

Conestoga Students Incorporated
Consolidated Financial Statements
For the Year Ended April 30, 2023

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Independent Auditor's Report

To the Board of Directors of Conestoga Students Incorporated

Opinion

We have audited the consolidated financial statements of Conestoga Students Incorporated and its subsidiaries (the Organization), which comprise the consolidated statement of financial position as at April 30, 2023, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as at April 30, 2023, and its consolidated financial performance and 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 *Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
September 5, 2023

Conestoga Students Incorporated Consolidated Statement of Financial Position

April 30	Operating Fund	Health Plan Reserve	Operating Fund Reserve	2023 Total	2022 Total
Assets					
Current					
Cash (Note 2)	\$ 9,766,052	\$ 114,837	\$ -	\$ 9,880,889	\$ 5,161,113
Term deposits (Note 3)	-	2,301,202	2,343,196	4,644,398	3,746,831
Accounts receivable	239,137	-	-	239,137	271,519
Inventories	45,577	-	-	45,577	3,830
Prepaid expenses	4,465,432	-	-	4,465,432	5,322,544
	<u>14,516,198</u>	<u>2,416,039</u>	<u>2,343,196</u>	<u>19,275,433</u>	<u>14,505,837</u>
Tangible capital assets (Note 4)	380,290	-	398,912	779,202	895,520
Franchise fees	1,516	-	-	1,516	3,000
	<u>\$ 14,898,004</u>	<u>\$ 2,416,039</u>	<u>\$ 2,742,108</u>	<u>\$ 20,056,151</u>	<u>\$ 15,404,357</u>
Liabilities and Net Assets					
Current					
Accounts payable and accrued liabilities	\$ 679,851	\$ -	\$ -	\$ 679,851	\$ 1,900,139
Deferred revenue	8,648,626	-	-	8,648,626	5,781,424
Current portion of long-term debt (Note 5)	30,000	-	-	30,000	12,024
Interfund balances (Note 6)	1,161,679	(1,166,904)	5,225	-	-
	<u>10,520,156</u>	<u>(1,166,904)</u>	<u>5,225</u>	<u>9,358,477</u>	<u>7,693,587</u>
Long-term debt (Note 5)	-	-	-	-	30,000
	<u>10,520,156</u>	<u>(1,166,904)</u>	<u>5,225</u>	<u>9,358,477</u>	<u>7,723,587</u>
Net Assets					
Internally restricted (Note 7)	1,850,000	3,582,943	2,337,971	7,770,914	3,861,668
Internally restricted - tangible capital assets	380,290	-	398,912	779,202	895,520
Unrestricted	2,147,558	-	-	2,147,558	2,923,582
	<u>4,377,848</u>	<u>3,582,943</u>	<u>2,736,883</u>	<u>10,697,674</u>	<u>7,680,770</u>
	<u>\$ 14,898,004</u>	<u>\$ 2,416,039</u>	<u>\$ 2,742,108</u>	<u>\$ 20,056,151</u>	<u>\$ 15,404,357</u>

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

Conestoga Students Incorporated
Consolidated Statement of Changes in Net Assets

For the year ended April 30	Operating Fund	Health Plan Reserve	Operating Fund Reserve	2023 Total	2022 Total
Fund balances, beginning of the year	\$ 3,375,789	\$ 1,539,275	\$ 2,765,706	\$ 7,680,770	\$ 6,284,865
Excess (deficiency) of revenues over expenses	3,045,727	-	(28,823)	3,016,904	1,395,905
Interfund transfers (Note 6)	<u>(2,043,668)</u>	<u>2,043,668</u>	-	-	-
Fund balances, end of the year	<u>\$ 4,377,848</u>	<u>\$ 3,582,943</u>	<u>\$ 2,736,883</u>	<u>\$10,697,674</u>	<u>\$ 7,680,770</u>

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

Conestoga Students Incorporated
Consolidated Statement of Operations

For the year ended April 30	Operating Fund	Health Plan Reserve	Operating Fund Reserve	2023 Total	2022 Total
Revenue (Note 8)					
Student programming	\$ 2,388,258	\$ -	\$ -	\$ 2,388,258	\$ 1,584,162
Student career and development services	888,185	-	-	888,185	895,087
Student spaces and services operations (Note 9)	5,709,057	-	15,578	5,724,635	3,835,208
Academic support services	991,050	-	-	991,050	990,528
Shuttle services	763,438	-	-	763,438	132,012
Student advocacy	868,824	-	-	868,824	517,502
Health and wellness support services	908,917	-	-	908,917	755,502
Health plan (Note 9)	2,055,406	-	-	2,055,406	1,011,100
	<u>14,573,135</u>	-	15,578	<u>14,588,713</u>	<u>9,721,101</u>
Expenses					
Student programming	2,453,732	-	-	2,453,732	1,258,981
Student career and development services	608,590	-	-	608,590	791,126
Student spaces and services operations	5,222,559	-	44,401	5,266,960	3,805,345
Academic support services	1,334,089	-	-	1,334,089	1,023,334
Shuttle services	619,932	-	-	619,932	95,001
Student advocacy	693,481	-	-	693,481	523,156
Health and wellness support service	595,025	-	-	595,025	828,253
	<u>11,527,408</u>	-	44,401	<u>11,571,809</u>	<u>8,325,196</u>
Excess (deficiency) of revenues over expenses	\$ 3,045,727	\$ -	\$ (28,823)	\$ 3,016,904	\$ 1,395,905

