

The University of Toronto Engineering Society

**Report and Financial Statements (Audited)
with Additional Information (Unaudited)**

For the Year Ended May 31, 2010

AUDITORS' REPORT

To the Members of
The University of Toronto Engineering Society

We have audited the statement of financial position of **The University of Toronto Engineering Society** ("the Society") as at **May 31, 2010** and the statements of operating and capital and restricted funds, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the society's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Society derives certain revenues from Locker income, Orientation, Handbook, Yearbook, SUD sales, Graduation ball, Cannon ball, Store and Cafe bar sales, SkuleNite and Career revenues, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at **May 31, 2010** and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Licensed Public Accountants

August 5, 2010
Toronto, Ontario

The University of Toronto Engineering Society

Statement of Financial Position

As at May 31, 2010

	Note	Society	2010 Store	Total	Society	2009 Store	Total
Assets							
Current							
Cash and cash equivalents	3	\$ 232,886	\$ 93,638	\$ 326,524	\$ 210,805	\$ 58,897	\$ 269,702
Accounts receivable		5,801	5	5,806	8,349	243	8,592
Inventory		-	11,204	11,204	-	20,024	20,024
Prepaid expenses and sundry deposits		1,909	-	1,909	6,328	30,591	36,919
		240,596	104,847	345,443	225,482	109,755	335,237
Other assets							
Cash deposit - long-term	3	19,843	-	19,843	34,135	-	34,135
Property and equipment	4	4,580	7,643	12,223	6,102	9,554	15,655
		24,423	7,643	32,066	40,237	9,554	49,790
		\$ 265,019	\$ 112,490	\$ 377,509	\$ 265,719	\$ 119,309	\$ 385,027

Liabilities

Current

Accounts payable and accrued liabilities		\$ 25,178	\$ 108	\$ 25,286	\$ 34,433	\$ 136	\$ 34,568
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Fund Balances

Operating fund		89,827	104,739	194,566	31,616	109,619	141,236
Property and equipment fund		4,580	7,643	12,223	6,102	9,554	15,655
Internally restricted	5	145,434	-	145,434	193,568	-	193,568
		239,841	112,382	352,223	231,286	119,173	350,459
		\$ 265,019	\$ 112,490	\$ 377,509	\$ 265,719	\$ 119,309	\$ 385,027

Approved _____
President

V.P. Finance

See accompanying notes.

The University of Toronto Engineering Society

Statement of Operating and Capital and Restricted Funds
For the Year Ended May 31, 2010

	Note	Operating Fund	Capital and Restricted Funds	2010	Total 2009
Revenue					
Fee revenue	6	\$ 211,890	\$ -	\$ 211,890	\$ 201,625
Interest and sundry income		1,043	-	1,043	1,686
Locker income		11,236	-	11,236	10,415
Alumni funding		40,000	-	40,000	40,000
Career office funding	5	-	132,697	132,697	146,580
		264,169	132,697	396,866	400,306
Committee recoveries					
Career fair		20,631	-	20,631	-
Graduation ball		49,824	-	49,824	40,753
Hand book		10,143	-	10,143	13,045
Orientation		123,900	-	123,900	109,209
Pub-SUDS		25,968	-	25,968	20,725
SkuleNite		43,346	-	43,346	29,443
The Cannon Ball		22,218	-	22,218	23,977
Year book advertising		27,713	-	27,713	28,285
		323,743	-	323,743	265,437
Net income (loss) from store operations (page 15)					
		(4,878)	(1,911)	(6,789)	12,156
		583,034	130,786	713,820	677,899
Expenses (pages 16 - 17)					
General		91,494	1,521	93,015	99,508
Career office		-	143,651	143,651	131,827
Committee costs		466,751	-	466,751	510,961
		558,245	145,172	703,417	742,296
Excess of revenue over expenses (expenses over revenue)					
		\$ 24,789	\$ (14,386)	\$ 10,403	\$ (64,397)

See accompanying notes.

