Financial Statements of

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

And Independent Auditors' Report thereon

Year ended May 31, 2024

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INDEPENDENT AUDITORS' 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, 2024
- 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, 2024, 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, 2024 and May 31, 2023
- revenue and excess (deficiency) of revenue over expenses reported in the statements of operations for the years ended May 31, 2024 and May 31, 2023
- 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, 2024 and May 31, 2023

- excess (deficiency) of revenues over expenses reported in the statements of cash flows for the years ended May 31, 2024 and May 31, 2023

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.

Auditors' 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 auditors' 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.

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 auditors' 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 auditors' 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.

KPMG LLP

Chartered Public Accountants, Licensed Public Accountants

Hamilton, Canada

September 19, 2024

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Statement of Financial Position

May 31, 2024, with comparative information for 2023

	2024			2023		
	Phoenix Bar & Grill	GSA Membership	Total	Phoenix Bar & Grill	GSA Membership	Total
Assets						
Current assets:						
Cash (note 2)	$ 130,742	$ 1,944,013	$ 2,074,755	$ 38,482	$ 2,234,315	$ 2,272,797
Short-term investments	–	189,828	189,828	–	112,911	112,911
Accounts receivable (note 3)	38,583	3,749	42,332	33,720	242,029	275,749
Due to GSA from Phoenix	(184,721)	184,721	–	(100,573)	100,573	–
Inventory	14,630	–	14,630	14,215	–	14,215
Prepaid expenses	–	–	–	10,033	9,903	19,936
	(766)	2,322,311	2,321,545	(4,123)	2,699,731	2,965,608
Capital assets (note 4)	12,282	1,371,171	1,383,453	7,937	1,472,228	1,480,165
	$ 11,516	$ 3,693,482	$ 3,704,998	$ 3,814	$ 4,171,959	$ 4,175,773
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities (note 5)	$ 339,203	$ 311,329	$ 650,532	$ 300,621	$ 976,278	$ 1,276,899
Deferred revenue	–	41,880	41,880	–	35,045	35,045
Due to McMaster University	(46,425)	6,639	(39,786)	(66,681)	78,476	11,795
	292,778	359,848	652,626	233,940	1,089,799	1,323,739
Deferred contributions related to capital assets (note 6)	–	1,728,139	1,728,139	–	1,829,534	1,829,534
	292,778	2,087,987	2,380,765	233,940	2,919,333	3,153,273
Accumulated net assets:						
Invested in capital assets (note 7)	12,282	2,424	14,706	7,937	2,086	10,023
Unrestricted	(293,544)	1,603,071	1,309,527	(238,068)	1,250,540	1,012,477
	(281,262)	1,605,495	1,324,233	(230,126)	1,252,626	1,022,500
Commitment (note 8)						
	$ 11,516	$ 3,693,482	$ 3,704,998	$ 3,814	$ 4,171,959	$ 4,175,773

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, 2024, with comparative information for 2023

	2024			2023		
	Phoenix Bar & Grill	GSA Membership	Total	Phoenix Bar & Grill	GSA Membership	Total
Revenue:						
Bar and restaurant	$ 1,098,452	$ –	$ 1,098,452	$ 1,090,195	$ –	$ 1,090,195
Members' fees	–	3,238,488	3,238,488	–	2,762,487	2,762,487
Other income and recoveries	5,247	25,000	30,247	1,400	29,000	30,923
League fees	–	53,263	53,263	–	54,293	54,293
Interest income	–	46,444	46,444	–	54,809	54,809
	1,103,699	3,363,195	4,466,894	1,092,118	2,900,589	3,992,707
Cost of sales:						
Bar and food supplies	420,829	–	420,829	389,586	–	389,586
Wages and benefits	524,982	–	524,982	531,363	–	531,363
	945,811	–	945,811	920,949	–	920,949
	157,888	3,363,195	3,521,083	171,169	2,900,589	3,071,758
Expenses:						
Advertising	15,478	–	15,478	15,258	–	15,258
Bank charges	22,288	39	22,327	19,493	36	19,529
Group insurance	–	2,572,681	2,572,681	–	2,253,640	2,253,640
Honoraria	–	92,788	92,788	–	47,178	47,178
Insurance	12,316	12,219	24,535	13,373	13,233	26,606
League expenses	–	99,833	99,833	–	62,738	62,738
McMaster University fees	–	–	–	–	28,411	28,411
Membership and club support	–	19,782	19,782	–	25,576	25,576
Office supplies and maintenance	18,283	–	18,283	14,000	–	14,000
Office salaries	–	140,504	140,504	–	139,251	139,251
Professional fees	13,175	15,588	28,763	15,840	28,822	39,662
Rent	102,850	–	102,850	102,850	–	102,850
Repairs and maintenance	10,467	–	10,467	14,408	–	14,408
Supplies and services	11,876	9,074	20,950	17,796	4,729	22,525
Travel and events	–	47,400	47,400	–	51,749	51,749
Utilities	–	–	–	100	–	100
	206,733	3,009,908	3,216,641	213,118	2,650,363	2,863,481
(Deficiency) excess of revenue over expenses before amortization	(48,845)	353,287	304,442	(41,949)	250,226	208,277
Amortization of capital assets	(2,292)	(101,812)	(104,104)	(2,501)	(102,549)	(105,050)
Amortization of deferred contributions	–	101,395	101,395	–	101,395	101,395
(Deficiency) excess of revenue over expenses	$ (51,137)	$ 352,870	$ 301,733	$ (44,450)	$ 249,072	$ 204,622

