

University of Toronto Engineering Society
Financial Statements
For the year ended May 31, 2019

Draft - Subject to Change

**University of Toronto
Engineering Society
Financial Statements
For the year ended May 31, 2019**

Contents

Independent Auditor's Report	2-4
Financial Statements	
Statement of Financial Position	5
Statement of Operations	6
Statement of Changes in Fund Balances	7
Statement of Cash Flows	8
Notes to Financial Statements	9-14
Supplementary Schedules (Unaudited)	
Schedule of Store Operations	15
Schedule of Operating Fund General Expenses and Committee Costs	16-17



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Independent Auditor's Report

To the Members of the University of Toronto Engineering Society

Qualified Opinion

We have audited the financial statements of the University of Toronto Engineering Society (the "Organization"), which comprise the statement of financial position as at May 31, 2019, and the statement of operations, changes in fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at May 31, 2019 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 Organization derives revenue from Locker income, Alumni funding, Orientation, Advertising, Pub-SUDS, Graduation ball, Cannon ball, Store and Cafe revenue and UTSU revenue, 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the years ended May 31, 2019 and 2018, current assets as at May 31, 2019 and 2018, and net assets as at June 1 and May 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended May 31, 2018 was modified 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 Auditor's Responsibilities for the Audit of the 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 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.

Other Matters

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the supplementary schedules attached to the Organization's financial statements.



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

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

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
REPORT DATE

Draft - Subject to Changes

University of Toronto Engineering Society Statement of Financial Position

May 31, 2019

	Operating	Store	General Fund Total	Restricted Funds	2019 Total	2018 Total
Assets						
Current						
Cash and cash equivalents (Note 2)	\$ 570,211	\$ 187,902	\$ 758,113	\$ 18,460	\$ 776,573	\$ 691,782
Short term investments (Note 3)	10,930	-	10,930	-	10,930	10,694
Accounts receivable	-	19,671	19,671	-	19,671	401
Inventory	-	26,456	26,456	-	26,456	26,456
Prepaid expenses	449	-	449	-	449	449
	581,590	234,029	815,619	18,460	834,079	729,782
Other assets						
Long term investments (Note 3)	-	-	-	-	-	10,236
Property and equipment (Note 4)	1,054	897	1,951	-	1,951	3,076
	\$ 582,644	\$ 234,926	\$ 817,570	\$ 18,460	\$ 836,030	\$ 743,094

Liabilities and Fund Balances

Current						
Accounts payable and accrued liabilities (Note 5)	\$ 1,991	\$ 3,606	\$ 5,597	\$ -	\$ 5,597	\$ 2,913
Fund Balances (Note 6)	580,653	231,320	811,973	18,460	830,433	740,181
	\$ 582,644	\$ 234,926	\$ 817,570	\$ 18,460	\$ 836,030	\$ 743,094

On behalf of the Board:

_____ President

_____ V. P. Finance

University of Toronto Engineering Society Statement of Operations

For the year ended May 31, 2019

	Operating	Store	General Fund Total	Restricted Funds	2019 Total	2018 Total
Fee, Collection and Other Revenue						
Fee revenue (Note 8)	\$ 264,971	\$ -	\$ 264,971	\$ 8,611	\$ 273,582	\$ 264,777
UTSU revenue	81,244	-	81,244	-	81,244	82,777
Interest and sundry income	2,188	-	2,188	-	2,188	6,421
Locker income	2,948	-	2,948	-	2,948	5,012
Alumni funding	40,000	-	40,000	-	40,000	40,000
Store and cafe revenue	-	302,315	302,315	-	302,315	295,143
	391,351	302,315	693,666	8,611	702,277	694,130
Committee Revenue						
Advertising	28,390	-	28,390	-	28,390	24,131
Graduation ball	27,443	-	27,443	-	27,443	14,307
Orientation	113,113	-	113,113	-	113,113	113,787
Pub-SUDS	48,541	-	48,541	-	48,541	40,453
The Cannon Ball	28,868	-	28,868	-	28,868	23,221
	246,355	-	246,355	-	246,355	215,899
	637,706	302,315	940,021	8,611	948,632	910,029
Expenses						
General	114,100	44,864	158,964	803	159,767	159,867
Committee costs	467,041	-	467,041	-	467,041	448,192
Restricted fund disbursements (Note 7)	-	-	-	-	-	66,000
Store and cafe cost of sales	-	231,572	231,572	-	231,572	238,493
	581,141	276,436	857,577	803	858,380	912,552
Excess (deficiency) of revenue over expenses	\$ 56,565	\$ 25,879	\$ 82,444	\$ 7,808	\$ 90,252	\$ (2,523)

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

University of Toronto Engineering Society Statement of Changes in Fund Balances

For the year ended May 31, 2019

	General Fund	Restricted Funds	Total
Balance, beginning of year	\$ 729,529	\$ 10,652	\$ 740,181
Excess of revenue over expenses	82,444	7,808	90,252
Balance, end of year	\$ 811,973	\$ 18,460	\$ 830,433

