

CENTENNIAL COLLEGE ALUMNI ASSOCIATION INC.

FINANCIAL STATEMENTS

MARCH 31, 2023

Draft

HILBORN LLP

Independent Auditor's Report

To the Members of Centennial College Alumni Association Inc.

Opinion

We have audited the financial statements of Centennial College Alumni Association Inc. (the "Association"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2023, and the results of its operations and its 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 Financial Statements section of our 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 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 ability of the Association 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 financial reporting process of the Association.

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.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 internal control of the Association.
- 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 ability of the Association 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.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Toronto, Ontario
Date to be determined

Chartered Professional Accountants
Licensed Public Accountants

CENTENNIAL COLLEGE ALUMNI ASSOCIATION INC.

Statement of Financial Position

March 31	2023 \$	2022 \$
ASSETS		
Current assets		
Cash	748,123	814,207
Inventory	17,326	-
Prepaid expenses	21,886	8,719
HST receivable	497	-
	787,832	822,926
Long-term assets		
Investment (note 4)	372	365
Capital assets (note 6)	91,953	101,676
	92,325	102,041
	880,157	924,967
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	26,354	63,939
Government remittances	-	4,686
	26,354	68,625
NET ASSETS		
Unrestricted	853,803	856,342
	880,157	924,967

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Director

Director

CENTENNIAL COLLEGE ALUMNI ASSOCIATION INC.

Statement of Operations

Year ended March 31	2023 \$	2022 \$
Revenue		
Frame sales	28,846	19,288
Interest income	19,644	2,568
Special events	4,016	860
Royalty and advertising income	230,134	221,279
	282,640	243,995
Expenses		
Amortization	16,324	17,292
Board expenditures	18,975	9,374
Diploma frames	20,082	19,189
Functions	104,402	33,207
General and office	41,660	65,815
Occupancy costs	13,736	14,245
Professional fees	33,397	46,680
Sponsorships	36,603	15,703
	285,179	221,505
Impairment loss on investment properties - construction in progress (note 5)	-	148,223
Deficiency of revenue over expenses for the year	(2,539)	(125,733)

The accompanying notes are an integral part of these financial statements

Statement of Changes in Net Assets

Year ended March 31	2023 \$	2022 \$
Net assets, beginning of year, as previously reported	856,342	1,032,075
Prior period adjustment (note 3)	-	(50,000)
Net assets, beginning of year, as restated	856,342	982,075
Deficiency of revenue over expenses for the year	(2,539)	(125,733)
Net assets, end of year	853,803	856,342

The accompanying notes are an integral part of these financial statements

CENTENNIAL COLLEGE ALUMNI ASSOCIATION INC.

Statement of Cash Flows

Year ended March 31	2023 \$	2022 \$
Cash flows from operating activities		
Deficiency of revenue over expenses for the year	(2,539)	(125,733)
Adjustments for non-cash items		
Amortization	16,324	17,292
Impairment loss on investment properties - construction in progress	-	148,223
	13,785	39,782
Change in non-cash working capital items		
Decrease (increase) in alumni fees receivable	-	365,152
Decrease (increase) in prepaid expenses	(13,167)	(268)
Decrease in inventory	(17,326)	4,320
Increase in accounts payable and accrued liabilities	(37,585)	4,891
Increase (decrease) in government remittances	(5,183)	(26,930)
	(59,476)	386,947
Cash flows from investing activities		
Purchase of investments	(7)	(7)
Purchase of capital assets	(6,601)	(4,558)
	(6,608)	(4,565)
Net change in cash	(66,084)	382,382
Cash, beginning of year	814,207	431,825
Cash, end of year	748,123	814,207

The accompanying notes are an integral part of these financial statements

CENTENNIAL COLLEGE ALUMNI ASSOCIATION INC.