See accompanying notes to financial statements

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Statement of Changes in Net Assets

Year ended May 31, 2024, with comparative information for 2023

May 31, 2024	Invested in capital assets	Unrestricted: Phoenix Bar & Grill	Unrestricted: GSA Membership	Total
Balance, beginning of year	$ 10,023	$ (238,063)	$ 1,250,540	$ 1,022,500
(Deficiency) excess of revenue over expenses	(2,709)	(48,845)	353,287	301,733
Net change in investment in capital assets (note 7)	7,392	(6,636)	(756)	–
Balance, end of year	$ 14,706	$ (293,544)	$ 1,603,071	$ 1,324,233

May 31, 2023	Invested in capital assets	Unrestricted: Phoenix Bar & Grill	Unrestricted: GSA Membership	Total
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

See accompanying notes to financial statements.

THE GRADUATE STUDENTS ASSOCIATION OF MCMASTER UNIVERSITY

Statement of Cash Flows

Year ended May 31, 2024, with comparative information for 2023

	2024	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 301,733	$ 204,622
Items not involving cash:		
Amortization of capital assets	104,104	105,050
Amortization of deferred capital contributions	(101,395)	(101,395)
Doubtful accounts receivable written off	6,452	–
Changes in non-cash operating working capital:		
Accounts receivable	226,965	(238,928)
Due to McMaster University	(51,581)	(23,490)
Inventory	(415)	324
Prepaid expenses	19,936	(19,936)
Accounts payable and accrued liabilities	(626,367)	879,375
Deferred revenue	6,835	(696)
	(113,733)	804,926
Investing activities:		
Purchase of investments, net	(76,917)	(102,910)
Capital activities:		
Purchase of capital assets	(7,392)	–
(Decrease) increase in cash	(198,042)	702,016
Cash, beginning of year	2,272,797	1,570,781
Cash, end of year	$ 2,074,755	$ 2,272,797

See accompanying notes to financial statements.

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.

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 lease	Straight-line	over term of the

(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.

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 $92,462 (2023 - $1,349,868) that is used to pay member premiums collected for Member's health and dental coverage.

3. Accounts receivable:

	2024	2023
Trade receivables	$ 42,332	$ 275,749
Less allowance for doubtful accounts	–	–
	$ 42,332	$ 275,749

4. Capital assets:

May 31, 2024	Cost	Accumulated amortization	Net book value
Restaurant equipment and fixtures	$ 483,471	$ 471,189	$ 12,282
Office equipment	46,296	43,872	2,424
Computer equipment	16,975	16,975	–
Leasehold improvements	2,534,867	1,166,120	1,368,747
Vehicles and equipment	1,900	1,900	–
	$ 3,083,509	$ 1,700,056	$ 1,383,453

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	–
	$ 3,076,116	$ 1,595,951	$ 1,480,165

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $37,399 (2023 - $33,159), which includes amounts payable for HST and payroll related taxes.

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:

	2024	2023
Balance, beginning of year	$ 1,829,534	$ 1,930,929
Less amortization of deferred capital contributions	(101,395)	(101,395)
	$ 1,728,139	$ 1,829,534

6. Deferred contributions related to capital assets (continued):

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

	2024	2023
Unamortized capital contributions used to purchase capital assets	$ 1,368,747	$ 1,470,142
Unspent capital contributions	359,392	359,392
	$ 1,728,139	$ 1,829,534

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

7. Investment in capital assets:

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

	2024	2023
Capital assets	$ 1,383,453	$ 1,480,165
Amounts financed by:		
Deferred contributions	(1,368,747)	(1,470,142)
	$ 14,706	$ 10,023

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

	2024	2023
Deficiency of revenues over expenses:		
Amortization of capital assets	$ (104,104)	$ (105,050)
Amortization of deferred capital contributions	101,395	101,395
	$ (2,709)	$ (3,655)
Net change in investment in capital assets:		
Purchase of capital assets	$ 7,392	$ –
Amounts funded by:		
Deferred capital contributions	–	–
	$ 7,392	$ –

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.

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 2023.

(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 2023.