For the year ended May 31, 2018

	General Fund	Restricted Funds	Total
Balance, beginning of year	\$ 665,006	\$ 77,698	\$ 742,704
Net transfer to General Fund from Restricted Funds (Note 6)	95	(95)	-
Excess (deficiency) of revenue over expenses	64,428	(66,951)	(2,523)
Balance, end of year	\$ 729,529	\$ 10,652	\$ 740,181

University of Toronto Engineering Society Statement of Cash Flows

For the year ended May 31	2019	2018
Cash was provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ 90,252	\$ (2,523)
Adjustments to reconcile excess (deficiency) of revenue over expenses for the year		
Amortization of property and equipment	1,125	953
Changes in non-cash operating balances		
Accounts receivable	(19,270)	28,486
Accounts payable and accrued liabilities	2,684	(5,360)
	74,791	21,556
Investing activities		
Redemption of investments	10,000	10,000
Net increase in cash and cash equivalents during the year	84,791	31,556
Cash and cash equivalents, beginning of year	691,782	660,226
Cash and cash equivalents, end of year	\$ 776,573	\$ 691,782

University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2019

1. Significant Accounting Policies

(a) Purpose of the Organization

The University of Toronto Engineering Society (the "Society") serves to provide student services to the undergraduate members of The University of Toronto Faculty of Applied Science and Engineering. Pursuant to the provisions of section 149 of the Income Tax Act, the entity qualifies as a non-profit organization and is exempt from income tax.

(b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

(c) Fund Accounting

The General Fund accounts for the Society's student service delivery expenses, committee costs, administrative activities and store operations.

The Restricted Funds report resources restricted as to use at the time of contribution and amounts established for future key initiatives as established by the Society members. These future initiatives are fully described in Note 6 to these financial statements and are summarized as follows: Reserve Fund - Internally restricted fund established to support the Skule Endowment Fund.

(d) Revenue Recognition

The Society follows the restricted fund method of accounting for revenues and contributions.

Restricted contributions are recognized as revenue of the Restricted Funds when amounts are received. Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Student fees are recognized as revenue in the General Fund in the year to which the student fees relate on a straight line basis. The Society operates a retail store and cafe and revenue is recognized as cash is received from customers upon delivery of merchandise. Revenue from events and functions are recognized as the events and functions occur.

Investment income is recognized as revenue of the appropriate fund on an accrual basis.

University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2019

1. Significant Accounting Policies - (Continued)

(e) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. All bonds and guaranteed investment certificates are subsequently measured at amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Unless otherwise noted, the Society initially measures its financial assets and liabilities at fair value and subsequently measures its financial assets and liabilities at amortized cost.

(f) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of three months or less from the date of purchase.

(g) Inventory

Inventory is valued at the lower of cost (as determined on a first-in, first-out basis) and net realizable value.

(h) Property and Equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided on a declining balance basis at the following rates:

Computer equipment	30%
Furniture and fixtures	20%

(i) 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, and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates.

University of Toronto Engineering Society Notes to Financial Statements

May 31, 2019

2. Cash and Cash Equivalents

	2019	2018
Cash - general fund	\$ 758,113	\$ 681,130
Reserve Fund (Note 6)	18,460	10,652
	\$ 776,573	\$ 691,782

3. Investments

Investments are comprised of a non-redeemable guaranteed investment certificate which bears at interest rate of 1.35% (2018 - 1.35% and 1.55%) per annum. The investment will mature in March 2020 (2018 - February 2019 and March 2020).

4. Property and Equipment

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 36,446	\$ 35,724	\$ 36,446	\$ 35,415
Furniture and fixtures	110,336	109,107	110,336	108,291
	146,782	144,831	146,782	143,706
Net carrying amount		\$ 1,951		\$ 3,076

5. Government Remittances

Included in accounts payable is government remittances owing of \$5,597 (2018 - \$nil).

University of Toronto Engineering Society Notes to Financial Statements

May 31, 2019

6. Restricted Funds and Fund Balances

The Restricted Funds balance is made up of the following:

	<u>2019</u>	<u>2018</u>
Reserve Fund	<u>\$ 18,047</u>	<u>\$ 10,652</u>

Reserve Fund

The Reserve Fund represents student fees internally restricted by the Society as a reserve fund to support the Skule Endowment Fund.

7. Skule Endowment Fund

The Society has donated funds to the University of Toronto ("University") for the creation of the Skule Endowment Fund for the benefit of students of the Faculty of Applied Science and Engineering. The specific uses of the Skule Endowment Fund will be mutually determined by the Society and the University at a later date. The University is responsible for the management of the Skule Endowment Fund. During the year, the Society remitted \$430,000 (2018 - \$66,000) to the Skule Endowment Fund from the Levy Fund.