Notes to Financial Statements

March 31, 2023

Nature of operations

The Centennial College Alumni Association (the "Association") is a not-for-profit organization incorporated under the laws of Ontario as a corporation without share capital. The objectives of the Association include providing programs and services that are beneficial to the alumni of The Centennial College of Applied Arts and Technology (the "College"), involving the alumni in the activities of the Association and the College, recognizing the achievements of the alumni, supporting the College in achieving its mission, and encouraging current students to become more active in Association activities.

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. These financial statements have been prepared within the framework of the significant accounting policies summarized below.

(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. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Students registered at the College are assessed an alumni fee as part of their overall tuition. These fees must be paid by the student prior to commencing classes. The Association recognizes these fees as revenue when the College allocates these fees to the Association based on the terms of the agreement in place between the two parties.

Revenue from frame sales is recognized at the time of the sale to the customer, where the sales price is fixed and determinable, collectability is reasonably assured, and title and risks of ownership have passed to the buyer.

Interest income is recorded as earned.

Royalty income includes royalties earned from group insurance and credit card usage by alumni and students and is recognized once it is receivable and collectability is reasonably assured. Advertising income, special event income, and other income are recognized as the related services are provided, where the sales price is fixed and determinable and collectability is reasonably assured.

CENTENNIAL COLLEGE ALUMNI ASSOCIATION INC.

Notes to Financial Statements (continued)

March 31, 2023

1. Significant accounting policies (continued)

(b) Investment properties - constructions in progress

Investment properties - construction in progress are recorded at cost and are not amortized until the properties are substantially complete and ready for use.

Investment properties - construction in progress are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value to its fair value. Any impairment is recognized in income in the year in which the impairment occurs.

An impairment loss is not reversed if the fair value of the Investment properties - construction in progress subsequently increases.

(c) Inventory

Diploma frames, which are held for resale, are stated at the lower of cost and net realizable value.

(d) Capital assets

Capital assets are measured at cost less accumulated amortization. The Association provides for amortization using the declining balance method using the following annual rates:

Computer equipment	30%
Furniture and equipment	20%
Leasehold improvements	10%

Capital assets are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the capital assets to its fair value. Any impairment is recognized in income in the year in which the impairment occurs.

An impairment loss is not reversed if the fair value of the capital assets subsequently increases.

(e) Financial instruments

(i) Measurement of financial instruments

The Association initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Association subsequently measures its financial assets and financial liabilities at amortized cost. Financial assets and financial liabilities measured at amortized cost include cash, investment, and accounts payable and accrued liabilities.

CENTENNIAL COLLEGE ALUMNI ASSOCIATION INC.

Notes to Financial Statements (continued)

March 31, 2023

1. **Significant accounting policies (continued)**

(e) **Financial instruments (continued)**

(ii) **Impairment**

The Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;

- the amount that could be realized by selling the assets or group of assets;

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment. The amount of the reversal is recognized in income in the period that the reversal occurs.

(f) **Income taxes**

The Association is exempt from tax under section 149(1)(l) of the Income Tax Act, Canada.

(g) **Use of estimates**

The preparation of the Association's 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these and other estimates, the impact of which would be recorded in future affected periods.

(h) **Impairment of Long-Lived Assets**

In the event that facts and circumstances indicate that the Association's long-lived assets may be impaired, a test of recoverability would be performed. Such a test entails comparing the estimated undiscounted future cash flows associated with the asset to the asset's carrying amount to determine if a write down to fair value is required. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group. An asset group is the lowest level for which identifiable cash flows are largely independent of the cash of other assets and liabilities

(i) **Contributed services**

Many individuals contribute their time in a variety of ways to the Association. The value of these contributed services is not recorded in the accounts.

CENTENNIAL COLLEGE ALUMNI ASSOCIATION INC.

Notes to Financial Statements (continued)

March 31, 2023

2. Financial instrument risk management

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to the Association's financial instruments.

