

**University of Toronto Engineering Society**  
**Financial Statements**  
**For the year ended May 31, 2018**

**University of Toronto  
Engineering Society  
Financial Statements  
For the year ended May 31, 2018**

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## Independent Auditor's Report

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### To the Members of the University of Toronto Engineering Society

We have audited the accompanying financial statements of the University of Toronto Engineering Society (the "Society"), which comprise the statement of financial position as at May 31, 2018 and the statements of operations, changes in fund balances 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 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.

#### 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.



**Basis for Qualified Opinion**

In common with many not-for-profit organizations, the Society 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, our verification of these revenues was limited to the amounts recorded in the records of the Society. 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, 2018 and 2017, current assets as at May 31, 2018 and 2017, and net assets as at June 1 and May 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended May 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Society as at May 31, 2018 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.

**Other Matters**

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

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

September 29, 2018  
Toronto, Ontario

# University of Toronto Engineering Society Statement of Financial Position

**May 31, 2018**

	Operating	Store	General Fund Total	Restricted Funds	2018 Total	2017 Total
<b>Assets</b>						
<b>Current</b>						
Cash and cash equivalents (Note 2)	\$ 504,177	\$ 176,953	\$ 681,130	\$ 10,652	\$ 691,782	\$ 660,226
Short term investments (Note 3)	10,694	-	10,694	-	10,694	10,694
Accounts receivable	-	401	401	-	401	28,887
Inventory	-	26,456	26,456	-	26,456	26,456
Prepaid expenses	449	-	449	-	449	449
Due from operating fund (Note 4)	-	-	-	-	-	9,783
	<b>515,320</b>	<b>203,810</b>	<b>719,130</b>	<b>10,652</b>	<b>729,782</b>	<b>736,495</b>
<b>Other assets</b>						
Long term investments (Note 3)	10,236	-	10,236	-	10,236	20,236
Property and equipment (Note 5)	1,446	1,630	3,076	-	3,076	4,029
	<b>\$ 527,002</b>	<b>\$ 205,440</b>	<b>\$ 732,442</b>	<b>\$ 10,652</b>	<b>\$ 743,094</b>	<b>\$ 760,760</b>

## Liabilities and Fund Balances

<b>Current</b>						
Accounts payable and accrued liabilities (Note 6)	\$ 2,913	\$ -	\$ 2,913	\$ -	\$ 2,913	\$ 8,273
Due to restricted funds (Note 4)	-	-	-	-	-	9,783
	<b>2,913</b>	<b>-</b>	<b>2,913</b>	<b>-</b>	<b>2,913</b>	<b>18,056</b>
<b>Fund Balances (Note 7)</b>	<b>524,089</b>	<b>205,440</b>	<b>729,529</b>	<b>10,652</b>	<b>740,181</b>	<b>742,704</b>
	<b>\$ 527,002</b>	<b>\$ 205,440</b>	<b>\$ 732,442</b>	<b>\$ 10,652</b>	<b>\$ 743,094</b>	<b>\$ 760,760</b>

On behalf of the Board:

\_\_\_\_\_ President

\_\_\_\_\_ V. P. Finance

# University of Toronto Engineering Society Statement of Operations

**For the year ended May 31, 2018**

	Operating	Store	General Fund Total	Restricted Funds	2018 Total	2017 Total
<b>Fee, Collection and Other Revenue</b>						
Fee revenue (Note 9)	\$ 264,777	\$ -	\$ 264,777	\$ -	\$ 264,777	\$ 788,070
UTSU revenue	82,777	-	82,777	-	82,777	83,895
Interest and sundry income	6,421	-	6,421	-	6,421	6,573
Locker income	5,012	-	5,012	-	5,012	7,577
Alumni funding	40,000	-	40,000	-	40,000	40,000
Store and cafe revenue	-	295,143	295,143	-	295,143	347,652
	<b>398,987</b>	<b>295,143</b>	<b>694,130</b>	<b>-</b>	<b>694,130</b>	<b>1,273,767</b>
<b>Committee Revenue</b>						
Advertising	24,131	-	24,131	-	24,131	12,781
Graduation ball	14,307	-	14,307	-	14,307	33,371
Orientation	113,787	-	113,787	-	113,787	104,876
Pub-SUDS	40,453	-	40,453	-	40,453	53,715
The Cannon Ball	23,221	-	23,221	-	23,221	25,162
	<b>215,899</b>	<b>-</b>	<b>215,899</b>	<b>-</b>	<b>215,899</b>	<b>229,905</b>
	<b>614,886</b>	<b>295,143</b>	<b>910,029</b>	<b>-</b>	<b>910,029</b>	<b>1,503,672</b>
<b>Expenses</b>						
General	114,689	44,227	158,916	951	159,867	163,042
Committee costs	448,192	-	448,192	-	448,192	460,043
Levy fund disbursements	-	-	-	66,000	66,000	465,339
Store and cafe cost of sales	-	238,493	238,493	-	238,493	294,903
	<b>562,881</b>	<b>282,720</b>	<b>845,601</b>	<b>66,951</b>	<b>912,552</b>	<b>1,383,327</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 52,005</b>	<b>\$ 12,423</b>	<b>\$ 64,428</b>	<b>\$ (66,951)</b>	<b>\$ (2,523)</b>	<b>\$ 120,345</b>

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, 2018**

	General Fund	Restricted Funds	Total
<b>Balance, beginning of year</b>	<b>\$ 665,006</b>	<b>\$ 77,698</b>	<b>\$ 742,704</b>
<b>Net transfer to General Fund from Restricted Funds (Note 7)</b>	<b>95</b>	<b>(95)</b>	<b>-</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>64,428</b>	<b>(66,951)</b>	<b>(2,523)</b>
<b>Balance, end of year</b>	<b>\$ 729,529</b>	<b>\$ 10,652</b>	<b>\$ 740,181</b>

**For the year ended May 31, 2017**

	General Fund	Restricted Funds	Total
Balance, beginning of year	\$ 564,099	\$ 58,260	\$ 622,359
Net transfer to General Fund from Restricted Funds (Note 7)	35,115	(35,115)	-
Excess of revenue over expenses	65,792	54,553	120,345
Balance, end of year	\$ 665,006	\$ 77,698	\$ 742,704

## University of Toronto Engineering Society Statement of Cash Flows

For the year ended May 31	2018	2017
<b>Cash was provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	\$ (2,523)	\$ 120,345
Adjustments to reconcile excess (deficiency) of revenue over expenses for the year		
Amortization of property and equipment	953	1,270
Changes in non-cash operating balances		
Accounts receivable	28,486	54,647
Accounts payable and accrued liabilities	(5,360)	(34,859)
	21,556	141,403
<b>Investing activities</b>		
Redemption of investments	10,000	10,000
Purchase of investments	-	(10,000)
	10,000	-
<b>Net increase in cash and cash equivalents during the year</b>	<b>31,556</b>	<b>141,403</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>660,226</b>	<b>518,823</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 691,782</b>	<b>\$ 660,226</b>

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



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# University of Toronto Engineering Society

## Notes to Financial Statements

May 31, 2018

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### 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 7 to these financial statements and are summarized as follows: Levy Fund - Externally restricted fund established for projects within the Faculty of Applied Science and Engineering; Tutoring Fund - Internally restricted fund established to provide high quality tutoring programs to eligible students; and Student Fund - Internally restricted fund established to fund capital projects for clubs and engineering education.

(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.

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# University of Toronto Engineering Society

## Notes to Financial Statements

May 31, 2018

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### 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, 2018**

### 2. Cash and Cash Equivalents

	2018	2017
Cash - general fund	\$ 681,130	\$ 592,311
Levy Fund trust account (Note 7)	-	56,127
Reserve Fund (formerly Student Fund) (Note 7)	10,652	11,788
	\$ 691,782	\$ 660,226

### 3. Investments

Investments are comprised of non-redeemable guaranteed investment certificates which have interest rates between 1.35% and 1.55% (2017 - 1.20% and 1.55%). These investments will mature between February 2019 and March 2020 (2017 - February 2018 and March 2020).

### 4. Interfund Balances

Interfund balances are non-interest bearing and have no specific terms of repayment.

