

**Graduate Student Association-
University of Waterloo
Financial Statements**
August 31, 2018

Independent Auditors' Report

To the Members of Graduate Student Association-University of Waterloo:

We have audited the accompanying financial statements of Graduate Student Association-University of Waterloo, which comprise the statement of financial position as at August 31, 2018, and the statements of operations, changes in net assets 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 auditors' 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 financial statements present fairly, in all material respects, the financial position of Graduate Student Association-University of Waterloo as at August 31, 2018 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Waterloo, Ontario

April 8, 2019

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

Graduate Student Association-University of Waterloo
Statement of Financial Position

As at August 31, 2018

	<i>Association Fund</i>	<i>Graduate House Fund</i>	<i>Capital Fund</i>	<i>Health and Dental Fund</i>	<i>2018</i>	<i>2017</i>
Assets						
Current						
Cash	616,092	-	-	-	616,092	735,736
Investment (Note 3)	500,000	-	-	-	500,000	-
Accounts receivable	-	70,963	-	-	70,963	11,235
Inventory (Note 4)	-	9,745	-	-	9,745	11,025
Prepaid expenses and deposits	4,574	10,900	-	-	15,474	15,519
External reserves	-	-	-	164,224	164,224	191,517
Interfund receivable (payable) (Note 5)	(846,053)	124,722	47,667	673,664	-	-
	274,613	216,330	47,667	837,888	1,376,498	965,032
Capital assets (Note 6)	-	-	142,214	-	142,214	129,914
	274,613	216,330	189,881	837,888	1,518,712	1,094,946

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Graduate Student Association-University of Waterloo
Statement of Financial Position

As at August 31, 2018

	<i>Association Fund</i>	<i>Graduate House Fund</i>	<i>Capital Fund</i>	<i>Health and Dental Fund</i>	2018	2017
Liabilities						
Current						
Accounts payable and accruals <i>(Note 7)</i>	-	136,427	-	-	136,427	73,323
Net Assets						
Unrestricted	274,613	-	-	-	274,613	187,962
Internally restricted	-	79,903	189,881	837,888	1,107,672	833,661
	274,613	79,903	189,881	837,888	1,382,285	1,021,623
	274,613	216,330	189,881	837,888	1,518,712	1,094,946

Approved on behalf of the Board

 Director

 Director

Graduate Student Association-University of Waterloo

Statement of Operations

For the year ended August 31, 2018

	<i>Association Fund</i>	<i>Graduate House Fund</i>	<i>Capital Fund</i>	<i>Health and Dental Fund</i>	2018	2017
Revenue						
Bus pass fees	1,115,106	-	-	-	1,115,106	986,005
Dental plan fees	-	-	-	1,204,048	1,204,048	1,092,719
Health plan fees	-	-	-	927,459	927,459	836,481
Investment income	4,636	-	-	-	4,636	7,188
Membership fees	-	-	-	-	-	440
Other income	-	62,340	-	-	62,340	14,053
Sales (Schedule 1)	-	297,651	-	-	297,651	355,766
Student fees	370,690	289,436	-	-	660,126	538,472
	1,490,432	649,427	-	2,131,507	4,271,366	3,831,124
Expenses						
Amortization	-	-	15,732	-	15,732	14,974
Dental plan fees	-	-	-	1,093,833	1,093,833	1,064,523
Bus pass fees	1,115,106	-	-	-	1,115,106	986,005
Health plan fees	-	-	-	707,755	707,755	700,248
Miscellaneous	11,969	8,445	-	-	20,415	25,579
Purchases (Schedule 1)	-	129,849	-	-	129,849	171,583
Professional services	-	20,866	-	-	20,866	20,206
Salaries and benefits	239,651	431,713	-	-	671,364	568,044
Supplies	1,064	21,812	-	-	22,876	19,249
Operating	20,420	42,369	-	-	62,788	77,861
Student services	33,470	16,549	-	-	50,019	51,002
Promotion	101	-	-	-	101	75
	1,421,781	671,603	15,732	1,801,588	3,910,704	3,699,349
Excess (deficiency) of revenue over expenses before other items	68,651	(22,176)	(15,732)	329,919	360,662	131,775
Other items						
Loss on disposal of capital assets	-	-	-	-	-	(3,589)
Excess (deficiency) of revenue over expenses	68,651	(22,176)	(15,732)	329,919	360,662	128,186

The accompanying notes are an integral part of these financial statements

Graduate Student Association-University of Waterloo
Statement of Changes in Net Assets

