

**Graduate Student Association-
University of Waterloo
Financial Statements**
August 31, 2017

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, 2017, 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, 2017 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

February 27, 2018

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

Graduate Student Association-University of Waterloo
Statement of Financial Position

As at August 31, 2017

	<i>Association Fund</i>	<i>Graduate House Fund</i>	<i>Capital Fund</i>	<i>Health and Dental Fund</i>	<i>August 31 2017</i>	<i>August 31 2016</i>
Assets						
Current						
Cash	735,736	-	-	-	735,736	138,582
Investments	-	-	-	-	-	537,512
Accounts receivable	-	11,235	-	-	11,235	3,589
Inventory (Note 3)	-	11,025	-	-	11,025	9,736
Prepaid expenses and deposits	4,491	11,028	-	-	15,519	18,058
External reserves	-	-	-	191,517	191,517	105,113
Interfund receivable (payable) (Note 4)	(552,265)	157,846	59,967	334,452	-	-
	187,962	191,134	59,967	525,969	965,032	812,590
Capital assets (Note 5)	-	-	129,914	-	129,914	145,095
	187,962	191,134	189,881	525,969	1,094,946	957,685

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Graduate Student Association-University of Waterloo
Statement of Financial Position

As at August 31, 2017

	<i>Association Fund</i>	<i>Graduate House Fund</i>	<i>Capital Fund</i>	<i>Health and Dental Fund</i>	<i>2017</i>	<i>2016</i>
Liabilities						
Current						
Accounts payable and accruals <i>(Note 6)</i>	-	73,323	-	-	73,323	64,248
Fund Balances						
Unrestricted	187,962	-	-	-	187,962	153,052
Internally Restricted	-	117,811	189,881	525,969	833,661	740,385
	187,962	117,811	189,881	525,969	1,021,623	893,437
	187,962	191,134	189,881	525,969	1,094,946	957,685

Approved on behalf of the Board

Director

Director

Graduate Student Association-University of Waterloo

Statement of Operations

For the year ended August 31, 2017

	<i>Association Fund</i>	<i>Graduate House Fund</i>	<i>Capital Fund</i>	<i>Health and Dental Fund</i>	<i>2017</i>	<i>2016</i>
Revenue						
Bus pass fees	986,005	-	-	-	986,005	900,867
Dental plan fees	-	-	-	1,092,719	1,092,719	1,028,054
Health plan fees	-	-	-	836,481	836,481	725,988
Investment income	7,188	-	-	-	7,188	1,289
Membership fees	-	440	-	-	440	2,212
Other income	-	14,053	-	-	14,053	17,030
Sales	-	355,766	-	-	355,766	396,783
Student fees	315,069	223,403	-	-	538,472	517,289
	1,308,262	593,662	-	1,929,200	3,831,124	3,589,512
Expenses						
Amortization	-	-	14,974	-	14,974	16,789
Dental plan fees	-	-	-	1,064,523	1,064,523	1,016,982
Bus pass fees	986,005	-	-	-	986,005	900,867
Health plan fees	-	-	-	700,248	700,248	667,690
Miscellaneous	21,394	4,185	-	-	25,579	13,925
Purchases	-	171,583	-	-	171,583	186,047
Professional services	-	20,206	-	-	20,206	19,743
Salaries and benefits	267,090	300,954	-	-	568,044	517,470
Supplies	1,429	17,820	-	-	19,249	19,269
Operating	34,463	43,398	-	-	77,861	84,366
Student services	30,896	20,106	-	-	51,002	26,441
Promotion	75	-	-	-	75	508
	1,341,352	578,252	14,974	1,764,771	3,699,349	3,470,097
Excess (deficiency) of revenue over expenses before other items	(33,090)	15,410	(14,974)	164,429	131,775	119,415
Other items						
Loss on disposal of capital assets	-	-	(3,589)	-	(3,589)	-
Excess (deficiency) of revenue over expenses	(33,090)	15,410	(18,563)	164,429	128,186	119,415

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, 2017

	<i>Association Fund</i>	<i>Graduate House Fund</i>	<i>Capital Fund</i>	<i>Health and Dental Fund</i>	<i>2017</i>	<i>2016</i>
Fund balances, beginning	153,052	167,375	193,470	379,540	893,437	774,022
Excess (deficiency) of revenue over expenses	(33,090)	15,410	(18,563)	164,429	128,186	119,415
Interfund transfers (Note 4)	68,000	(64,974)	14,974	(18,000)	-	-
Net assets, end of year	187,962	117,811	189,881	525,969	1,021,623	893,437

