

McMaster Association of Part-Time Students

Financial Statements

December 31, 2011



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January 18, 2013

Independent Auditors' Report

To the Directors of McMaster Association of Part-Time Students

We have audited the accompanying financial statements of McMaster Association of Part-Time Students, which comprise the statement of financial position as at December 31, 2011, and the statements of operations and 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 generally accepted accounting principles, 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.

Auditor's 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 auditor's 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 in our audit 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 McMaster Association of Part-Time Students as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Pettinelli Mastroluisi LLP

Chartered Accountants
Licensed Public Accountants

Hamilton, Ontario

PETTINELLI MASTROLUISI LLP
CHARTERED ACCOUNTANTS

McMaster Association of Part-Time Students

Statement of Financial Position

| | December 31 | |
|---|-------------------|-------------------|
| | 2011 | 2010 |
| Assets | | |
| Current assets | | |
| Cash | \$ 98,974 | \$ 166,878 |
| Student fees receivable | 27,446 | 21,773 |
| Accounts receivable | 1,422 | - |
| Prepaid expenses | <u>7,988</u> | <u>-</u> |
| | 135,830 | 188,651 |
| Furniture, equipment, and leasehold improvements (Note 4) | <u>61,117</u> | <u>70,856</u> |
| | <u>\$ 196,947</u> | <u>\$ 259,507</u> |
| Liability | | |
| Current liability | | |
| Accounts payable and accrued liabilities | \$ 24,221 | \$ 42,303 |
| Accumulated net assets | | |
| Operating Fund (Note 5) | <u>172,726</u> | <u>217,204</u> |
| | <u>\$ 196,947</u> | <u>\$ 259,507</u> |
| Commitments (Note 7) | | |
| Contingencies (Note 10) | | |

APPROVED BY THE BOARD:

_____ Director

_____ Director

McMaster Association of Part-Time Students

Statement of Operations and Changes in Net Assets

Operating Fund

| | Year ended December 31 | |
|---|------------------------|-------------------|
| | 2011 | 2010 |
| Revenues | | |
| Student fees | \$ 507,035 | \$ 403,480 |
| Interest | <u>136</u> | <u>338</u> |
| | 507,171 | 403,818 |
| Expenses | | |
| Salaries and benefits (Note 6) | 354,023 | 204,902 |
| Professional fees | 19,014 | 9,706 |
| Handbook | 18,738 | 18,951 |
| Awards and recognition | 15,938 | 13,347 |
| Awards dinner/reception | 13,573 | 11,157 |
| Amortization | 12,456 | 19,690 |
| University administrative fees | 10,381 | 5,755 |
| Ontario Undergraduate Student Alliance | 8,912 | - |
| Public relations | 6,276 | 7,229 |
| Seminars | 5,860 | 1,127 |
| Office and general | 5,389 | 6,412 |
| Telephone | 5,227 | 4,522 |
| CCE graduation ceremony | 5,000 | 5,000 |
| Staff travel | 4,577 | 7,348 |
| Meetings | 3,750 | 3,180 |
| Computer software | 1,210 | 828 |
| Insurance | 705 | 513 |
| Board development | 476 | 2,439 |
| Postage | 144 | 135 |
| Canadian Alliance of Students Association | <u>-</u> | <u>846</u> |
| | <u>491,649</u> | <u>323,087</u> |
| Excess of revenues over expenses from operations | 15,522 | 80,731 |
| Gifts to McMaster University (Note 7) | <u>(60,000)</u> | <u>(120,000)</u> |
| Deficiency of revenues over expenses for the year | (44,478) | (39,269) |
| Accumulated net assets at beginning of the year | <u>217,204</u> | <u>256,473</u> |
| Accumulated net assets at end of the year | <u>\$ 172,726</u> | <u>\$ 217,204</u> |