University of Toronto Engineering Society Notes to Financial Statements

May 31, 2019

8. Fee Revenue

Student fee revenue is reflected in the financial statements as follows:

	2019	2018
Total fees	\$ 884,030	\$ 444,713
Amounts collected for specific trusts ^(a)		
University of Toronto Aerospace Team	(27,519)	(27,442)
Formula SAE	(22,794)	(22,730)
Blue Sky Solar	(22,794)	(22,730)
University of Toronto Robotics Association	(16,578)	(16,530)
Human Powered Vehicle Design Team	(16,578)	(16,530)
Skule Nite	(16,163)	(16,117)
Robotics for Space Exploration	(14,506)	(14,464)
Engineers Without Borders	(12,433)	(12,398)
Concrete Toboggan	(12,433)	(12,398)
Concrete Canoe	(10,361)	(10,332)
Baja Team	(8,289)	(8,265)
Skule Endowment Fund fee revenue (Note 7)	(430,000)	-
Society Fees	\$ 273,582	\$ 264,777
Comprised of:		
Operating Fund - Fee revenue	\$ 264,971	\$ 264,777
Restricted Fund - Fee revenue	8,611	-
	\$ 273,582	\$ 264,777

(a) The Society collects funds on behalf of certain trust accounts pursuant to Student referendums and as mandated by University of Toronto Administrative policy. These are not funds nor disbursements of the Society and are therefore not reflected in these financial statements.

University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2019

9. Financial Instrument Risk Exposure and Management

The Society has policies relating to the identification, measurement, monitoring, mitigating and controlling of risks associated with financial instruments. The key risks related to financial instruments are market risk, credit risk and liquidity risk. The following sections describe how the Society manages each of these risks:

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market risk is comprised of interest rate risk.

Interest rate risk is the risk that the fair value of future cash flows of an investment will fluctuate because of changes in market interest rates. It arises when the Society invests in interest-sensitive investments such as GICs. To manage interest rate exposure, the Society invests in fixed income vehicles or cash.

Credit Risk

Financial instruments potentially exposed to credit risk include cash and cash equivalents, investments and accounts receivable. Management considers its exposure to credit risk over cash and cash equivalents to be remote as the Society holds cash deposits at one major Canadian bank. Accounts receivable are not concentrated significantly and therefore the carrying amount of accounts receivable represents the maximum credit risk exposure.

Liquidity Risk

Liquidity risk is the risk the Society will not be able to meet its financial obligations as they fall due. The Society maintains its working capital at a sufficient level to ensure it always has cash available to pay accounts payable and accrued liabilities, all of which fall due within twelve months of the balance sheet date.

**University of Toronto Engineering Society
Schedule of Store Operations
(Unaudited)**

For the year ended May 31

	Bookstore	Cafeteria	2019 Total	2018 Total
Revenue	\$ 180,228	\$ 122,087	\$ 302,315	\$ 295,143
Cost of sales	147,679	83,893	231,572	238,493
	32,549	38,194	70,743	56,650
Expenses				
Wages and benefits	10,439	15,533	25,972	21,040
Office and general	606	1,112	1,718	7,284
Credit card charges	4,441	-	4,441	3,496
Rent	-	12,000	12,000	12,000
Amortization - office equipment	733	-	733	407
	16,219	28,645	44,864	44,227
Excess of revenue over expenses	\$ 16,330	\$ 9,549	\$ 25,879	\$ 12,423

**University of Toronto Engineering Society
Schedule of Operating Fund General Expenses
and Committee Costs
(Unaudited)**

For the year ended May 31	2019	2018
General expenses		
Office wages and employee benefits	\$ 65,981	\$ 61,524
Computer systems	783	1,956
Elections	108	231
Executive and council	4,230	7,968
Gifts, donations and awards	1,868	2,492
Insurance	13,835	13,120
Interest and bank charges	764	659
Miscellaneous	1,391	2,068
Office printing, stationery and general	4,722	2,585
Professional fees	18,925	20,436
Repairs and maintenance	1,101	1,104
Amortization - property and equipment	392	546
	\$ 114,100	\$ 114,689
Committee costs		
Communications		
Handbook	\$ 12,333	\$ 8,640
Yearbook	12,607	13,578
Toike oike	7,981	7,130
The Cannon	4,134	7,056
Skule planner	15,063	14,709
	52,118	51,113
Social		
Cannon ball	47,321	53,406
Affiliates		
Club grants	74,680	76,231
Carried forward	\$ 174,119	\$ 180,750

**University of Toronto Engineering Society
Schedule of Operating Fund General Expenses
and Committee Costs
(Unaudited)**

For the year ended May 31	2019	2018
Committee costs - (Continued)		
Brought forward	\$ 174,119	\$ 180,750
Culture Committees		
Blue and gold general	17,249	12,734
Cannon guard	1,713	3,487
LGMB	104	678
	19,066	16,899
Fourth year		
Fourth year general	308	300
Grad Ball	38,824	41,124
Kipling ritual	15,450	14,610
	54,582	56,034
Professional development		
CEC	3,390	1,500
CFES fees	-	2,400
CFES president's meeting	412	-
ESSCO	478	1,037
Engineering congress - CFES	631	-
Miscellaneous conferences	17,158	10,451
OEC	7,680	10,220
UTEK (recovery)	(1,696)	(150)
	28,053	25,458
Events		
High school liaison	1,156	1,680
Orientation and first year events	103,398	95,917
Pub - SUDS	48,262	44,147
Skule Kup	217	126
Student council	930	990
Student issues	322	445
Sundry events and special projects	36,936	25,746
	191,221	169,051
	\$ 467,041	\$ 448,192