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

Conestoga Students Incorporated Consolidated Statement of Cash Flows

For the year ended April 30	2023	2022
Cash flows from operating activities		
Excess of revenues over expenses	\$ 3,016,904	\$ 1,395,905
Items not affecting cash:		
Amortization of tangible capital assets	116,318	116,175
Amortization of franchise fees	1,484	-
	<u>3,134,706</u>	<u>1,512,080</u>
Changes in non-cash working capital balances:		
Accounts receivable	32,382	(52,967)
Inventories	(41,747)	1,424
Prepaid expenses	857,112	(1,554,939)
Accounts payable and accrued liabilities	(1,220,288)	1,738,568
Deferred revenue	2,867,202	1,598,356
	<u>5,629,367</u>	<u>3,242,522</u>
Cash flows from investing activities		
Purchase of term deposits	(2,241,418)	(24,196)
Proceeds from term deposits	1,343,851	-
Purchase of tangible capital assets	-	(163,984)
Purchase of franchise fees	-	(3,000)
	<u>(897,567)</u>	<u>(191,180)</u>
Cash flows from financing activities		
Repayment of long-term debt	(12,024)	(11,577)
	<u>(12,024)</u>	<u>(11,577)</u>
Net increase in cash during the year	4,719,776	3,039,765
Cash, beginning of the year	<u>5,161,113</u>	<u>2,121,348</u>
Cash, end of the year	<u>\$ 9,880,889</u>	<u>\$ 5,161,113</u>

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

Conestoga Students Incorporated

Notes to Consolidated Financial Statements

April 30, 2023

1. Summary of Significant Accounting Policies

Nature of Organization	<p>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.</p> <p>The organization controls a wholly-owned subsidiary, Conestoga Student Services Inc., which is engaged in the business of operating a restaurant franchise, a pub-style restaurant, a charter bus service, and a health and wellness centre for students of Conestoga College.</p>
Basis of Accounting	<p>The consolidated financial statements include the results of the entities described in the "Basis of consolidation" policy. Except for the provisions under the subsidiary standard, the consolidated financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).</p>
Basis of Consolidation	<p>These consolidated financial statements include Conestoga Students Incorporated and Conestoga Student Services Inc., a wholly-owned subsidiary. All intercompany balances and transactions have been eliminated.</p>
Controlled Entities	<p>Controlled profit-oriented enterprises are consolidated in the organization's financial statements.</p>
Fund Accounting	<p>The Operating Fund reports the assets, liabilities, revenues and expenses related to the services provided for students.</p> <p>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.</p> <p>The Health Plan Reserve is an internally restricted fund which the board has set aside for any shortfalls in the health plan.</p>
Revenue Recognition	<p>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.</p>
Inventories	<p>Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.</p>

Conestoga Students Incorporated

Notes to Consolidated Financial Statements

April 30, 2023

1. Summary of Significant Accounting Policies (continued)

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

	Method	Rate
Computer equipment	Declining balance	25%
Furniture and fixtures	Declining balance	10%
Office equipment	Declining balance	10 to 30%
Photography equipment	Declining balance	20%
Venue	Declining balance	10%
Vehicles	Declining balance	20%
Furniture and fixtures	Declining balance	20%

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.

Intangible Assets Purchased intangible assets with finite useful lives are amortized over their estimated useful lives as follows:

	Method	Rate
Franchise Fee	Straight-line	3 years

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 parent organization is a not-for-profit entity and is not subject to income taxes.

Conestoga Student Services Inc. the incorporated subsidiary uses the income taxes payable method of accounting for income taxes. Under this method, the Conestoga Student Services Inc. reports as an expense (income) of the year only the cost (benefit) of current income taxes determined in accordance with the rules established by taxation authorities

Conestoga Students Incorporated

Notes to Consolidated Financial Statements

April 30, 2023

1. Summary of Significant Accounting Policies (continued)

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 inventories, 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.
Financial Instruments	<p>Financial Instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.</p> <p>Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.</p>

2. Cash

The organization's bank accounts are held at one chartered bank and earn nominal interest.

3. Term Deposits

The organization's short-term investments are held at one chartered bank in Canadian cashable guaranteed investment certificates bearing interest at 0.10% to 6.00% and maturing between May 2023 and March 2026. Included in these guaranteed investment certificates are \$3,780,620 that have interest rates that increase over their three year term.