McMaster Association of Part-Time Students

Statement of Cash Flows

| | Year ended December 31 | |
|---|------------------------|-------------------|
| | 2011 | 2010 |
| Cash flows from (used in) operating activities | | |
| Deficiency of revenues over expenses for the year | \$ (44,478) | \$ (39,269) |
| Item not involving cash | | |
| Amortization | <u>12,456</u> | <u>19,690</u> |
| | (32,022) | (19,579) |
| Net change in non-cash working capital balances relating to operations (Note 8) | <u>(33,164)</u> | <u>28,345</u> |
| | (65,186) | 8,766 |
| Cash flows from (used in) investing activity | | |
| Purchase of furniture, equipment, and leasehold improvements | <u>(2,718)</u> | <u>(829)</u> |
| Net increase (decrease) in cash during the year | (67,904) | 7,937 |
| Cash at beginning of the year | <u>166,878</u> | <u>158,941</u> |
| Cash at end of the year | <u>\$ 98,974</u> | <u>\$ 166,878</u> |

McMaster Association of Part-Time Students

Notes to Financial Statements

December 31, 2011

1. Background

McMaster Association of Part-Time Students promotes the academic interests of part-time students, a cultural and social environment of benefit to them, and the interests of McMaster University within the community. In addition, it presents information and concerns to the University regarding the needs of the community pertaining to part-time studies. The Association is a non-profit organization which was incorporated pursuant to Letters Patent dated October 1, 1997 and is exempt from income tax under the Income Tax Act.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Revenue recognition

The Association follows the deferral method of accounting for contributions and reports on a fund accounting basis. Under this method, unrestricted contributions are recognized as operating fund revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Net investment income is recognized as income of the operating fund when earned.

Furniture, equipment, and leasehold improvements

Furniture, equipment, and leasehold improvements are recorded at cost. The association provides for amortization using the straight-line method at rates designed to amortize the cost of the furniture, equipment, and leasehold improvements over their estimated useful lives. The annual amortization rates are as follows:

| | |
|----------------------------------|----------|
| Computer equipment | 4 years |
| Leasehold improvements | 10 years |
| Furniture, fixtures, & equipment | 10 years |

Expenditures for repairs and maintenance are charged to income as incurred.

McMaster Association of Part-Time Students

Notes to Financial Statements

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2. Significant accounting policies, continued

Financial Instruments

The organization has elected to use the exemption provided by The Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations not to apply the following sections of the CICA Handbook: Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation, which would otherwise applied to the financial statements of the organization for the year ended 2011. The organization applied the requirements of Section 3861, "Financial Instruments – Disclosures and Presentation".

Financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other liabilities. All financial instruments are initially measured in the balance sheet at fair value except for certain related party transactions. Subsequent measurement and changes in fair value will depend on their initial classification as follows: loans and receivables, held-to-maturity investments and other liabilities are measured at amortized cost using the effective interest method; held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income.

Cash is designated as held for trading and is measured at fair value.

Accounts receivable have been classified as loans and receivables and are measured at amortized cost.

Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.

It is management's opinion that the Association is not exposed to significant interest, currency or credit risks.

Operating Fund

Revenue and expenses related to day-to-day activities of the Association are reported in the Operating Fund.

3. Future changes to significant accounting policies

In December 2010, the Accounting Standards Board issued a comprehensive set of new Canadian accounting standards for not-for-profit organizations (ASNPO) effective for fiscal periods beginning on or after January 1, 2012. When the end of a not-for-profit organization's annual reporting period does not coincide with the end of the calendar year, the mandatory date for first-time adoption of ASNPO is effective for fiscal periods beginning on or after December 31, 2011. Early adoption is permitted. The Association is currently analyzing the effects of these changes on its financial statements.