### 5. Property and Equipment

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 36,446	\$ 35,415	\$ 36,446	\$ 34,973
Furniture and fixtures	110,336	108,291	110,336	107,780
	146,782	143,706	146,782	142,753
Net carrying amount		\$ 3,076		\$ 4,029

### 6. Government Remittances

Included in accounts payable is government remittances owing of \$nil (2017 - \$3,690).

# University of Toronto Engineering Society

## Notes to Financial Statements

**May 31, 2018**

### 7. Restricted Funds and Fund Balances

The Restricted Funds balance is made up of the following:

	2018	2017
Levy Fund <sup>(a)</sup>	\$ -	\$ 55,910
Tutoring Fund <sup>(b)</sup>	-	10,000
Reserve Fund (formerly Student Fund) <sup>(c)</sup>	<b>10,652</b>	11,788
	<b>\$ 10,652</b>	<b>\$ 77,698</b>

(a) Levy Fund

The Levy Fund was established to enhance the quality of undergraduate education pursuant to Student referendums that are passed at commencement of a new fiscal year. These restricted funds are required to be used at the Society's discretion for projects within the Faculty of Applied Science and Engineering (being engineering departments within the Faculty of Applied Science and Engineering, namely Civil, Chemical, Mechanical and Industrial, Electrical and Computer, Materials and Engineering science). Up to a maximum of 10% of the Levy Fund collections may be designated for other Society purposes. During the year, the Board of Directors did not approve a motion to renew the Temporary Levy Fund.

Pursuant to a Student referendum passed in March 2013, at the end of each fiscal year, unused funds due to a lack of qualifying projects may be transferred to the Operating Fund, for anticipated transfer to the Skule Endowment Fund, if approved by the Board of Directors. During the year, the Board of Directors approved the transfer of the remaining balance of \$55,567 from the Levy Fund to the Skule Endowment Fund (2017 - \$9,100 transfer from the General Fund to the Levy Fund).

(b) Tutoring Fund (TF)

Pursuant to a referendum and a resolution passed by the Society's committee, it was approved that an internally restricted TF be established in 2011. The TF was initially funded through a transfer from the Levy fund and its purpose is to provide high quality tutoring programs made available to the Faculty of Applied Science and Engineering students. These funds will be distributed to support Tutoring programs for the eligible students at the discretion of the Society. During the year, the Board of Directors approved the transfer of \$10,000 (2017 - \$nil) from the Tutoring Fund to the Skule Endowment Fund.

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# University of Toronto Engineering Society

## Notes to Financial Statements

May 31, 2018

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### 7. Restricted Funds and Fund Balances - (Continued)

(c) Reserve Fund (formerly the Student Fund)

The Reserve Fund (formerly the Student Fund) represents student fees internally restricted by the Society as a reserve fund to support the Skule Endowment Fund. During the year, \$nil was transferred from the Reserve Fund to the General Fund (2017 - \$44,215) and \$nil was transferred to the Reserve Fund from the Levy Fund (2017 - \$27,717).

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### 8. 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 \$66,000 (2017 - \$435,000) to the Skule Endowment Fund from the Levy Fund, Tutoring Fund and the Reserve Fund.

## University of Toronto Engineering Society Notes to Financial Statements

**May 31, 2018**

### 9. Fee Revenue

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

	<b>2018</b>	<b>2017</b>
Total fees	<b>\$ 444,713</b>	\$ 1,320,139
Amounts collected for specific trusts <sup>(a)</sup>		
University of Toronto Aerospace Team	<b>(27,442)</b>	(29,200)
Formula SAE	<b>(22,730)</b>	(24,708)
Blue Sky Solar	<b>(22,730)</b>	(24,708)
University of Toronto Robotics Association	<b>(16,530)</b>	(13,477)
Human Powered Vehicle Design Team	<b>(16,530)</b>	(12,354)
Skule Nite	<b>(16,117)</b>	(17,520)
Robotics for Space Exploration	<b>(14,464)</b>	-
Engineers Without Borders	<b>(12,398)</b>	(11,231)
Concrete Toboggan	<b>(12,398)</b>	-
Concrete Canoe	<b>(10,332)</b>	(8,086)
Baja Team	<b>(8,265)</b>	-
Skule Endowment Fund fee revenue (Note 8)	<b>-</b>	(390,785)
Society Fees	<b>\$ 264,777</b>	\$ 788,070
Comprised of:		
Operating Fund - Fee revenue	<b>\$ 264,777</b>	\$ 268,075
Levy Fund (Note 7 (a))	<b>-</b>	519,995
	<b>\$ 264,777</b>	\$ 788,070

(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.

