

Financial Statements of

**THE GRADUATE STUDENTS
ASSOCIATION OF MCMASTER
UNIVERSITY**

And Independent Auditor's Report thereon

Year ended May 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Members of the Graduate Students Association of McMaster University

Qualified Opinion

We have audited the financial statements of the Graduate Students Association of McMaster University (the "Association"), which comprise:

- the statement of financial position as at May 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "*Basis for Qualified Opinion*" section of our auditors' report, the accompanying financial statements, present fairly, in all material respects, the financial position of the Association as at May 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Association derives revenues from restaurant and bar sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Association.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- current assets reported in the statements of financial position as at May 31, 2023 and May 31, 2022
- revenue and excess (deficiency) of revenue over expenses reported in the statements of operations for the years ended May 31, 2023 and May 31, 2022



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- net assets at the beginning and end of the year, reported in the statements of changes in net assets for the years ended May 31, 2023 and May 31, 2022
- excess (deficiency) of revenues over expenses reported in the statements of cash flows for the years ended May 31, 2023 and May 31, 2022

Our opinion on the financial statements for the year ended May 31, 2022 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **“Auditors’ Responsibilities for the Audit of the Financial Statements”** section of our auditors’ report.

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Association’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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the financial statements.



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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 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 Association'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 Association'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 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 Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Public Accountants, Licensed Public Accountants

Hamilton, Canada

October 2, 2023

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Statement of Financial Position

May 31, 2023, with comparative information for 2022

	2023			2022		
	Phoenix Bar & Grill	GSA Membership	Total	Phoenix Bar & Grill	GSA Membership	Total
Assets						
Current assets:						
Cash (note 2)	\$ 38,482	\$ 2,234,315	\$ 2,272,797	\$ 126,736	\$ 1,444,045	\$ 1,570,781
Short-term investments	-	112,911	112,911	-	10,001	10,001
Accounts receivable (note 3)	33,720	242,029	275,749	31,659	5,162	36,821
Due to GSA from Phoenix	(100,573)	100,573	-	(64,430)	64,430	-
Inventory	14,215	-	14,215	14,539	-	14,539
Prepaid expenses	10,033	9,903	19,936	-	-	-
	(4,123)	2,699,731	2,695,608	108,504	1,523,638	1,632,142
Capital assets (note 4)	7,937	1,472,228	1,480,165	10,438	1,574,777	1,585,215
	\$ 3,814	\$ 4,171,959	\$ 4,175,773	\$ 118,942	\$ 3,098,415	\$ 3,217,357
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities (note 5)	\$ 300,621	\$ 976,278	\$ 1,276,899	\$ 271,692	\$ 125,832	\$ 397,524
Deferred revenue	-	35,045	35,045	-	35,741	35,741
Due to McMaster University	(66,681)	78,476	11,795	32,926	2,359	35,285
	233,940	1,089,799	1,323,739	304,618	163,932	468,550
Deferred contributions related to capital assets (note 6)	-	1,829,534	1,829,534	-	1,930,929	1,930,929
	233,940	2,919,333	3,153,273	304,618	2,094,861	2,399,479
Accumulated net assets:						
Invested in capital assets (note 7)	7,937	2,086	10,023	10,438	3,240	13,678
Unrestricted	(238,063)	1,250,540	1,012,477	(196,114)	1,000,314	804,200
	(230,126)	1,252,626	1,022,500	(185,676)	1,003,554	817,878
Commitment (note 8)						
	\$ 3,814	\$ 4,171,959	\$ 4,175,773	\$ 118,942	\$ 3,098,415	\$ 3,217,357

