

**University of Toronto Engineering Society**  
**Financial Statements**  
**For the year ended May 31, 2020**

**University of Toronto  
Engineering Society  
Financial Statements  
For the year ended May 31, 2020**

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## Independent Auditor's Report

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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, 2020, 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, 2020 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 UTSU revenue, Locker income, Alumni funding, Store and Cafe revenue, Advertising, Graduation ball, Orientation, Pub-SUDS and The Cannon Ball, 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, 2020 and 2019, current assets as at May 31, 2020 and 2019, and net assets as at June 1 and May 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended May 31, 2019 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
November 29, 2020

# University of Toronto Engineering Society Statement of Financial Position

**May 31, 2020**

	Operating	Store	General Fund Total	Restricted Funds	2020 Total	2019 Total
<b>Assets</b>						
<b>Current</b>						
Cash and cash equivalents (Note 2)	\$ 725,622	\$ 176,048	\$ 901,670	\$ 4,458	\$ 906,128	\$ 776,573
Short term investments (Note 3)	-	-	-	-	-	10,930
Accounts receivable	-	8,812	8,812	-	8,812	19,671
Inventory	-	22,071	22,071	-	22,071	26,456
Prepaid expenses and deposits	7,448	14,400	21,848	-	21,848	449
	<b>733,070</b>	<b>221,331</b>	<b>954,401</b>	<b>4,458</b>	<b>958,859</b>	<b>834,079</b>
<b>Other assets</b>						
Property and equipment (Note 4)	771	311	1,082	-	1,082	1,951
	<b>\$ 733,841</b>	<b>\$ 221,642</b>	<b>\$ 955,483</b>	<b>\$ 4,458</b>	<b>\$ 959,941</b>	<b>\$ 836,030</b>

## Liabilities and Fund Balances

<b>Current</b>						
Accounts payable and accrued liabilities (Note 5)	\$ 559	\$ 1,119	\$ 1,678	\$ -	\$ 1,678	\$ 5,597
Deposits received	-	12,600	12,600	-	12,600	-
	<b>559</b>	<b>13,719</b>	<b>14,278</b>	<b>-</b>	<b>14,278</b>	<b>5,597</b>
<b>Fund Balances (Note 6)</b>	<b>733,282</b>	<b>207,923</b>	<b>941,205</b>	<b>4,458</b>	<b>945,663</b>	<b>830,433</b>
	<b>\$ 733,841</b>	<b>\$ 221,642</b>	<b>\$ 955,483</b>	<b>\$ 4,458</b>	<b>\$ 959,941</b>	<b>\$ 836,030</b>

On behalf of the Board:

\_\_\_\_\_ President

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

# University of Toronto Engineering Society Statement of Operations

**For the year ended May 31, 2020**

	Operating	Store	General Fund Total	Restricted Funds	2020 Total	2019 Total
<b>Fee, Collection and Other Revenue</b>						
Fee revenue (Note 8)	\$ 217,860	\$ -	\$ 217,860	\$ -	\$ 217,860	\$ 273,582
UTSU revenue	93,192	-	93,192	-	93,192	81,244
Interest and sundry income	3,206	-	3,206	-	3,206	2,188
Locker income	2,672	-	2,672	-	2,672	2,948
Alumni funding	40,000	-	40,000	-	40,000	40,000
Store and cafe revenue	-	224,856	224,856	-	224,856	302,315
	<b>356,930</b>	<b>224,856</b>	<b>581,786</b>	<b>-</b>	<b>581,786</b>	<b>702,277</b>
<b>Committee Revenue</b>						
Advertising	16,700	-	16,700	-	16,700	28,390
Graduation ball	2,080	-	2,080	-	2,080	27,443
Orientation	131,101	-	131,101	-	131,101	113,113
Pub-SUDS	30,896	-	30,896	-	30,896	48,541
The Cannon Ball	23,593	-	23,593	-	23,593	28,868
	<b>204,370</b>	<b>-</b>	<b>204,370</b>	<b>-</b>	<b>204,370</b>	<b>246,355</b>
	<b>561,300</b>	<b>224,856</b>	<b>786,156</b>	<b>-</b>	<b>786,156</b>	<b>948,632</b>
<b>Expenses</b>						
General	113,317	42,169	155,486	590	156,076	159,767
Committee costs	308,766	-	308,766	-	308,766	467,041
Store and cafe cost of sales	-	206,084	206,084	-	206,084	231,572
	<b>422,083</b>	<b>248,253</b>	<b>670,336</b>	<b>590</b>	<b>670,926</b>	<b>858,380</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 139,217</b>	<b>\$ (23,397)</b>	<b>\$ 115,820</b>	<b>\$ (590)</b>	<b>\$ 115,230</b>	<b>\$ 90,252</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, 2020**

