

**Conestoga Students
Incorporated
Non-Consolidated Financial Statements
For the year ended April 30, 2018**

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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, 2018, 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, 2018 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
October 11, 2018

Conestoga Students Incorporated Non-consolidated Balance Sheet

April 30

2018

2017

	Operating Fund	Health Plan Reserve	Operating Fund Reserve	Total	Total
Assets					
Current					
Cash (Note 2)	\$ 751,220	\$ -	\$ 500,000	\$ 1,251,220	\$ 250,120
Short-term investments (Note 3)	28,747	430,649	1,000,000	1,459,396	989,656
Accounts receivable	44,287	-	-	44,287	726,134
Prepaid expenses	780,936	-	-	780,936	471,874
	1,605,190	430,649	1,500,000	3,535,839	2,437,784
Tangible capital assets (Note 4)	437,434	-	670,382	1,107,816	1,131,825
Due from Conestoga Student Services Inc. (Note 5)	490,360	-	-	490,360	497,360
	\$ 2,532,984	\$ 430,649	\$ 2,170,382	\$ 5,134,015	\$ 4,066,969

Liabilities and Fund Balances

Current

Accounts payable and accrued liabilities (Note 6)	\$ 115,635	\$ -	\$ -	\$ 115,635	\$ 111,156
Deferred revenue	1,239,338	-	-	1,239,338	858,438
Current portion of long-term debt (Note 7)	10,200	-	-	10,200	10,107
	1,365,173	-	-	1,365,173	979,701

Investment in Conestoga Student

Services Inc. (Note 8)	271,827	-	-	271,827	146,461
Long-term debt (Note 7)	44,860	-	-	44,860	54,950
	1,681,860	-	-	1,681,860	1,181,112

Fund balances

Internally restricted	-	430,649	1,500,000	1,930,649	1,187,403
Internally restricted - tangible capital assets	437,434	-	670,382	1,107,816	1,131,825
Unrestricted	413,690	-	-	413,690	566,629
	851,124	430,649	2,170,382	3,452,155	2,885,857
	\$ 2,532,984	\$ 430,649	\$ 2,170,382	\$ 5,134,015	\$ 4,066,969

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

2018

2017

	Operating Fund	Health Plan Reserve	Operating Fund Reserve	Total	Total
Fund balances, beginning of year	\$ 1,041,305	\$ 187,403	\$ 1,657,149	\$ 2,885,857	\$ 2,647,057
Excess (deficiency) of revenue over expenses for the year	636,317	-	(70,019)	566,298	238,800
Interfund transfer (Note 9)	(826,498)	243,246	583,252	-	-
Fund balances, end of year	\$ 851,124	\$ 430,649	\$ 2,170,382	\$ 3,452,155	\$ 2,885,857

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

2018

2017

	(Unaudited) Operating Fund Budget	Operating Fund	Health Plan Reserve	Operating Fund Reserve	Total	Total
Revenue						
Student fees (Notes 10 and 14)	\$ 3,477,108	\$ 3,632,387	\$ -	\$ -	\$ 3,632,387	\$ 3,191,761
Student support services (Note 11)	296,279	264,812	-	-	264,812	252,841
	3,773,387	3,897,199	-	-	3,897,199	3,444,602
Expenses						
Entertainment and events (Schedule)	379,000	272,162	-	-	272,162	277,601
Marketing and communications	236,000	234,819	-	-	234,819	214,823
Service hubs	90,500	99,596	-	-	99,596	80,058
CSI spaces	242,000	36,179	-	-	36,179	236,022
Student leadership	160,000	137,314	-	-	137,314	98,438
Student awards and scholarships	52,500	41,429	-	-	41,429	18,957
Student employment	200,000	179,169	-	-	179,169	166,978
Food support	21,000	20,581	-	-	20,581	2,851
Shuttle service	70,000	63,540	-	-	63,540	48,696
Representation services (Schedule)	294,322	255,823	-	-	255,823	260,953
Student support services expense (Note 12 and 15)	1,651,210	1,612,853	-	-	1,612,853	1,457,975
Operating	139,200	100,974	-	-	100,974	94,709
Amortization	-	74,077	-	70,019	144,096	140,680
	3,535,732	3,128,516	-	70,019	3,198,535	3,098,741
Excess (deficiency) of revenue over expenses before other expenses	237,655	768,683	-	(70,019)	698,664	345,861
Other expense						
Loss from investee (Note 8)	-	(125,366)	-	-	(125,366)	(107,061)
Impairment of loan receivable (Note 5)	-	(7,000)	-	-	(7,000)	-
	-	(132,366)	-	-	(132,366)	(107,061)
Excess (deficiency) of revenue over expenses for the year	\$ 237,655	\$ 636,317	- \$	(70,019)	\$ 566,298	\$ 238,800