The financial instruments of the Association and the nature of the risks to which it may be subject are as follows:

Financial instrument	Risks				
	Credit	Liquidity	Market risk		
			Currency	Interest rate	Other price
Accounts payable and accrued liabilities		X			

Liquidity risk

Liquidity risk is the risk that the Association cannot repay its obligations when they become due to its creditors. The Association has liquidity risk in accounts payable and accrued liabilities of \$26,354 (2022 - \$63,939). The Association expects to meet these obligations as they become due by generating sufficient cash flow from operations.

Changes in risk

There have been no significant changes in the Association's risk profile from that of prior year.

3. Restatement of prior year financial statements

During the year ended March 31, 2022, it was identified that administrative services that were received during the March 31, 2021 year end were not expensed in the year the services were rendered. As such, there was an understatement in accounts payable and accrued liabilities and overstatement of net income in 2021.

The 2022 financial statements were restated to record administrative fees in the appropriate period.

Details of the restatement of the comparative financial statements for the matters described above are as follows:

	As previously reported	Adjustment	As Restated
Balance sheet - as at March 31, 2021			
Account payable and accrued liabilities	9,048	50,000	59,048
Net assets	1,032,075	(50,000)	982,075
Statement of Operations - March 31, 2021			
Administrative support fees	100,000	50,000	150,000

CENTENNIAL COLLEGE ALUMNI ASSOCIATION INC.

Notes to Financial Statements (continued)

March 31, 2023

4. Investment

The investment represents membership shares of DUCA Credit Union carried at cost.

5. Investment properties - construction in progress

The Association entered into an agreement on March 17, 2017 to purchase two pre-construction condominium units in Panama for a total purchase price of \$258,000 (USD). Payments are made in four instalments of which three instalments have been made totalling \$148,223 CAD (\$114,234 USD). The fourth instalment is due on completion of construction. The units were originally purchased to be rented out to alumni. However, as at March 31, 2023, the Association intends to sell the investment properties by December 31, 2023.

During the year ended March 31, 2022, it became known that the construction of the property had stopped due to a lack of funding and costs overrun. This cast material uncertainty on the ability of the project to be completed. As such, it was determined that investment properties' value were impaired and were deemed to have a value of \$nil. The impairment loss of \$148,223 was recorded on the statement of operations in 2022.

6. Capital assets

	2023		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Furniture and fixtures	52,795	36,281	16,514
Computer equipment	43,583	31,571	12,012
Leasehold improvements	109,991	46,564	63,427
	206,369	114,416	91,953
	2022		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Furniture and fixtures	52,795	32,152	20,643
Computer equipment	36,981	26,423	10,558
Leasehold improvements	109,991	39,516	70,475
	199,767	98,091	101,676

CENTENNIAL COLLEGE ALUMNI ASSOCIATION INC.

Notes to Financial Statements (continued)

March 31, 2023

7. Commitments

The Association is committed to Centennial College Student Association Inc. (CCSAI) for operating costs related to the lease of its premises, utilities, and maintenance of the Student Centre Building until the earliest of fiscal 2049 or the termination of the head lease between CCSAI and the College on July 1, 2051. These charges are negotiated annually and therefore future commitments cannot be reasonably determined. The Association was charged \$2,657 (2022 - \$4,249) for operating costs in the current year.

	\$
2024	10,000
2025	10,000
2026	10,000
2027	10,000
Thereafter	220,000
	<u>260,000</u>

8. Economic interest

The Association and College signed an agreement on May 31, 2013 in which the College supports the Association through the collection of alumni fees from students as part of their tuition. The agreement expired on May 31, 2018.

The Association and College agreed to continue the relationship under similar terms without a formal agreement in place until the end of the Association's March 31, 2021 year end. For the years ended March 31, 2022 and March 31, 2023, the Association did not receive alumni fees or pay administrative support services fees to the College.

The Association and College signed a new agreement on March 31, 2023 for the next three years and expires on March 31, 2026.

HILBORN

LISTENERS. THINKERS. DOERS.