	General Fund	Restricted Funds	Total
<b>Balance, beginning of year</b>	<b>\$ 811,973</b>	<b>\$ 18,460</b>	<b>\$ 830,433</b>
<b>Net transfer from Restricted Funds to General Fund</b>	<b>13,412</b>	<b>(13,412)</b>	<b>-</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>115,820</b>	<b>(590)</b>	<b>115,230</b>
<b>Balance, end of year</b>	<b>\$ 941,205</b>	<b>\$ 4,458</b>	<b>\$ 945,663</b>

**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

## University of Toronto Engineering Society Statement of Cash Flows

For the year ended May 31	2020	2019
<b>Cash was provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses for the year	\$ 115,230	\$ 90,252
Adjustments to reconcile excess of revenue over expenses for the year		
Amortization of property and equipment	869	1,125
Changes in non-cash operating balances		
Accounts receivable	10,859	(19,270)
Inventory	4,385	-
Prepaid expenses and deposits	(21,399)	-
Accounts payable and accrued liabilities	(3,919)	2,684
Deposits received	12,600	-
	<b>118,625</b>	<b>74,791</b>
<b>Investing activities</b>		
Redemption of investments	10,930	10,000
<b>Net increase in cash and cash equivalents during the year</b>	<b>129,555</b>	<b>84,791</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>776,573</b>	<b>691,782</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 906,128</b>	<b>\$ 776,573</b>



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# University of Toronto Engineering Society

## Notes to Financial Statements

May 31, 2020

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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 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.

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# University of Toronto Engineering Society

## Notes to Financial Statements

May 31, 2020

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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.

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## University of Toronto Engineering Society Notes to Financial Statements

**May 31, 2020**

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### 2. Cash and Cash Equivalents

	2020	2019
Cash - general fund	\$ 901,670	\$ 758,113
Reserve Fund (Note 6)	4,458	18,460
	\$ 906,128	\$ 776,573

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### 3. Investments

As at May 31, 2019, investments were comprised of a non-redeemable guaranteed investment certificate which bore an interest rate of 1.30% per annum. The investment matured in March 2020.

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### 4. Property and Equipment

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 36,446	\$ 35,941	\$ 36,446	\$ 35,724
Furniture and fixtures	110,336	109,759	110,336	109,107
	146,782	145,700	146,782	144,831
Net carrying amount		\$ 1,082		\$ 1,951

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### 5. Government Remittances

Included in accounts payable is government remittances owing of \$1,819 (2019 - \$5,597).

# University of Toronto Engineering Society

## Notes to Financial Statements

**May 31, 2020**

### 6. Restricted Funds

The Restricted Funds balance consists of the 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 \$400,000 (2019 - \$430,000) to the Skule Endowment Fund.

### 8. Fee Revenue

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

	<u>2020</u>	<u>2019</u>
Total fees	\$ 790,275	\$ 884,030
Amounts collected for specific trusts <sup>(a)</sup>		
Skule Endowment Fund fee revenue (Note 7)	(400,000)	(430,000)
University of Toronto Aerospace Team	(24,453)	(27,519)
Blue Sky Solar	(23,102)	(22,794)
Formula SAE	(19,777)	(22,794)
Human Powered Vehicle Design Team	(16,163)	(16,578)
University of Toronto Robotics Association	(14,639)	(16,578)
Robotics for Space Exploration	(14,541)	(14,506)
Skule Nite	(13,915)	(16,163)
Concrete Toboggan	(12,415)	(12,433)
Engineers Without Borders	(10,991)	(12,433)
Concrete Canoe	(9,776)	(10,361)
Baja Team	(7,165)	(8,289)
Engineers in Action	(5,478)	-
Society Fees	<u>\$ 217,860</u>	<u>\$ 273,582</u>
Comprising:		
Operating Fund - Fee revenue	\$ 217,860	\$ 264,971
Restricted Fund - Fee revenue	-	8,611
	<u>\$ 217,860</u>	<u>\$ 273,582</u>

(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, 2020

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### 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 below sections describe how the Society manages each of these risks.