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	2018	2017
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 566,298	\$ 238,800
Items not involving cash		
Amortization	144,096	140,680
Loss from investee	125,366	107,061
Impairment of loan receivable	7,000	-
	<u>842,760</u>	<u>486,541</u>
Changes in non-cash working capital balances		
Accounts receivable	681,847	(39,561)
Prepaid expenses	(309,062)	(361,062)
Accounts payable and accrued liabilities	4,479	14,195
Deferred revenue	380,900	89,241
	<u>1,600,924</u>	<u>189,354</u>
Cash flows from investing activities		
Purchase of tangible capital assets	(120,087)	(224,781)
Proceeds from short term investments	814,369	60,000
Purchase of short term investments	(1,284,109)	(291,976)
	<u>(589,827)</u>	<u>(456,757)</u>
Cash flows from financing activities		
Advances to Conestoga Student Services Inc.	-	100
Advances of long-term debt	-	65,916
Repayment of long-term debt	(9,997)	(859)
	<u>(9,997)</u>	<u>65,157</u>
Increase (decrease) in cash during the year	1,001,100	(202,246)
Cash, beginning of year	<u>250,120</u>	<u>452,366</u>
Cash, end of year	\$ 1,251,220	\$ 250,120

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

Conestoga Students Incorporated

Notes to Non-consolidated Financial Statements

April 30, 2018

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
Office equipment	-10 to 30% diminishing balance basis
Photography equipment	-20% 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, 2018

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 (losses) is recorded as income (loss) 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, 2018

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.

Conestoga Students Incorporated Notes to Non-consolidated Financial Statements

April 30, 2018

2. Cash

The organization's bank accounts are held at one chartered bank and earn 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 0.85% and maturing between February 2019 and April 2021.

4. Tangible Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Operating Fund				
Furniture and fixtures	\$ 249,174	\$ 107,490	\$ 234,372	\$ 92,570
Office equipment	182,901	96,317	182,901	86,696
Photography equipment	23,585	21,626	23,585	21,136
Vehicles	410,789	203,582	388,755	154,535
	\$ 866,449	\$ 429,015	\$ 829,613	\$ 354,937
Net book value		\$ 437,434		\$ 474,676
Operating Fund Reserve				
Office equipment	\$ 164,826	\$ 101,739	\$ 155,221	\$ 95,106
Furniture and fixtures	213,953	106,059	196,682	95,030
Sanctuary renovations	1,095,724	596,323	1,039,348	543,966
	\$ 1,474,503	\$ 804,121	\$ 1,391,251	\$ 734,102
Net book value		\$ 670,382		\$ 657,149

Conestoga Students Incorporated Notes to Non-consolidated Financial Statements

April 30, 2018

5. Related Party Balances and Transactions

	<u>2018</u>	<u>2017</u>
Due from Conestoga Student Services Inc., wholly-owned subsidiary	\$ 497,360	\$ 497,360
Allowance for impaired loan	<u>(7,000)</u>	-
	<u>\$ 490,360</u>	<u>\$ 497,360</u>

The loan is interest-free with no fixed repayment terms, and will be repaid with future profits of Conestoga Student Services Inc. Also included in accounts receivable is \$10,183 (2017 - \$6,664) due from Conestoga Student Services Inc. which is expected to be repaid within the year.

The following table summarizes the transactions during the year with Conestoga Students Services Inc.

	<u>2018</u>	<u>2017</u>
Chartered bus reimbursement	<u>\$ 10,000</u>	<u>\$ 6,275</u>
Catering expenses	<u>\$ 15,852</u>	<u>\$ 11,763</u>

These transactions are in the normal course of operations and are measured at the exchange amount (the amount of consideration established and agreed by the related parties).

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$1,263 (2017 - \$17,339).