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# University of Toronto Engineering Society

## Notes to Financial Statements

May 31, 2018

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### 10. 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, upon advice from an investment advisor. To further manage interest rate risk, the Society has established a laddering program whereby investment maturities are staggered over the long term.

#### 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**

	<b>Bookstore</b>	<b>Cafeteria</b>	<b>2018 Total</b>	<b>2017 Total</b>
<b>Revenue</b>	\$ 179,246	\$ 115,897	\$ 295,143	\$ 347,652
<b>Cost of sales</b>	<b>159,950</b>	<b>78,543</b>	<b>238,493</b>	294,903
	<b>19,296</b>	<b>37,354</b>	<b>56,650</b>	52,749
<b>Expenses</b>				
Wages and benefits	6,827	14,213	21,040	26,751
Office and general	3,776	3,508	7,284	6,706
Credit card charges	3,496	-	3,496	3,605
Rent	-	12,000	12,000	12,000
Amortization - office equipment	407	-	407	509
	<b>14,506</b>	<b>29,721</b>	<b>44,227</b>	49,571
<b>Excess of revenue over expenses</b>	<b>\$ 4,790</b>	<b>\$ 7,633</b>	<b>\$ 12,423</b>	<b>\$ 3,178</b>



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

<b>For the year ended May 31</b>	<b>2018</b>	<b>2017</b>
<b>General expenses</b>		
Office wages and employee benefits	\$ 61,524	\$ 62,092
Computer systems	1,956	6,730
Elections	231	180
Executive and council	7,968	5,644
Gifts, donations and awards	2,492	1,553
Insurance	13,120	10,929
Interest and bank charges	659	973
Miscellaneous	2,068	2,501
Office printing, stationery and general	2,585	3,237
Professional fees	20,436	22,952
Repairs and maintenance	1,104	574
Amortization - property and equipment	546	761
HST	-	(4,758)
	<u>\$ 114,689</u>	<u>\$ 113,368</u>
<b>Committee costs</b>		
Communications		
Handbook	\$ 8,640	\$ 8,988
Yearbook	13,578	18,427
Toike oike	7,130	8,413
The Cannon	7,056	2,882
Skule planner	14,709	13,851
	<u>51,113</u>	<u>52,561</u>
Social		
Cannon ball	<u>53,406</u>	38,915
Affiliates		
Club grants	<u>76,231</u>	84,746
Carried forward	<u>\$ 180,750</u>	<u>\$ 176,222</u>

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

<b>For the year ended May 31</b>	<b>2018</b>	<b>2017</b>
<b>Committee costs - (Continued)</b>		
Brought forward	<u>\$ 180,750</u>	<u>\$ 176,222</u>
Culture Committees		
Blue and gold general	12,734	12,034
Cannon guard	3,487	4,030
LGMB	678	-
	<u>16,899</u>	<u>16,064</u>
Fourth year		
Fourth year general	300	-
Grad Ball	41,124	50,631
Kipling ritual	14,610	15,855
	<u>56,034</u>	<u>66,486</u>
Professional development		
CEC	1,500	1,050
CFES fees	2,400	-
ESSCO	1,037	-
Miscellaneous conferences	10,451	11,156
OEC	10,220	8,400
UTEK (recovery)	(150)	317
	<u>25,458</u>	<u>20,923</u>
Events		
High school liaison	1,680	2,184
Orientation and first year events	95,917	86,877
Pub - SUDS	44,147	54,046
Skule Kup	126	216
Student council	990	1,427
Student issues	445	(5,801)
Sundry events and special projects	25,746	41,399
	<u>169,051</u>	<u>180,348</u>
	<u>\$ 448,192</u>	<u>\$ 460,043</u>