

**Conestoga Students
Incorporated
Non-Consolidated Financial Statements
For the year ended April 30, 2017**

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Independent Auditor's Report

To the Board of Directors of Conestoga Students Incorporated:

We have audited the accompanying financial statements of Conestoga Students Incorporated, which comprise the non-consolidated balance sheet as at April 30, 2017, the non-consolidated statements of changes in fund balances, operations and cash flows for the year then ended, and 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 non-consolidated 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, the non-consolidated financial statements present fairly, in all material respects, the financial position of Conestoga Students Incorporated 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.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
September 20, 2017

Conestoga Students Incorporated Non-consolidated Balance Sheet

April 30

2017

2016

	Operating Fund	Health Plan Reserve	Operating Fund Reserve	Total	Total
Assets					
Current					
Cash (Note 2)	\$ 52,373	\$ 187,403	\$ 10,344	\$ 250,120	\$ 452,366
Short-term investments (Note 3)	-	-	989,656	989,656	757,680
Accounts receivable	726,134	-	-	726,134	686,573
Prepaid expenses	471,874	-	-	471,874	110,812
	1,250,381	187,403	1,000,000	2,437,784	2,007,431
Tangible capital assets (Note 4)	474,676	-	657,149	1,131,825	1,047,724
Due from Conestoga Student Services Inc. (Note 5)	497,360	-	-	497,360	497,460
	\$ 2,222,417	\$ 187,403	\$ 1,657,149	\$ 4,066,969	\$ 3,552,615

Liabilities and Fund Balances

Current

Accounts payable and accrued liabilities (Note 6)	\$ 111,156	\$ -	\$ -	\$ 111,156	\$ 96,961
Deferred revenue	858,438	-	-	858,438	769,197
Current portion of long-term debt (Note 7)	10,107	-	-	10,107	-
	979,701	-	-	979,701	866,158

Investment in Conestoga Student

Services Inc. (Note 8)	145,461	-	-	145,461	39,400
Long-term debt (Note 7)	54,950	-	-	54,950	-
	1,180,112	-	-	1,180,112	905,558

Fund balances

Internally restricted	-	187,403	1,000,000	1,187,403	1,037,333
Internally restricted - tangible capital assets	474,676	-	657,149	1,131,825	1,047,724
Unrestricted	567,629	-	-	567,629	562,000
	1,042,305	187,403	1,657,149	2,886,857	2,647,057
	\$ 2,222,417	\$ 187,403	\$ 1,657,149	\$ 4,066,969	\$ 3,552,615

On behalf of the Board:

President and CEO

Chair of the Board

Conestoga Students Incorporated
Non-consolidated Statement of Changes in Fund Balances

For the year ended April 30

2017

2016

	Operating Fund	Health Plan Reserve	Operating Fund Reserve	Total	Total
Fund balances, beginning of year	\$ 993,562	\$ 37,333	\$ 1,616,162	\$ 2,647,057	\$ 2,303,441
Excess (deficiency) of revenue over expenses for the year	306,987	-	(67,187)	239,800	343,616
Interfund transfer (Note 9)	(258,244)	150,070	108,174	-	-
Fund balances, end of year	\$ 1,042,305	\$ 187,403	\$ 1,657,149	\$ 2,886,857	\$ 2,647,057

The accompanying notes are an integral part of these financial statements.