Conestoga Students Incorporated Notes to Non-consolidated Financial Statements

April 30, 2018

7. Long Term Debt

	2018	2017
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 \$61,853	\$ 55,060	\$ 65,057
Current portion	(10,200)	(10,107)
Long-term portion of debt	\$ 44,860	\$ 54,950

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

2019	\$	10,200	
2020		10,606	
2021		11,029	
2022		11,468	
2023		11,757	
	\$	55,060	

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.

Reconciliation of investment in Conestoga Student Services Inc.:

	2018	2017
Opening balance	\$ 146,461	\$ 39,400
Loss from investee	125,366	107,061
Ending balance	\$ 271,827	\$ 146,461

Conestoga Students Incorporated Notes to Non-consolidated Financial Statements

April 30, 2018

8. Investment in Conestoga Student Services Inc. (continued)

The financial summary of this unconsolidated entity as at April 30, 2018 is as follows:

	2018	2017
Total assets	\$ 293,282	\$ 400,275
Total liabilities	\$ 565,109	\$ 546,737
Shareholder's deficiency	(271,827)	(146,462)
	\$ 293,282	\$ 400,275
Revenue	\$ 565,322	\$ 400,306
Expenses	690,688	507,367
Net loss	\$ (125,366)	\$ (107,061)
Cash flow from operating activities	\$ (97,933)	\$ (81,636)
Cash flow from investing activities	(13,305)	(119,162)
Net change in cash flow	\$ (111,238)	\$ (200,798)

9. Interfund Transfer

During the year, the Board of Directors approved the following interfund transfers:

	Operating Fund	Health Plan Reserve	Operating Reserve Fund
Transfer from the Operating Fund to the Health Plan Reserve	(243,246)	243,246	-
Transfer from the Operating Fund to the Operating Reserve Fund	(500,000)	-	500,000
Allocation to Operating Reserve Fund for the purchase of tangible capital assets	(83,252)	-	83,252
	\$ (826,498)	\$ 243,246	\$ 583,252

Conestoga Students Incorporated Notes to Non-consolidated Financial Statements

April 30, 2018

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:

	2018	2017
Gross revenue received	\$ 2,497,502	\$ 2,034,916
Amounts received related to 2019 fiscal year	(855,736)	(730,827)
Revenue receivable at year end	-	77,266
Amortization of 2017 fiscal year deferred revenue	730,827	700,940
Gross revenue	2,372,593	2,082,295
Premiums paid	(1,971,904)	(1,852,393)
Net revenue	\$ 400,689	\$ 229,902

11. Grand River Transit

Included in Student Support Services revenue is net revenue of \$77,529 (2017 - \$51,752) for Grand River Transit passes. Gross revenue received was \$1,888,614 (2017 - \$1,177,042).

12. Student Support Services

Included in Student Support Services expense are the salaries, professional development costs and benefits for 24 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:

2019	\$	23,708
2020		10,732
	\$	34,440

Conestoga Students Incorporated Notes to Non-consolidated Financial Statements

April 30, 2018

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 totaled \$41,474 (2017 - \$44,097).

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 cash, short term investments and accounts receivable. 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, accrued liabilities and long term debt.

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. The organization is subject to interest rate 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.

**Conestoga Students Incorporated
Schedule of Entertainment and Event Expenses**

For the year ended April 30	2018	2018	2017
	Budget (unaudited)	Actual	Actual
Orientation and Frosh	\$ 50,000	\$ 52,864	\$ -
Student events	215,000	156,326	205,020
Event equipment and supplies	38,000	6,197	19,082
Socan/resound/criterion	10,000	5,191	4,721
Ticket costs	1,000	632	905
Meal subsidy	65,000	50,952	47,873
	\$ 379,000	\$ 272,162	\$ 277,601

**Conestoga Students Incorporated
Schedule of Representation Services**

For the year ended April 30	2018	2018	2017
	Budget (unaudited)	Actual	Actual
CSA fees	\$ 71,322	\$ 71,322	\$ 70,386
Board mileage	2,000	1,553	-
Feedback	5,000	3,775	4,416
Board meetings	9,000	8,163	6,894
Campus/community connection	20,000	10,268	19,279
Campus representation	8,000	4,778	-
Student rep program	10,000	5,227	5,812
Board developments and conferences	45,000	38,243	36,844
Honorariums	94,000	95,078	93,906
Audit and legal	30,000	17,416	23,416
	\$ 294,322	\$ 255,823	\$ 260,953