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, 2017

	<i>Association Fund</i>	<i>Graduate House Fund</i>	<i>Capital Fund</i>	<i>Health and Dental Fund</i>	<i>2017</i>	<i>2016</i>
Cash provided by (used for) the following activities						
Operating						
Excess (deficiency) of revenue over expenses	(33,090)	15,410	(18,563)	164,429	128,186	119,415
Amortization	-	-	14,974	-	14,974	16,789
Loss on disposal of capital assets	-	-	3,589	-	3,589	-
	(33,090)	15,410	-	164,429	146,749	136,204
Changes in working capital accounts						
Accounts receivable	-	(7,646)	-	-	(7,646)	(1,612)
Inventory	-	(1,289)	-	-	(1,289)	580
Interfund receivable/payable	22,143	49,474	(11,592)	(60,025)	-	-
External reserves	-	-	-	(86,404)	(86,404)	(37,272)
Prepaid expenses and deposits	2,589	(50)	-	-	2,539	(4,780)
Accounts payable and accruals	-	9,075	-	-	9,075	(87,449)
	(8,358)	64,974	(11,592)	18,000	63,024	5,671
Investing						
Purchase of capital assets	-	-	(3,382)	-	(3,382)	-
Increase (decrease) in cash resources	(8,358)	64,974	(14,974)	18,000	59,642	5,671
Cash resources, beginning of year	676,094	-	-	-	676,094	670,423
Interfund adjustments	68,000	(64,974)	14,974	(18,000)	-	-
Cash resources, end of year	735,736	-	-	-	735,736	676,094
Cash resources are composed of:						
Cash	735,736	-	-	-	735,736	138,582
Investments	-	-	-	-	-	537,512
	735,736	-	-	-	735,736	676,094

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, 2017

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 Organization's Policy 10 - Fund Accounting governs the activities of the funds.

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	declining balance	20 %
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, 2017

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 7).

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, 2017

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. Inventory

	2017	2016
Beer, wine and spirits	2,573	2,625
Food	6,025	4,628
Supplies	2,427	2,483
	11,025	9,736

The cost of inventories recognized as an expense amounted to \$171,583 (2016 – \$186,047).

4. Interfund transactions

During the year, the Organization approved the following transfers:

- a) a transfer of \$14,974 from the Graduate House Fund to the Capital Fund as payment for the amortization of equipment;
- b) a transfer of \$18,000 from the Health and Dental Fund to the Association Fund as payment for administration costs; and
- c) a transfer of \$50,000 from the Graduate House Fund to the Association Fund as payment to support association services to members.

5. Capital assets

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer equipment	15,257	15,257	-	370
Equipment	146,641	129,267	17,374	22,309
Furniture and fixtures	65,532	59,575	5,957	7,446
Leasehold improvements	415,570	308,987	106,583	114,970
	643,000	513,086	129,914	145,095

Amortization for the year amounted to \$14,974 (2016 - \$16,789).

Graduate Student Association-University of Waterloo

Notes to the Financial Statements

For the year ended August 31, 2017

6. Accounts payable and accruals

Included in accounts payable and accruals are government remittances payable amounting to \$5,831 (2016 - \$6,829).

7. 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 \$58,709 (2016 - \$41,293) and are included in accounts payable and accruals.

8. 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, 2018 is \$89.45 and will increase by 4.99% annually.

9. 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

Year Ended August 31, 2017

	<i>Beer</i>	<i>Liquor</i>	<i>Wine</i>	<i>Food</i>	<i>Total</i>
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
2016					
Sales	\$ 178,592	\$ 6,823	\$ 3,546	\$ 207,822	\$ 396,783
Cost of sales					
Inventory, beginning of year	965	885	269	5,555	7,674
Add: purchases	73,524	2,824	1,490	107,788	185,626
Less: inventory, end of year	956	1,265	404	4,628	7,253
	73,533	2,444	1,355	108,715	186,047
Gross margin	\$ 105,059	\$ 4,379	\$ 2,191	\$ 99,107	\$ 210,736
Gross margin %	58.8	64.2	61.8	47.7	53.1