Conestoga Students Incorporated
Non-consolidated Statement of Operations

For the year ended April 30

2017

2016

	(Unaudited) Operating Fund Budget	Operating Fund	Health Plan Reserve	Operating Fund Reserve	Total	Total
Revenue						
Student fees (Notes 10 and 14)	\$ 3,113,525	\$ 3,191,761	\$ -	-	\$ 3,191,761	\$ 2,792,904
Student support services (Note 11)	344,800	252,841	-	-	252,841	316,468
	3,458,325	3,444,602	-	-	3,444,602	3,109,372
Expenses						
Entertainment and events (schedule)	286,500	277,601	-	-	277,601	374,483
Marketing and communications	208,000	214,823	-	-	214,823	110,787
Service hubs	83,000	80,058	-	-	80,058	122,194
CSI spaces	385,000	236,022	-	-	236,022	4,946
Student leadership	155,000	98,438	-	-	98,438	128,339
Student awards and scholarships	32,500	18,957	-	-	18,957	18,717
Student employment	182,000	166,978	-	-	166,978	151,347
Food support	5,000	2,851	-	-	2,851	379
Shuttle service	70,000	48,696	-	-	48,696	32,924
Representation services (Schedule)	286,186	260,953	-	-	260,953	270,272
Student support services expense (Note 12 and 15)	1,540,865	1,457,975	-	-	1,457,975	1,291,641
Operating	128,274	94,709	-	-	94,709	82,222
Amortization	-	73,493	-	67,187	140,680	138,005
	3,362,325	3,031,554	-	67,187	3,098,741	2,726,256
Excess (deficiency) of revenue over expenses before other expenses	96,000	413,048	-	(67,187)	345,861	383,116
Other expense						
Loss from investee (Note 8)	-	(106,061)	-	-	(106,061)	(39,500)
Excess (deficiency) of revenue over expenses for the year	\$ 96,000	\$ 306,987	-	\$ (67,187)	\$ 239,800	\$ 343,616

The accompanying notes are an integral part of these financial statements.

Conestoga Students Incorporated Non-consolidated Statement of Cash Flows

For the year ended April 30	2017	2016
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 239,800	\$ 343,616
Items not involving cash		
Amortization	140,680	138,005
Loss from investee	106,061	39,500
	<u>486,541</u>	<u>521,121</u>
Changes in non-cash working capital balances		
Accounts receivable	(39,561)	(89,495)
Prepaid expenses	(361,062)	(59,682)
Accounts payable and accrued liabilities	14,195	45,537
Deferred revenue	89,241	114,759
	<u>189,354</u>	<u>532,240</u>
Cash flows from investing activities		
Purchase of tangible capital assets	(224,781)	(110,493)
Proceeds from short term investments	60,000	625,940
Purchase of short term investments	(291,976)	(450,781)
Investment in Conestoga Student Services Inc.	-	(100)
	<u>(456,757)</u>	<u>64,566</u>
Cash flows from financing activities		
Advances to Conestoga Student Services Inc.	100	(497,460)
Advances of long-term debt	65,916	-
Repayment of long-term debt	(859)	-
	<u>65,157</u>	<u>(497,460)</u>
Increase (decrease) in cash during the year	(202,246)	99,346
Cash, beginning of year	452,366	353,020
Cash, end of year	\$ 250,120	\$ 452,366

The accompanying notes are an integral part of these financial statements.

Conestoga Students Incorporated

Notes to Non-consolidated Financial Statements

April 30, 2017

1. Summary of Significant Accounting Policies

Nature of Operations Conestoga Students Incorporated ("the organization") was incorporated without share capital and is a not-for-profit organization which provides various services to students of Conestoga College Institute of Technology and Advanced Learning.

Basis of Accounting The non-consolidated financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).

Fund Accounting The Operating Fund reports the assets, liabilities, revenues and expenses related to the services provided for students.

The Operating Fund Reserve reports the assets, liabilities, revenues and expenses related to the specific tangible capital assets that are purchased from this fund. These purchases must be approved by the organization's Board of Directors.

The Health Plan Reserve is an internally restricted fund which the board has set aside for any shortfalls in the health plan.

Tangible Capital Assets Tangible capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is as follows:

Furniture and fixtures	-10% diminishing balance basis
Photography equipment	-20% diminishing balance basis
Office equipment	-10 to 30% diminishing balance basis
Sanctuary renovations	-10% diminishing balance basis
Vehicles	-20% diminishing balance basis

One-half of the annual rate is provided in the year of acquisition and no amortization is provided in the year of disposal.

When a tangible capital asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Leases Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of tangible capital assets and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the organization, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed on incurred.