The University of Toronto Engineering Society

Statement of Changes in Fund Balances For the Year Ended May 31, 2010

	Note	Operating Fund	Property and Equipment Fund	Internally Restricted (Note 5)	Total 2010	Total 2009
Balance at beginning of year		\$ 141,236	\$ 15,655	\$ 193,568	\$ 350,459	\$ 632,027
Levy net contributions	5	-	-	844	844	1,353
Grad Ball net contributions (withdrawals)	5	-	-	(9,013)	(9,013)	8,000
Atrium inter fund transfer (withdrawals)	5	28,541	-	(28,541)	-	(222,064)
Alumni Student Trusts	5	-	-	(470)	(470)	(4,460)
Excess of revenue over expenses (expenses over revenue)		24,789	(3,432) ⁽ⁱ⁾	(10,954)	10,403	(64,397)
Balance at end of year		\$ 194,566	\$ 12,223	\$ 145,434	\$ 352,223	\$ 350,459

Note (i)- Relates to amortization charge recorded on assets.

See accompanying notes.

The University of Toronto Engineering Society

Statement of Cash Flows
For the Year Ended May 31, 2010

	Note	2010	2009
Funds provided (used)			
Operating activities			
Excess of revenue over expenses (expenses over revenue)		\$ 10,403	\$ (64,397)
Non cash items			
Add amortization which is a non-cash item		3,432	3,905
		13,835	(60,492)
Changes in non-cash working capital items			
Accounts receivable		2,786	4,543
Inventory		8,820	(7,450)
Prepaid expenses and sundry deposits		35,010	(28,052)
Accounts payable and accrued liabilities		(9,282)	(38,630)
		51,169	(130,081)
Cash flows from investing activities			
Proceeds from (purchase) of long-term cash term deposit		14,292	(8,792)
Purchase of property and equipment		-	(4,347)
		14,292	(13,139)
Cash flows from financing activities			
Atrium proceeds, net expenditures		-	(222,064)
Grad ball net proceeds, (expenditures)		(9,013)	8,000
Levy fund proceeds, net proceeds		844	1,353
Alumni student trusts, net expenditures		(470)	(4,460)
		(8,639)	(217,171)
Increase (decrease) in cash and cash equivalents during the year		56,822	(360,391)
Cash and cash equivalents at beginning of year	3	269,702	630,093
Cash and cash equivalents at end of year	3	\$ 326,524	\$ 269,702

See accompanying notes.

The University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2010

1. 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 the section 149 of the Income Tax Act, the entity qualifies as a non-profit organization and is exempt for income tax purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

The Operating 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 5 to these financial statements summarized as follows: Grad Ball fund- Fund held to fund future Grad ball events; Levy Fund- Fund portion specifically restricted to cover distributions costs; ECO Fund- Fund established to fund future Career office requirements; Atrium Renovation fund- Fund established to meet Atrium renovation expenses (terminated in 2010), and Alumni Student Trust-Fund held to fund Student Orchestra events (terminated in 2010).

Revenue Recognition

Restricted contributions are recognized as revenue of the Restricted Funds when amounts are received. Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. The Society operates a retail store and revenue is recognized when goods are delivered and paid by customers.

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

The University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments

All financial instruments are measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, held for trading, available-for-sale or other liability, described as follows:

Financial Assets

Held for trading assets are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Held-to-maturity assets are subsequently measured at amortized cost using the effective interest rate method.

Loans and receivables are subsequently measured at amortized cost using the effective interest rate method.

Available-for-sale assets are subsequently measured at fair value with the changes in fair value recorded in the statement of changes in fund balances, except for equity instruments without a quoted market price which are measured at cost.

Financial Liabilities

Held for trading liabilities are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Other liabilities are subsequently measured at amortized cost using the effective interest rate method.

<u>Financial Instrument</u>	<u>Classification</u>	<u>Measurement</u>
Cash and cash equivalents	Held-for-trading	Fair value
Cash deposit - long-term	Held-to-maturity	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of three months or less from the date of purchase, and are stated at fair market value.

Cash and cash equivalents does not include amounts held on deposit for committee activities and affiliated clubs. These deposits are charged to committee expenses at the time the monies are advanced by the Society. It is the Society's policy to hold all cash term deposits to its maturity dates.