For the year ended August 31, 2018

	<i>Association Fund</i>	<i>Graduate House Fund</i>	<i>Capital Fund</i>	<i>Health and Dental Fund</i>	2018	<i>2017</i>
Net assets, beginning of year	187,962	117,811	189,881	525,969	1,021,623	893,437
Excess (deficiency) of revenue over expenses	68,651	(22,176)	(15,732)	329,919	360,662	128,186
Interfund transfers (Note 5)	18,000	(15,732)	15,732	(18,000)	-	-
Net assets, end of year	274,613	79,903	189,881	837,888	1,382,285	1,021,623

The accompanying notes are an integral part of these financial statements

Graduate Student Association-University of Waterloo

Statement of Cash Flows

For the year ended August 31, 2018

	Association Fund	Graduate House Fund	Capital Fund	Health and Dental Fund	2018	2017
Cash provided by (used for) the following activities						
Operating						
Excess (deficiency) of revenue over expenses	68,651	(22,176)	(15,732)	329,919	360,662	128,186
Amortization	-	-	15,732	-	15,732	14,974
Loss on disposal of capital assets	-	-	-	-	-	3,589
	68,651	(22,176)	-	329,919	376,394	146,749
Changes in working capital accounts						
Accounts receivable	-	(59,728)	-	-	(59,728)	(7,646)
Inventory	-	1,280	-	-	1,280	(1,289)
Interfund receivable/payable	293,788	33,124	12,300	(339,212)	-	-
External reserves	-	-	-	27,293	27,293	(86,404)
Prepaid expenses and deposits	(83)	128	-	-	45	2,539
Accounts payable and accruals	-	63,104	-	-	63,104	9,075
	362,356	15,732	12,300	18,000	408,388	63,024
Investing						
Purchase of capital assets	-	-	(28,032)	-	(28,032)	(3,382)
Increase (decrease) in cash resources	362,356	15,732	(15,732)	18,000	380,356	59,642
Cash resources, beginning of year	735,736	-	-	-	735,736	676,094
Interfund adjustments (Note 5)	18,000	(15,732)	15,732	(18,000)	-	-
Cash resources, end of year	1,116,092	-	-	-	1,116,092	735,736
Cash resources are composed of:						
Cash	616,092	-	-	-	616,092	735,736
Investments	500,000	-	-	-	500,000	-
	1,116,092	-	-	-	1,116,092	735,736

The accompanying notes are an integral part of these financial statements

Graduate Student Association-University of Waterloo

Notes to the Financial Statements

For the year ended August 31, 2018

1. Status and nature of activities

Graduate Student Association-University of Waterloo (the "Organization") is a non-profit organization, incorporated without share capital under the laws of the Province of Ontario. The Organization is an association of graduate students of the University of Waterloo whose purpose is to provide advice and a voice for its members in the University community. In addition, the Organization operates the Graduate House, a private club and graduate student lounge and provides dental and health benefit plans, and a Grand River Transit universal bus pass to its members.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Fund accounting

The Organization follows the restricted fund method of accounting for contributions, and maintains four funds: the Association Fund, the Graduate House Fund, the Capital Fund and the Health and Dental Fund.

The Association Fund reports the Organization's revenue and expenses related to program delivery and administrative activities.

The Graduate House Fund, an internally restricted fund, reports the Organization's revenue and expenses related to bar and house activities.

The Capital Fund reports the Organization's assets, liabilities, revenues and expenses related to the Graduate Student Association capital assets. Amortization of capital assets is recorded in this fund. Beginning in 1998, other funds which use these assets reimburse the Capital Fund for amortization expense via interfund transfers.

The Health and Dental Fund, an internally restricted fund, reports the Organization's revenue and expenses related to the health and dental plan, including administrative activities.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Capital assets

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution, if fair value can be reasonably determined.

Amortization expense is reported in the Capital Fund. Amortization is provided using the following methods at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer equipment	straight-line	3 years
Equipment	straight-line	7-10 years
Furniture and fixtures	declining balance	20 %
Leasehold improvements	straight-line	20 years

Graduate Student Association-University of Waterloo

Notes to the Financial Statements

For the year ended August 31, 2018

2. Significant accounting policies (Continued from previous page)

Revenue recognition

The Organization uses the restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expense is incurred. Unrestricted investment income is recognized as revenue when earned.

Student fees are recognized as revenue of the Association Fund and the Graduate House Fund when the funds are earned. Bus pass fees are recognized as revenue of the Association Fund when the funds are earned. Health and dental fees are recognized as revenue of the Health and Dental Fund when funds are earned. Bar and food sales at the Graduate House are recognized as revenue of the Graduate House Fund at the point of sale when the transaction occurs.

Contributed services

Volunteers assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Measurement uncertainty

The preparation of financial statements in conformity 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 revenues and expenses during the reporting period. Significant estimates include amortization, accruals and allowance for doubtful accounts.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. Accruals are made for expenses that have occurred, but the invoice has not been received.