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a pandemic, resulting in economic uncertainties affecting the Company's 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 comprises 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 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.

As result of the COVID-19 pandemic, and the economic uncertainty it has given rise to, the collectability of accounts receivable may have deteriorated.

#### 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.

As a result of the COVID -19 pandemic, and the global economic uncertainty it has given rise to, there has been an impact on the Company's liquidity. The Society is taking additional actions to improve its liquidity, including initiating expense reductions. The Society's activities involve material risk and uncertainty, and the future operations and activities of the Society are dependent upon a number of factors, including timing of the opening of the University which will determine the opening of the store and cafe and any in person funding activities, and general economic conditions. The Society will continue to receive student fees to maintain operations.

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

**For the year ended May 31**

	<b>Bookstore</b>	<b>Cafeteria</b>	<b>2020 Total</b>	<b>2019 Total</b>
<b>Revenue</b>	<b>\$ 130,199</b>	<b>\$ 94,657</b>	<b>\$ 224,856</b>	<b>\$ 302,315</b>
<b>Cost of sales</b>	<b>135,539</b>	<b>70,545</b>	<b>206,084</b>	<b>231,572</b>
	<b>(5,340)</b>	<b>24,112</b>	<b>18,772</b>	<b>70,743</b>
<b>Expenses</b>				
Wages and benefits	8,334	14,523	22,857	25,972
Rent	-	11,900	11,900	12,000
Credit card charges	3,454	-	3,454	4,441
Office and general	1,465	1,907	3,372	1,718
Amortization - office equipment	586	-	586	733
	<b>13,839</b>	<b>28,330</b>	<b>42,169</b>	<b>44,864</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (19,179)</b>	<b>\$ (4,218)</b>	<b>\$ (23,397)</b>	<b>\$ 25,879</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>2020</b>	<b>2019</b>
<b>General expenses</b>		
Office wages and employee benefits	\$ 71,683	\$ 65,981
Professional fees	19,370	18,925
Insurance	13,620	13,835
Office printing, stationery and general	4,481	4,722
Miscellaneous	1,263	1,391
Computer systems	791	783
Executive and council	740	4,230
Repairs and maintenance	416	1,101
Gifts, donations and awards	360	1,868
Amortization - property and equipment	283	392
Interest and bank charges	189	764
Elections	121	108
	<u>\$ 113,317</u>	<u>\$ 114,100</u>
<b>Committee costs</b>		
Communications		
Skule planner	\$ 15,079	\$ 15,063
Handbook	11,971	12,333
Toike oike	8,009	7,981
The Cannon	3,483	4,134
Yearbook	16	12,607
	<u>38,558</u>	<u>52,118</u>
Social		
Cannon ball	<u>37,900</u>	<u>47,321</u>
Affiliates		
Club grants	<u>38,663</u>	<u>74,680</u>
Carried forward	<u>\$ 115,121</u>	<u>\$ 174,119</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>2020</b>	<b>2019</b>
<b>Committee costs - (Continued)</b>		
Brought forward	<b>\$ 115,121</b>	<b>\$ 174,119</b>
Culture Committees		
Blue and gold general	<b>11,405</b>	17,249
Cannon guard	<b>2,643</b>	1,713
LGMB	<b>918</b>	104
Cannon video	<b>678</b>	-
	<b>15,644</b>	19,066
Fourth year		
Kipling ritual	<b>14,940</b>	15,450
Grad Ball	<b>2,217</b>	38,824
Fourth year general	<b>-</b>	308
	<b>17,157</b>	54,582
Professional development		
OEC	<b>5,850</b>	7,680
Miscellaneous conferences	<b>4,215</b>	17,158
ESSCO	<b>783</b>	478
Engineering congress - CFES	<b>683</b>	631
CFES president's meeting	<b>534</b>	412
CEC	<b>-</b>	3,390
UTEK (recovery)	<b>(3,982)</b>	(1,696)
	<b>8,083</b>	28,053
Events		
Orientation and first year events	<b>109,620</b>	103,398
Pub - SUDS	<b>29,806</b>	48,262
Sundry events and special projects	<b>8,493</b>	36,936
Student issues	<b>2,306</b>	322
Student council	<b>1,202</b>	930
High school liaison	<b>1,047</b>	1,156
Skule Kup	<b>287</b>	217
	<b>152,761</b>	191,221
	<b>\$ 308,766</b>	<b>\$ 467,041</b>