The University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Cash Deposit - long-term

Cash deposit - long-term are term investments with a maturity of greater than twelve months from the reporting date and are recorded at fair market value.

Inventory

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

Property and Equipment

Furniture, equipment and computers are recorded at cost with amortization provided over their estimated useful life on a declining balance basis at varying rates between 20% and 30% per year.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates.

Significant areas requiring the use of management estimates relate to the determination of the useful lives of property and equipment for amortization purposes, amounts recorded as accrued liabilities and valuation of inventory and accounts receivable.

Impairment of Long-Lived Assets

Long-lived assets comprise property and equipment. The Society recognizes an impairment loss for a long-lived asset when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. An impairment loss is measured as the excess of the carrying value of the asset over its fair value. The Society did not record any impairment charges for the year ended May 31, 2010.

The University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Change in Accounting Policy

Section 4400 - Not-For-Profit Organizations

Effective June 1, 2009, the Organization adopted the amended guidelines of The Section 4400 series of accounting standards applicable to Not-for-profit organizations ("NPO's") recently announced by the Canadian Institute of Chartered accountants.

Key amendments include the following:

- (a) New disclosure requirements for net assets subject to internal restrictions;
- (b) Application of EIC-123 (Reporting Revenue Gross as a Principal Versus Net as an Agent) to an NPO's revenue recognition policies.
- (c) Introduction of Section 4470 (Disclosure of allocated expenses by not-for-profit organizations) which includes the requirement to disclose allocations of fundraising and general support expenditures;
- (d) Elimination of special considerations for NPO's in the presentation of cash flow statements.

3. CASH AND CASH EQUIVALENTS AND CASH DEPOSIT

	2010	2009
Cash and term deposits - unrestricted operating funds	\$ 195,626	\$ 106,447
Grad Ball Fund cash deposits	35,433	44,448
Levy Fund account	2,242	1,399
Atrium Renovation Committee Fund account	-	28,470
Career Office Trust account	113,066	123,073
	<hr/>	<hr/>
	346,367	303,837
Less: Cash deposit - long-term	19,843	34,135
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	\$ 326,524	\$ 269,702

The University of Toronto Engineering Society

Notes to Financial Statements
May 31, 2010

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2010	Net 2009
Furniture, equipment and computers	\$ 138,502	\$ 126,279	\$ 12,223	\$ 15,655

5. DESCRIPTION OF RESTRICTED FUNDS AND FUND BALANCES

Internally Restricted

The Internally Restricted Fund balance is made up of the following:

	2010	2009
Grad Ball Fund ⁽ⁱ⁾	\$ 35,435	\$ 44,448
Levy Fund ⁽ⁱⁱ⁾	2,353	1,509
Engineering Career Office Fund ⁽ⁱⁱⁱ⁾	107,646	118,600
Atrium Renovation Committee ^(iv)	-	28,541
Alumni Student Trusts ^(v)	-	470
	\$ 145,434	\$ 193,568

(i) Grad Ball Fund

The Grad Ball Fund is restricted for future Grad Ball events.

(ii) 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. It was resolved that up to a maximum of 10% of the Levy Fund collections may be designated to cover for disbursements costs, otherwise these funds are required to be paid into a separate Levy Trust accounts of sub entities (being engineering departments within the Faculty of Applied Science and Engineering, namely Civil, Chemical, Geology, Mechanical, Computer, Electrical Mineral, Industrial, Materials and Engineering science); these entities which have their own mandate as to the use of these funds. During the year the Society retained \$844 (2009 - \$1,353) from the Levy fund collections. During the year the Society received through student fees amounts totaling \$633,024 (2009 - \$400,333), and disbursed \$632,181 (2009 - \$398,980), leaving a balance of \$2,353 (2009 - \$1,509) at end of the year.