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Statement of Operations

Year ended May 31, 2023, with comparative information for 2022

	Phoenix Bar & Grill	GSA Membership	2023 Total	Phoenix Bar & Grill	GSA Membership	2022 Total
Revenue:						
Bar and restaurant	\$ 1,090,195	\$ -	\$ 1,090,195	\$ 528,928	\$ -	\$ 528,928
Members' fees	-	2,762,487	2,762,487	-	2,333,428	2,333,428
Other income and recoveries	1,923	29,000	30,923	1,400	5,400	6,800
League fees	-	54,293	54,293	-	31,773	31,773
Interest income	-	54,809	54,809	-	6,295	6,295
	1,092,118	2,900,589	3,992,707	530,328	2,376,896	2,907,224
Cost of sales:						
Bar and food supplies	389,586	-	389,586	200,812	-	200,812
Wages and benefits	531,363	-	531,363	259,492	-	259,492
	920,949	-	920,949	460,304	-	460,304
	171,169	2,900,589	3,071,758	70,024	2,376,896	2,446,920
Expenses:						
Advertising	15,258	-	15,258	9,027	-	9,027
Bank charges	19,493	36	19,529	10,914	21	10,935
Group insurance	-	2,253,640	2,253,640	-	1,950,536	1,950,536
Honoraria	-	47,178	47,178	-	52,603	52,603
COVID relief	-	-	-	-	70,000	70,000
Insurance	13,373	13,233	26,606	9,248	8,766	18,014
League expenses	-	62,738	62,738	-	23,225	23,225
McMaster University fees	-	28,411	28,411	-	23,224	23,224
Membership and club support	-	25,576	25,576	-	59,118	59,118
Office supplies and maintenance	14,000	-	14,000	21,128	-	21,128
Office salaries	-	139,251	139,251	-	78,556	78,556
Professional fees	15,840	23,822	39,662	16,320	10,863	27,183
Rent	102,850	-	102,850	102,650	-	102,650
Repairs and maintenance	14,408	-	14,408	4,206	-	4,206
Supplies and services	17,796	4,729	22,525	8,034	3,979	12,013
Travel and events	-	51,749	51,749	-	37,814	37,814
Utilities	100	-	100	100	-	100
	213,118	2,650,363	2,863,481	181,627	2,318,705	2,500,332
(Deficiency) excess of revenue over expenses before amortization	(41,949)	250,226	208,277	(111,603)	58,191	(53,412)
Amortization of capital assets	(2,501)	(102,549)	(105,050)	(8,935)	(103,106)	(112,041)
Amortization of deferred contributions	-	101,395	101,395	-	101,395	101,395
(Deficiency) excess of revenue over expenses	\$ (44,450)	\$ 249,072	\$ 204,622	\$ (120,538)	\$ 56,480	\$ (64,058)

See accompanying notes to financial statements

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Statement of Changes in Net Assets

Year ended May 31, 2023, with comparative information for 2022

May 31, 2023	Invested in capital assets	Unrestricted		Total
		Phoenix Bar & Grill	GSA Membership	
Balance, beginning of year	\$ 13,678	\$ (196,114)	\$1,000,314	\$ 817,878
(Deficiency) excess of revenue over expenses	(3,655)	(41,949)	250,226	204,622
Balance, end of year	\$ 10,023	\$ (238,063)	\$ 1,250,540	\$ 1,022,500

May 31, 2022	Invested in capital assets	Unrestricted		Total
		Phoenix Bar & Grill	GSA Membership	
Balance, beginning of year	\$ 23,744	\$ (84,511)	\$ 942,703	\$ 881,936
(Deficiency) excess of revenue over expenses	(10,646)	(111,603)	58,191	(64,058)
Net change in investment in capital assets (note 7)	580	-	(580)	-
Balance, end of year	\$ 13,678	\$ (196,114)	\$1,000,314	\$ 817,878

See accompanying notes to financial statements.

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Statement of Cash Flows

Year ended May 31, 2023, with comparative information for 2022

	2023	2022
Cash provided (used in) by:		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 204,622	\$ (64,058)
Items not involving cash:		
Amortization of capital assets	105,050	112,041
Amortization of deferred capital contributions	(101,395)	(101,395)
Allowance for doubtful accounts	-	9,357
Changes in non-cash operating working capital:		
Accounts receivable	(238,928)	22,730
Due to McMaster University	(23,490)	9,900
Inventory	324	(5,166)
Prepaid expenses	(19,936)	18,024
Accounts payable and accrued liabilities	879,375	(406,892)
Deferred revenue	(696)	35,741
	804,926	(369,718)
Investing activities:		
Redemption of investments, net	(102,910)	676
Capital activities:		
Purchase of capital assets	-	(580)
Increase (decrease) in cash	702,016	(369,622)
Cash, beginning of year	1,570,781	1,940,403
Cash, end of year	\$ 2,272,797	\$ 1,570,781

See accompanying notes to financial statements.

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Notes to Financial Statements

Year ended May 31, 2023

The Graduate Students Association of McMaster University (the "Association") was incorporated as a corporation without share capital under the laws of Ontario on November 13, 1970 and is exempt from income tax under the Income Tax Act.

The Association's objectives are to promote the welfare and interests of the members through the provision of facilities and opportunities for social, athletic, and intellectual activities. The Association operates the Phoenix Bar and Grill, a restaurant located on the McMaster University Campus.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(a) Revenue recognition:

The Association follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restaurant revenues are recorded when the services and related goods sold are provided to customers.

Contributions received for the purpose of capital assets are recorded as deferred capital contributions and are amortized on the same basis as the related capital assets.

(b) Cash:

Cash includes cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

(c) Short term investments:

Short-term investments consist of guaranteed investment certificates with remaining maturities of less than one year.