Conestoga Students Incorporated

Notes to Non-consolidated Financial Statements

April 30, 2017

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition	The organization follows the restricted fund method of accounting for fees and revenue. Fees and revenue related to general operations and the student health plan are recognized as revenue of the Operating Fund in the year in which the services are rendered. Any funds received in advance of service delivery are recorded as deferred revenue. All other restricted fees and revenue are recognized as revenue of the appropriate restricted fund in the period of receipt.
Contributed Services	Elected members contribute their time to assist the organization in carrying out the administration of the students activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.
Income Taxes	The organization is a not-for-profit entity and is not subject to income taxes.
Use of Estimates	The preparation of 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used for accounting for such items as accrued liabilities and useful lives of tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.
Investments Subject to Control	The organization accounts for its wholly-owned investment in Conestoga Student Services Inc. ("CSSI") using the equity method. Under this method, the investee's earnings is recorded as income and added to the carrying value of the investment shown on the balance sheet.
Employee Future Benefits	The organization has a defined contribution pension plan for staff, by way of an RRSP plan. The pension costs are charged to operations as contributions are due. Contributions are a defined amount based on a percentage of salary.

Conestoga Students Incorporated

Notes to Non-consolidated Financial Statements

April 30, 2017

1. Summary of Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities are traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in sale or circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

2. Cash

The organization's bank account is held at one chartered bank and earns nominal interest.

3. Short-Term Investments

The organization's short-term investments are held at one chartered bank in Canadian cashable guaranteed investment certificates bearing interest at 0.65% and 1.35% and maturing between December 2017 and April 2020.

Conestoga Students Incorporated Notes to Non-consolidated Financial Statements

April 30, 2017

4. Tangible Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Operating Fund				
Furniture and fixtures	\$ 234,372	\$ 92,570	\$ 204,596	\$ 78,469
Office equipment	182,901	86,696	182,901	75,618
Photography equipment	23,585	21,136	22,661	20,639
Vehicles	388,755	154,535	302,848	106,718
	\$ 829,613	\$ 354,937	\$ 713,006	\$ 281,444
Net book value		\$ 474,676		\$ 431,562
Operating Fund Reserve				
Office equipment	\$ 155,221	\$ 95,106	\$ 155,221	\$ 88,247
Furniture and fixtures	196,682	95,030	196,682	83,735
Sanctuary renovations	1,039,348	543,966	931,174	494,933
	\$ 1,391,251	\$ 734,102	\$ 1,283,077	\$ 666,915
Net book value		\$ 657,149		\$ 616,162

5. Related Party Balances

The organization has the following balances with related parties during the year:

	2017	2016
Due from Conestoga Student Services Inc., wholly-owned subsidiary	497,360	497,460

The loan is interest-free with no fixed repayment terms, the loan will be repaid with future profits of Conestoga Student Services Inc. Also included in accounts receivable is \$6,664 (2016 - \$27,928) due from Conestoga Student Services Inc. and is expected to be repaid within the year.

Conestoga Students Incorporated Notes to Non-consolidated Financial Statements

April 30, 2017

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$17,339 (2016 - \$9,462).

7. Long Term Debt

	2017	2016
Vehicle loan, repayable in monthly installments of \$1,014 including interest calculated at the bank's prime rate plus 0.75%, maturing in March 2023, secured by a vehicle with a net book value of \$77,316	\$ 65,057	\$ -
Current portion	(10,107)	-
Long-term portion of debt	\$ 54,950	\$ -

Principal repayments on long-term debt over the next five years are as follows:

2018	\$	10,107
2019		10,459
2020		10,823
2021		11,199
2022		11,589
Thereafter		10,880
	\$	65,057

Conestoga Students Incorporated Notes to Non-consolidated Financial Statements

April 30, 2017

8. Investment in Conestoga Student Services Inc.

The organization is the sole shareholder of Conestoga Student Services Inc. (CSSI). CSSI runs a restaurant franchise and a wellness centre. It is incorporated under the laws of Ontario as a profit-oriented entity and is subject to income tax. The organization and CSSI share the same Board of Directors.

The financial summary of this unconsolidated entity as at April 30, 2017 is as follows:

	<u>2017</u>	<u>2016</u>
Total assets	\$ 400,275	\$ 493,475
Total liabilities	545,737	532,875
Shareholder's deficiency	(145,461)	(39,400)
Revenue	400,306	15,883
Expenses	506,367	55,383
Net loss	(106,061)	(39,500)
Cash flow from operating activities	(81,636)	(39,389)
Cash flow from investing activities	(119,162)	(34,800)
Cash flow from financing activities	-	497,460

9. Interfund Transfer

During the year, the Board of Directors approved an interfund transfer from the Operating Fund to the Operating Fund Reserve in the amount of \$108,174 to cover the cost of tangible capital asset acquisitions. The board also approved an interfund transfer of \$150,070, which is the current year net surplus on the health plan, from the Operating Fund to the Health Plan Reserve Fund for future shortfalls.