The University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2010

5. DESCRIPTION OF RESTRICTED FUNDS AND FUND BALANCES (Cont'd)

(iii) Engineering Career Office Fund (ECO)

The ECO fund was established in 2003 to fund future career office programs. In subsequent years, members voted to continue to fund the ECO programs through collections from students. Pursuant to a referendum held in 2006, Council Members increased ECO fee collection at the rate of approximately \$25 per student. The Society received \$105,504 (2009 - \$100,083) from fee collection (see Note 6), and additional \$27,193 (2009 - \$45,981) from joint career programs run with UFT Career office and reimbursements from employers totaling to \$132,697 (2009 - \$146,580). The Society disbursed career office expenses totaling \$143,651 (2009 - \$131,827), leaving a balance of \$107,646 (2009 - \$118,600).

(iv) Atrium Renovation Committee

Effective March 2006, the Society approved to start an Atrium Renovation Committee (ARC) to oversee the completion of the Atrium renovation. Total budgeted cost of the project is estimated at \$2,965,000 to completion. The Society is responsible for a portion of the ARC's costs to cover initial design, set up and architectural fees which was collected through a student levy, at the rate of \$25 per student. The remainder of funds are to be raised by fundraising and sponsorship drives. The renovation was completed during the year and as a result no collections (2009 - \$100,083) or expenditures (2009 - \$322,147) were made through 2010. The balance in the ARC fund at the beginning of the year in the amount of \$28,541 (2009 - \$NIL) was transferred into operating account by approval of the Atrium renovation committee and terminated the fund, leaving a balance of \$NIL (2009 - \$28,541) at the end of the year.

(v) Alumni Student Trusts

During the year, the Society received cash amounting to \$NIL (2009 - \$NIL) from the Alumni office which is to be held in trust for the Student Orchestra events. Amount disbursed from the Fund was \$470 (2009 - \$4,460). This fund was terminated at the end of 2010.

The University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2010

6. FEE REVENUE

Student fee revenue is reflected in the financial statements net of Levy Fund, and other contributions as follows:

	2010	2009
Total fees	\$1,027,478	\$ 873,233
Deduct amounts flowed out to trust accounts:		
Levy Fund payouts (Note 5(ii))	(633,024)	(400,333)
Atrium Renovation Committee (Note 5)	-	(100,083)
	394,454	372,817
Engineering Career Office Fund portion (Note 5)	(105,504)	(100,083)
	288,950	272,734
Deduct amounts flowed out for specific trusts ⁽ⁱ⁾		
Solar Car Project	(23,211)	(22,019)
Formula SAE	(18,991)	(16,023)
Human Powered Vehicle Design Team	(10,550)	(10,008)
Engineers Without Borders	(10,550)	(10,008)
Concrete Canoe	(13,758)	(13,051)
Society fees	\$ 211,890	\$ 201,625

(i) The Society flowed out the funds to the trust accounts pursuant to Student referendums passed at commencement of year as mandated by University of Toronto administrative policies and are not disbursements of the Society.

7. FINANCIAL INSTRUMENTS

Fair Values

The carrying values of cash and equivalents, long term cash deposits, accounts receivable and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

Credit Risk

Financial instruments that potentially subject the Society to credit risk consist principally of accounts receivables. The Society is of the opinion that this credit risk is minimized since credit is only allowed to the known events organizers and groups affiliated with university year over year. Store sales is transacted on a cash on delivery basis.

The University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2010

8. CAPITAL MANAGEMENT

In managing capital (defined as working capital (current assets less current liabilities) plus long term assets), the Society carefully focuses on liquid resources available for operations. The Society manages the finance structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Society's objective is met by retaining adequate net asset resources to provide for the possibility that cash flows from revenues will not be sufficient to meet future cash flow requirements and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at May 31, 2010, the Society has met its objective of having sufficient liquid resources to meet its current obligations.

ADDITIONAL INFORMATION

To the Members of
The University of Toronto Engineering Society

In connection with our audit of the financial statements of **The University of Toronto Engineering Society** for the year ended **May 31, 2010**, we have presented additional supplementary information in the following schedules presented in pages 15 - 17. This information been taken primarily from accounting and other records of the Society and is not, in our opinion, necessary for a fair presentation of the society's financial position and the results of its operations and its fund balances.