(d) Inventory:

Inventory consists of various food and bar items including alcohol held for resale. Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Notes to Financial Statements

Year ended May 31, 2023

1. Significant accounting policies (continued):

(e) Capital assets:

Capital assets are recorded at cost. The Association provides for amortization using the following methods at rates designed to amortize the cost of the equipment over its estimated useful life. The annual amortization rates and methods are as follows:

Asset	Method	Rate
Restaurant equipment and fixtures	Straight-line	10 years
Office equipment	Declining-balance	20%
Computer equipment	Straight-line	3 years
Vehicles and equipment	Declining-balance	20%
Leasehold improvements	Straight-line	over term of the lease

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Notes to Financial Statements

Year ended May 31, 2023

1. Significant accounting policies (continued):

(g) Government grants:

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. Claims under government grant programs related to income are recorded within the statement of operations as a reduction to the related item that the grant is intended to offset, in the period in which eligible expenses were incurred.

(h) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates.

2. Cash:

The Association holds a bank account amounting to \$1,349,868 (2022 - \$516,190) that is used to pay member premiums collected for Member's health and dental coverage.

3. Accounts receivable:

	2023	2022
Trade receivables	\$ 275,749	\$ 46,178
Less allowance for doubtful accounts	-	(9,357)
	\$ 275,749	\$ 36,821

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Notes to Financial Statements

Year ended May 31, 2023

4. Capital assets:

May 31, 2023	Cost	Accumulated amortization	Net book value
Restaurant equipment and fixtures	\$ 476,834	\$ 468,897	\$ 7,937
Office equipment	45,540	43,455	2,085
Computer equipment	16,975	16,975	-
Leasehold improvements	2,534,867	1,064,724	1,470,143
Vehicles and equipment	1,900	1,900	-
	<u>\$ 3,076,116</u>	<u>\$ 1,595,951</u>	<u>\$ 1,480,165</u>

May 31, 2022	Cost	Accumulated amortization	Net book value
Restaurant equipment and fixtures	\$ 476,834	\$ 466,396	\$ 10,438
Office equipment	45,540	42,787	2,753
Computer equipment	16,975	16,975	-
Leasehold improvements	2,534,867	963,330	1,571,537
Vehicles and equipment	1,900	1,413	487
	<u>\$ 3,076,116</u>	<u>\$ 1,490,901</u>	<u>\$ 1,585,215</u>

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$33,159 (2022 - \$30,254), which includes amounts payable for HST and payroll related taxes.

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Notes to Financial Statements

Year ended May 31, 2023

6. Deferred contributions related to capital assets:

Deferred contributions related to the capital building represent restricted contributions which the Association used to fund the leasehold improvements of the new location. This balance will be amortized to revenue on the same basis as the amortization expense related to the leasehold improvements. The changes in deferred contributions related to capital assets, including contributions for future capital projects, are as follows:

	2023	2022
Balance, beginning of year	\$ 1,930,929	\$ 2,032,324
Contributions received for future capital projects	-	-
Less amortization of deferred capital contributions	(101,395)	(101,395)
Balance, end of year	\$ 1,829,534	\$ 1,930,929

The balance of capital contributions related to capital assets consists of the following:

	2023	2022
Unamortized capital contributions used to purchase capital assets	\$ 1,470,142	\$ 1,571,537
Unspent capital contributions	359,392	359,392
	\$ 1,829,534	\$ 1,930,929

Unspent capital contributions are excluded from net assets invested in capital assets until the related capital expenditures are incurred.

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Notes to Financial Statements

Year ended May 31, 2023

7. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2023	2022
Capital assets	\$ 1,480,165	\$ 1,585,215
Amounts financed by:		
Deferred contributions	(1,470,142)	(1,571,537)
	<u>\$ 10,023</u>	<u>\$ 13,678</u>

(b) Change in net assets invested in capital assets is calculated as follows:

	2023	2022
Deficiency of revenues over expenses:		
Amortization of capital assets	\$ (105,050)	\$ (112,041)
Amortization of deferred capital contributions	101,395	101,395
	<u>\$ (3,655)</u>	<u>\$ (10,646)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ -	\$ 580
Amounts funded by:		
Deferred capital contributions	-	-
	<u>\$ -</u>	<u>\$ 580</u>

8. Commitment:

The Association is committed under a lease for premises with McMaster University, the annual rentals of which are negotiated on a year to year basis. Monthly rent payments are \$8,595 inclusive of HST, base and additional rent charges. In April 2020, McMaster University granted a rent waiver for April and May 2020. The waiver was subsequently extended to August 31, 2021. Additional rent charges are subject to annual inflation adjustments. The rent waiver has been treated as a discount to the total rent payable over the term of the lease. Accordingly, total rent of \$102,850 has been calculated based on monthly rent less the rent discount amortized over the term of the lease.

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Notes to Financial Statements

Year ended May 31, 2023

9. Financial instruments:

(a) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2022.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Association is exposed to credit risk with respect to accounts receivable. The Association assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There has been no change to the risk exposures from 2022.