10. Student Fees

The organization received fees for the Health and Dental plans during the year and paid premiums to the provider. A breakdown of the net revenue included in student fees is as follows:

	<u>2017</u>	<u>2016</u>
Gross revenue received	\$ 2,034,916	\$ 2,598,546
Amounts received related to 2018 fiscal year	(730,827)	(700,940)
Revenue receivable at year end	77,266	94,689
Amortization of 2016 fiscal year deferred revenue	700,940	619,905
Gross revenue	2,082,295	2,612,200
Premiums paid	(1,852,393)	(2,490,717)
Net revenue	<u>\$ 229,902</u>	<u>\$ 121,483</u>

Conestoga Students Incorporated Notes to Non-consolidated Financial Statements

April 30, 2017

11. Grand River Transit

Included in Student Support Services revenue is net revenue of \$51,752 (2016 - \$42,813) for Grand River Transit passes. Gross revenue received was \$1,177,042 (2016 - \$994,268).

12. Student Support Services

Included in Student Support Services expense are the salaries, professional development costs and benefits for 15 full-time and 55 part-time employees.

13. Commitments

The organization has entered into operating leases for its equipment expiring between August 2018 and November 2019. The future minimum lease payments are as follows:

2018	\$	30,438
2019		23,708
2020		<u>10,732</u>
	\$	<u>64,878</u>

14. Economic Dependence

The organization derives the majority of its revenue from student fees levied through Conestoga College Institute of Technology and Advanced Learning.

15. Employee Future Benefits

Pension plan contributions paid by the organization during the year totalled \$44,097 (2016 - \$50,920).

Conestoga Students Incorporated Notes to Non-consolidated Financial Statements

April 30, 2017

16. Financial Instrument 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. Financial instruments which potentially subject the organization to concentrations of credit risk consist of short term investments and accounts receivable. The organization has 99% of receivables owing from Conestoga College Institute of Technology and Advanced Learning, however, management feels this credit risk is low. The organization has deposited the cash and investments with a reputable financial institution, from which management believes the risk of loss to be remote.

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity arises from accounts payable and accrued liabilities.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to this risk through its short-term investments. The organization holds investments which involves risk of price changes due to, without limitation, such factors as interest rates and general economic conditions.

There have been no changes in exposure to the above mentioned risks from the prior year.

17. Comparative Amounts

The comparative amounts presented in the financial statements have been reclassified to conform to the current year's presentation.

Conestoga Students Incorporated Schedule of Entertainment and Event Expenses

For the year ended April 30	2017	2017	2016
	Budget (unaudited)	Actual	Actual
Satellite campus	\$ -	\$ -	\$ 8,862
Wish tree	-	-	941
Guelph events	-	-	23,476
Student events	215,000	205,020	89,007
Cambridge campus	-	-	36,519
Waterloo campus	-	-	28,761
Event equipment and supplies	15,000	19,082	6,577
Socan/resound/criteriion	5,500	4,721	3,751
Ticket costs	1,000	905	287
Meal subsidy	50,000	47,873	63,680
Orientation swag	-	-	52,585
Did you know campaign	-	-	25,645
Orientation booth/act	-	-	5,846
Bar expense	-	-	28,546
	\$ 286,500	\$ 277,601	\$ 374,483

Conestoga Students Incorporated Schedule of Representation Services

For the year ended April 30	2017	2017	2016
	Budget (unaudited)	Actual	Actual
CSA fees	\$ 70,386	\$ 70,386	\$ 67,399
Campus/community support	-	-	8,146
Feedback	5,000	4,416	2,639
Board meetings	7,000	6,894	20,089
Campus/community connection	40,000	19,279	8,293
Mental health/mindfulness	-	-	10,000
Student rep program	8,000	5,812	7,604
Board developments and conferences	40,000	36,844	48,914
Honorariums	90,800	93,906	77,670
Audit and legal	25,000	23,416	19,518
	\$ 286,186	\$ 260,953	\$ 270,272