Conestoga Students Incorporated
Notes to Consolidated Financial Statements

April 30, 2023

4. Tangible Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Operating Fund				
Computer equipment	\$ 1,185	\$ 1,033	\$ 1,185	\$ 982
Furniture and fixtures	294,059	181,728	294,059	169,246
Office equipment	187,736	133,260	187,736	127,208
Photography equipment	23,585	22,943	23,585	22,783
Vehicles	688,040	475,351	688,040	422,179
	1,194,605	814,315	1,194,605	742,398
		\$ 380,290		\$ 452,207
Operating Fund Reserve				
Office equipment	\$ 164,826	\$ 127,950	\$ 164,826	\$ 123,775
Furniture and fixtures	213,953	150,242	213,953	143,163
Venue	1,101,232	802,907	1,101,232	769,760
	1,480,011	1,081,099	1,480,011	1,036,698
		\$ 398,912		\$ 443,313

Amortization expense for the year is \$116,318 (2022 - \$116,175) which is included in administrative support.

Conestoga Students Incorporated
Notes to Consolidated Financial Statements

April 30, 2023

5. Long-Term Debt

	2023	2022
Vehicle loan repaid during the year	\$ -	\$ 12,024
Canada Emergency Business Account, bearing no interest, maturing December 31, 2023	30,000	30,000
	30,000	42,024
Current portion	(30,000)	(12,024)
Long-term portion of debt	\$ -	\$ 30,000

In 2021, the organization received a \$40,000 Canada Emergency Business Account (CEBA) to finance qualifying non-deferrable expenses during the COVID-19 pandemic. The loan is non-interest bearing with no scheduled payments until December 31, 2023. If \$30,000 of the loan has been repaid by that date, the remaining \$10,000 will be forgiven. If the \$30,000 in loan payments have not been made by December 31, 2023, the full outstanding balance will be converted to a 5% interest bearing loan to be repaid in monthly instalments over a three year period ending December 31, 2026. The \$10,000 forgivable portion was included in government assistance in 2021.

6. Interfund Transfers / Balances

During the year, the organization's Board of Directors approved interfund transfers totalling \$2,043,668 from the Operating Fund to the Health Plan Reserve. The interfund balances are interest free with no fixed terms of repayment.

7. Internally Restricted Funds

The following items have been internally restricted by the Board of Directors for the following initiatives:

Housing support	\$ 40,000
Transit initiatives	75,000
Rebranding	120,000
Swag	95,000
Future capital projects	1,520,000
Total funds reallocated to the 2023-2024 budget	\$ 1,850,000

Conestoga Students Incorporated Notes to Consolidated Financial Statements

April 30, 2023

8. Economic Dependence

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

9. Health Plan and Support Services

During the year, the organization received student fees and paid premiums to the providers relating to the Health and Dental Plan, Legal Protection Plan and the International Health Plan. A breakdown of the net revenue included in the Health Plan is as follows:

	2023	2022
Gross revenue received	\$22,932,639	\$ 17,068,480
Amounts received during the year related to the next fiscal year	(8,279,889)	(5,513,574)
Amortization of prior year deferred revenue	5,513,574	4,040,900
Gross revenue	20,166,324	15,595,806
Premiums paid	(18,110,917)	(14,584,706)
Net revenue	\$ 2,055,407	\$ 1,011,100

A breakdown of the net revenue included in Student spaces and service operations is as follows:

	2023	2022
Gross revenue received	\$ 1,057,607	\$ 798,475
Amounts received during the year related to the next fiscal year	(362,593)	(261,878)
Amortization of prior year deferred revenue	261,878	132,110
Gross revenue	956,892	668,707
Premiums paid	(893,968)	(651,127)
Net revenue	\$ 62,924	\$ 17,580

10. Student Support Services

Included in expenses are the salaries, professional development costs and benefits for 48 (2022 - 34) full-time and 263 (2022 - 299) part-time employees.

Conestoga Students Incorporated

Notes to Consolidated Financial Statements

April 30, 2023

11. Income Taxes

Conestoga Student Services Inc. has available to it losses of approximately \$486,000 which can be used to reduce income taxes in future periods which expire between 2038 and 2040. These tax benefits have not been recognized in the financial statements.

12. Commitments

Under the Pita Pit franchise agreement, which expires in November 2024, Conestoga Student Services Inc. is obligated to pay Pita Pit Limited 5% of gross Pita Pita sales.

13. Financial Instruments

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, term deposits 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. The organization's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable.

Liquidity risk

Liquidity risk is the risk that the organization will encounter 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. The organization is exposed to this risk mainly in respect of its 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 interest rate risk on its term deposits. The organization holds investments which involves risk of price changes due to, without limitation, such factors as interest rates and general economic conditions.

The exposure to the above risks remain unchanged from the prior year.
