2018
Excess of expenses over revenue:		
Amortization of capital assets	\$ 284,385	\$ 317,407
Loss on disposal of capital assets	<u>-</u>	<u>1,381</u>
	<u>\$ 284,385</u>	<u>\$ 318,788</u>
Change in investments in capital assets:		
Capital assets acquired	\$ 3,301,177	\$ 1,203,210
Amount funded by liability to Sheridan College	<u>(3,907,417)</u>	<u>-</u>
	<u>\$ (606,240)</u>	<u>\$ 1,203,210</u>

8. INTERFUND TRANSFERS

The building, capital, medical, and shuttle bus funds are internally restricted by the Organization. Funds are transferred from these funds as related expenditures are incurred related to capital projects and significant repairs and maintenance projects.

9. POST-EMPLOYMENT BENEFITS - RETIREMENT BENEFITS

CAAT Pension Plan

All of the Organization's full time employees, and some of the part-time employees, are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), which is a multi-employer jointly sponsored defined benefit plan for eligible employees of public colleges and related employers in Ontario. The Organization makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long term viability of the Plan. Any pension surplus or deficit is a joint responsibility of the members and employers which may affect future contribution rates. The Organization does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the Organization's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2019 indicated an actuarial surplus of \$2,618,300,000.

The Organization made contributions to the Plan and its associated retirement compensation arrangement of \$103,325 (2018 - \$77,783) which has been included in the statement of operations.

SHERIDAN STUDENT UNION INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2019

10. FINANCIAL INSTRUMENTS

The Organization's financial instruments consist of account receivable, accounts payable and accrued liabilities and amounts due to Sheridan College. The fair values of these financial instruments approximate their carrying value due to the relatively short periods to maturity of these items.

Financial instrument risk exposure and management

Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance. A brief description of management's assessments of these risks is described below.

General objective, policies and processes

The Board and management are responsible for the determination of the Organization's risk management objectives and policies and designing operating processes that ensure the effective implementation of the objectives and policies. In general, the Organization measures and monitors risk through the preparation and review of monthly reports.

It is management's opinion that the Organization is not exposed to any significant interest rate, foreign currency and credit risk arising from its financial instruments. All of the Organization's cash is held at one major Canadian financial institution.

Liquidity risk

Liquidity risk is defined as the risk that the Organization may not be able to settle or meet its obligations as they become due. Liquidity risk is managed by the preparation of an annual budget and by holding adequate cash reserves.

The Organization believes the exposure to the above risks have not changed in the past year.

11. COMMITMENTS

As at April 30, 2019 the Organization has approved the following commitments to Sheridan College:

- (a) Sheridan College has contracted with Voyageur Transportation Services to operate a bus service between the Oakville, Brampton and Mississauga campuses. The Organization has entered into a Cost Sharing Agreement with Sheridan College to contribute up to 50% of the cost. The commitment under this arrangement is expected to be approximately \$94,000 for the summer of 2019.
- (b) In a prior year the Board of Directors approved a contribution of \$150,000 to support the Sheridan College Portal Project. As of April 30, 2019, \$50,000 has been paid and the Organization has committed to pay the balance at \$25,000 per year commencing in fiscal 2020.
- (c) In March 2019 the Board of Directors approved a sponsorship of the Sheridan College Radio station in the amount of \$60,000, which is expected to be paid in fiscal 2020.

SHERIDAN STUDENT UNION INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2019

11. COMMITMENTS, continued

- (d) Sheridan College and the Sheridan Student Union are in the process of completing a major new capital build at the Mississauga Campus that will include many of the same amenities offered at their other two campus locations, within a building that will be shared with athletics and a student senate component. The Board of Directors of the Organization have committed to fund their proportionate share of the project which is estimated to be \$19,959,000. The debenture commitment to this project will be financed through future Building Fees that are collected by the Organization. As of April 30, 2019 approximately \$4,054,000 of project costs have been incurred and are reflected as construction in process net of applicable recoverable HST.
- (e) In February 2019 the Board of Directors approved a commitment to Sheridan College for the replacement of the roof at their Oakville campus. The Organization has committed to costs estimated at \$171,000 plus applicable taxes which are expected to be incurred in fiscal 2020.

The Organization has entered into the following commitments with other third parties as follows;

The Organization has entered into commitments for its food and beverage operations under multiple year agreement ending on various dates to September 2020. Minimum payments under these arrangements are \$19,000.

The Organization has entered into commitments for its Oakville and Brampton campuses relating to janitorial services with agreements ending in May 2019. The Organization has committed to costs of \$75,000 plus applicable taxes which are to be incurred in fiscal 2020.

Subsequent to year end the Organization has entered into commitments for the development of additional food and beverage operations at the Oakville campus. The Organization has committed to costs estimated at \$186,000 which are expected to be incurred in fiscal 2020.