McMaster Association of Part-Time Students

Notes to Financial Statements

December 31, 2011

4. Furniture, equipment, and leasehold improvements

| | | | December 31 | |
|----------------------------------|-------------------|--------------------------|---------------------|---------------------|
| | Cost | Accumulated Amortization | 2011 Net Book Value | 2010 Net Book Value |
| Computer equipment | \$ 27,612 | \$ 25,083 | \$ 2,529 | \$ 1,701 |
| Leasehold improvements | 20,956 | 6,287 | 14,669 | 16,765 |
| Furniture, fixtures, & equipment | <u>89,509</u> | <u>45,590</u> | <u>43,919</u> | <u>52,390</u> |
| | <u>\$ 138,077</u> | <u>\$ 76,960</u> | <u>\$ 61,117</u> | <u>\$ 70,856</u> |

Amortization for the year amounted to \$12,456 (2010 - \$19,690).

5. Accumulated net assets

Accumulated net assets of the operating fund comprise the following:

| | 2011 | 2010 |
|--|-------------------|-------------------|
| Invested in furniture, equipment, and leasehold improvements | \$ 61,117 | \$ 70,856 |
| Unrestricted | <u>111,609</u> | <u>146,348</u> |
| | <u>\$ 172,726</u> | <u>\$ 217,204</u> |

6. Related party transactions

Included in salaries and benefits expense for the year is a retroactive pay adjustment awarded to McMaster Association of Part-Time Students Executive Director in the amount of \$101,117. This amount relates to a retroactive pay adjustment in connection with the period November 28, 2005 to November 28, 2010. See Note 10 for further information.

McMaster Association of Part-Time Students

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7. Commitments

Gifts to McMaster University

The MAPS 30th Anniversary Part-Time Certificate Students Bursaries Award

In 2008, the Association established The MAPS 30th Anniversary Part-Time Certificate Students Bursaries Award to be granted to students currently enrolled on a part-time basis and who demonstrate financial need. Preference will be given to students enrolled in a diploma or certificate program.

The Association has made a total pledge of \$505,000 to be honoured over a period of seven years, with an initial gift of \$145,000 in 2008 and \$60,000 each year thereafter until 2014. The total gift of \$505,000 consists of \$400,000 of payments to an endowment fund and \$15,000 per year to be used to grant bursaries to eligible students. Commencing in 2015, disbursements will be made from the endowment fund when it has grown to \$400,000 and adequate investment income has been earned.

Liberal Arts Building

In 2010, the Association entered into an agreement with McMaster University to pledge \$1,000,000 to assist in the construction of a new Liberal Arts Building. The total gift of \$1,000,000 consists of ten annual payments of \$100,000 commencing in December 2010 and each year thereafter until 2019. The Association has the right to amend the annual pledge amounts and payment schedule at any time. In 2011, the Association did not make a contribution towards the Liberal Arts Building pledge (2010 - \$60,000).

Capital Renewal

As at December 31, 2011, the Association has future outstanding commitments of \$90,000 (2012 - \$20,000, 2013 - \$30,000, and 2014 - \$40,000) with respect to its contribution to the McMaster University Student Centre Board of Management for the purposes of capital renewal to coincide with the 10 year anniversary of the McMaster University Student Centre.

8. Net change in non-cash working capital balances relating to operations

The net change in non-cash working capital balances related to operations represents the changes in student fees receivable, accounts receivable, prepaid expenses, and accounts payable and accrued liabilities.

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9. Subsequent event

Subsequent to the year-end date of these financial statements, the Association terminated its Executive Director in January 2013. As a result, severance pay may be owing, however, the amount, if any, is not currently determinable.

10. Contingencies

Uncertainty exists in connection with the issue of retroactive payments made and further sums which may be owing to the Association's past Executive Director. A retroactive payment of \$101,117 was made in 2011 as disclosed in Note 6. In addition, uncertainty exists as to whether a further sum to a maximum amount of \$88,117 may still be owing. This latter amount has not been accrued in these financial statements. The eventual outcome of this matter is not currently determinable. Any costs or recovery of amounts in connection with this matter will be accounted for when paid or received.