Our audit of the financial statements of **The University of Toronto Engineering Society** for the year ended **May 31, 2010** was intended primarily for the purpose of formulating an opinion on the basic financial statements taken as a whole and was not such as to enable us to express an opinion as to the fairness of all the details of the information in the following schedules included in this report.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Licensed Public Accountants

August 5, 2010
Toronto, Ontario

The University of Toronto Engineering Society

Statement of Store Operations and Operating Fund

For the Year Ended May 31, 2010

(Unaudited)

	2010	2009
Sales		
Bookstore	\$ 357,333	\$ 277,312
Cafe bar	54,082	47,464
	411,415	324,776
Cost of sales		
Inventory - beginning of the year	20,024	12,574
Purchases	367,276	286,657
	387,300	299,231
Inventory - end of the year	11,204	20,024
	376,096	279,207
Gross profit	35,319	45,569
Other income	1,516	5,273
	36,835	50,842
Expenses		
Wages and benefits	19,739	16,165
Office and general	7,409	8,692
Credit card charges	5,565	4,484
Rent-Cafe bar	9,000	7,500
Amortization - office equipment	1,911	1,845
	43,624	38,686
Net income (loss)	(6,789)	12,156
Accumulated surplus at beginning of year	109,619	99,966
Transfer from (to) property and equipment fund	1,909	(2,503)
Accumulated surplus at end of the year	\$ 104,739	\$ 109,619

The University of Toronto Engineering Society

Schedule of General Expenses, Career Office and Committee Costs
For the Year Ended May 31, 2010
(Unaudited)

	2010	2009
General Expenses		
Office wages and employee benefits	\$ 53,199	\$ 56,047
Computer systems	675	644
Elections	917	111
Executive and council	5,147	10,205
Gifts, donations and awards	2,574	1,210
Insurance	8,362	8,196
Interest and bank charges	485	920
Miscellaneous	2,717	2,673
Office printing, stationery and general	2,690	3,437
Professional fees	13,375	13,875
Repairs and maintenance	1,353	130
Amortization - property and equipment	1,521	2,060
	\$ 93,015	\$ 99,508
Career Office		
Salary and wages	\$ 143,603	\$ 129,577
Printing, postage and supplies	32	961
Office and general	16	965
Events and workshop	-	324
	\$ 143,651	\$ 131,827
Committee Costs		
Communications		
Handbook	\$ 9,094	\$ 10,217
Yearbook	29,053	30,364
Toike oike	5,079	8,031
Publications - other costs	582	1,110
The Cannon	4,128	2,101
Skule planner	12,080	8,685
	60,016	60,508
Social		
Cannon ball	30,081	32,919
Affiliates		
Club grants	47,929	52,908
Subtotal carried forward	\$ 138,026	\$ 146,335

The University of Toronto Engineering Society

Schedule of General Expenses, Career Office and Committee Costs

For the Year Ended May 31, 2010

(Unaudited)

	2010	2009
Committee Costs (Cont'd)		
Subtotal brought forward	\$ 138,026	\$ 146,335
Blue and gold		
Blue and gold general	3,070	2,425
Cannon guard	3,129	2,607
Cannon video	1,416	838
Homecoming	1,185	2,182
	8,800	8,052
Fourth year		
Fourth year general	335	-
Grad Ball	56,278	75,605
Kipling ritual	13,500	12,090
	70,113	87,695
Professional development		
CEC	2,325	616
CFES fees	1,676	1,676
CFES president's meeting	976	100
CWIE	887	410
ESA fees	704	607
ESSCO	535	15
ESSCO FYIC	685	991
ESSCOOESP	200	270
Engineering congress - CCES	2,675	5,097
Miscellaneous conferences	2,739	4,747
New U	225	120
OEC	875	616
PEO	445	250
UTEK	983	206
	15,930	15,721
Events		
Archives and community service	321	855
High school liaison	3,174	2,546
Orientation and first year events	122,115	118,068
Pub - SUDS	25,499	20,930
Skule nite	47,468	21,460
Student council	720	1,094
Student issues	1,805	1,313
Sundry events and special projects	14,180	86,892
Career fair	18,600	-
	233,882	253,158
	\$ 466,751	\$ 510,961