Management has estimated the value of the inventory based upon their assessment of the realizable amount less selling costs.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess (deficiency) of revenue over expenses in the periods in which they become known.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada Handbook Section 3840 *Related Party Transactions* (refer to Note 8).

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year. Fair value is determined by reference to recent arm's length transactions.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Organization's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operations for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Graduate Student Association-University of Waterloo
Notes to the Financial Statements
For the year ended August 31, 2018

2. Significant accounting policies (Continued from previous page)

Financial asset impairment

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group, there are numerous assets affected by the same factors, or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year operations.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in operations in the year the reversal occurs.

3. Investment

The following investment was on hand as at August 31, 2018:

	2018	2017
Measured at cost:		
CIBC 1.80% guaranteed investment certificate, due May 23, 2019	500,000	-

4. Inventory

	2018	2017
Beer, wine and spirits	2,461	2,573
Food	5,229	6,025
Supplies	2,055	2,427
	9,745	11,025

The cost of inventories recognized as an expense amounted to \$129,849 (2017 – \$171,583).

5. Interfund transactions

During the year, the Organization approved the following transfers:

- a) a transfer of \$15,732 from the Graduate House Fund to the Capital Fund as payment for the amortization of equipment; and
- b) a transfer of \$18,000 from the Health and Dental Fund to the Association Fund as payment for administration costs.

Graduate Student Association-University of Waterloo

Notes to the Financial Statements

For the year ended August 31, 2018

6. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2018 Net book value</i>	<i>2017 Net book value</i>
Computer equipment	16,677	15,257	1,420	-
Equipment	170,653	135,267	35,386	17,374
Furniture and fixtures	65,532	60,775	4,757	5,957
Leasehold improvements	418,170	317,519	100,651	106,583
	671,032	528,818	142,214	129,914

Amortization for the year amounted to \$15,732 (2017 - \$14,974).

7. Accounts payable and accruals

Included in accounts payable and accruals are government remittances payable amounting to \$4,355 (2017 - \$5,831).

8. Related party transactions

The University of Waterloo (the "University") has an economic interest in the Organization. The University owns the building in which the Organization operates, provides services to the Organization, and collects student fees on behalf of the Organization.

The University provides a number of services to the Organization at the University's cost. These services include space cost for the Graduate House, utilities and repair and maintenance services for the Graduate House, insurance for the building and the telephone and voice mail system.

The University also provides processing of payroll to the Organization at no cost.

Amounts owing to the University are \$43,092 (2017 - \$58,709) and are included in accounts payable and accruals.

9. Commitments

The Organization entered into a contract with the Region of Waterloo - Grand River Transit, for a period of five years from September 1, 2015 to August 31, 2020, to provide a universal bus pass to full-time, on campus, graduate students. The rate for the pass beginning September 1, 2019 is \$93.91 and will increase by 4.99% annually.

10. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is also the risk that the Organization will not be able to liquidate assets in a timely manner at a reasonable price. The Organization's exposure to liquidity risk is dependent on the sale of inventory, collection of accounts receivable, and purchasing commitments and obligations.

The Organization meets its liquidity requirements by preparing and monitoring detailed budgets for operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Graduate Student Association - University of Waterloo
Schedule 1 - Schedule of Graduate House Sales and Cost of Sales

For the year ended August 31, 2018

	<i>Beer</i>	<i>Liquor</i>	<i>Wine</i>	<i>Food</i>	<i>Total</i>
2018					
Sales	\$ 140,837	\$ 5,482	\$ 5,767	\$ 145,565	\$ 297,651
Cost of sales					
Inventory, beginning of year	1,841	603	128	6,025	8,597
Add: purchases	60,284	2,244	3,008	63,406	128,942
Less: inventory, end of year	1,614	755	92	5,229	7,690
	60,511	2,092	3,044	64,202	129,849
Gross margin	\$ 80,326	\$ 3,390	\$ 2,723	\$ 81,363	\$ 167,802
Gross margin %	57.0	61.8	47.2	55.9	56.4
2017					
Sales	\$ 155,835	\$ 7,265	\$ 2,974	\$ 189,692	\$ 355,766
Cost of sales					
Inventory, beginning of year	956	1,265	404	4,628	7,253
Add: purchases	66,710	1,606	940	103,671	172,927
Less: inventory, end of year	1,841	603	128	6,025	8,597
	65,825	2,268	1,216	102,274	171,583
Gross margin	\$ 90,010	\$ 4,997	\$ 1,758	\$ 87,418	\$ 184,183
Gross margin %	57.8	68.8	59.1	46.1	51.8