

The University of Toronto Engineering Society

**Report and Financial Statements (audited)
with Additional Information (unaudited)**

For the Year Ended May 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Members of The University of Toronto Engineering Society

We have audited the accompanying financial statements of The University of Toronto Engineering Society which comprise the statement of financial position as at May 31, 2011 and the statements of operations and capital and restricted funds, 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 generally accepted accounting principles, and for such internal control as the Management determine are 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

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.

Qualified Opinion

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, 2011 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

Licensed Public Accountants
Chartered Accountants
October 11, 2011
Toronto, Ontario

The University of Toronto Engineering Society
Statement of Financial Position
As at May 31, 2011

	Society	2011 Store	Total	Society	2010 Store	Total
Assets						
Current						
Cash and cash equivalents (Note 3)	\$ 218,190	\$ 83,579	\$ 301,769	\$ 232,886	\$ 93,638	\$ 326,524
Amounts receivable	15,645	20,585	36,230	5,801	5	5,806
Inventory	-	11,204	11,204	-	11,204	11,204
Prepaid expenses and sundry deposits	13,214	-	13,214	1,909	-	1,909
	247,049	115,368	362,417	240,596	104,847	345,443
Other assets						
Cash deposit - long-term (Note 3)	10,000	-	10,000	19,843	-	19,843
Property and equipment (Note 4)	4,195	6,114	10,309	4,580	7,643	12,223
	14,195	6,114	20,309	24,423	7,643	32,066
	\$ 261,244	\$ 121,482	\$ 382,726	\$ 265,019	\$ 112,490	\$ 377,509

Liabilities

Current						
Accounts payable and accrued liabilities	\$ 29,279	\$ -	\$ 29,279	\$ 25,178	\$ 108	\$ 25,286

Fund Balances

Operating fund (Note 8)	115,270	121,482	236,752	94,407	112,382	206,789
Internally restricted (Note 5)	116,695	-	116,695	145,434	-	145,434
	231,965	121,482	353,447	239,841	112,382	352,223
	\$ 261,244	\$ 121,482	\$ 382,726	\$ 265,019	\$ 112,490	\$ 377,509

Approved by the Board

 President

 V. P. Finance

The University of Toronto Engineering Society
Statement of Operations and Capital and Restricted Funds
Year Ended May 31, 2011

	Operating Fund	Capital and Restricted Funds	Total 2011	Total 2010
Revenue				
Fee revenue (Note 6)	\$ 218,405	\$ -	\$ 218,405	\$ 211,890
Interest and sundry income	5,723	-	5,723	1,043
Locker income	11,476	-	11,476	11,236
Alumni funding	40,000	-	40,000	40,000
Engineering Career Office funding (Note 5)	-	112,308	112,308	132,697
	275,604	112,308	387,912	396,866
Committee recoveries				
Career fair	24,628	-	24,628	20,631
Graduation ball	44,092	-	44,092	49,824
Hand book	12,657	-	12,657	10,143
Orientation	112,329	-	112,329	123,900
Pub-SUDS	28,503	-	28,503	25,968
SkuleNite	40,023	-	40,023	43,346
The Cannon Ball	15,397	-	15,397	22,218
Year book advertising	28,275	-	28,275	27,713
	305,904	-	305,904	323,743
Net income (loss) from store operations (page 15)	9,100	-	9,100	(6,789)
	590,608	112,308	702,916	713,820
Expenses (pages 16 - 17)				
General	106,879	-	106,879	93,015
Career office	-	144,438	144,438	143,651
Committee costs	453,766	-	453,766	466,751
	560,645	144,438	705,083	703,417
Excess of revenue over expenses (expenses over revenue)	\$ 29,963	\$ (32,130)	\$ (2,167)	\$ 10,403

The University of Toronto Engineering Society
Statement of Changes in Fund Balances
Year Ended May 31, 2011

	Operating Fund	Property and Equipment Fund	Internally Restricted (Note 5)	Total 2011	Total 2010
Balance, beginning of year	\$ 194,566	\$ 12,223	\$ 145,434	\$ 352,223	\$ 350,459
Levy net contributions (Note 5)	-	-	(2,353)	(2,353)	844
Grad Ball net contribution (withdrawals) (Note 5)	-	-	(4,256)	(4,256)	(9,013)
Tutoring fund (Note 5)	-	-	10,000	10,000	-
Alumni Student Trusts (Note 5)	-	-	-	-	(470)
Excess of revenue over expenses (expenses over revenue)	29,963	-	(32,130) ⁽ⁱ⁾	(2,167)	10,403
Transfer property and Equipment fund (Note 8)	12,223	(12,223)	-	-	-
Balance, end of year	\$ 236,752	\$ -	\$ 116,695	\$ 353,447	\$ 352,223

(i) Relates to current year Engineering Career Office expenses net of revenue.

The University of Toronto Engineering Society
Statement of Cash Flows
Year Ended May 31, 2011

	2011	2010
Cash provided by (used in)		
Operations		
Operating activities		
Excess of revenue over expenses (expenses over revenue)	\$ (2,167)	\$ 10,403
Non-cash items		
Add amortization	2,786	3,432
	619	13,835
Changes in non-cash working capital items		
Amounts receivable	(30,424)	2,786
Inventory	-	8,820
Prepaid expenses and sundry deposits	(11,305)	35,010
Accounts payable and accrued liabilities	3,993	(9,282)
	(37,117)	51,169
Investing		
Redemptions (purchase) of cash deposit - long-term	9,843	14,292
Additions to property and equipment	(872)	-
	8,971	14,292
Financing		
Grad ball, net expenditures	(4,256)	(9,013)
Levy fund net (expenditures) proceeds	(2,353)	844
Alumni student trusts, net expenditures	-	(470)
Tutoring fund proceeds	10,000	-
	3,391	(8,639)
Net change in cash and cash equivalents	(24,755)	56,822
Cash and cash equivalents, beginning of year (Note 3)	326,524	269,702
Cash and cash equivalents, end of year (Note 3)	\$ 301,769	\$ 326,524

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: Tutoring Fund- Fund established to provide high quality tutoring programs to eligible students.

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 as cash is received from customers upon delivery of merchandise.

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

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:

(a) 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.

(b) 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
Amounts 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.

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.

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 lives 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, 2011.

The University of Toronto Engineering Society
Notes to Financial Statements
May 31, 2011

3. CASH AND CASH EQUIVALENTS AND CASH DEPOSIT

	2011	2010
Cash and term deposits - unrestricted operating funds	\$ 215,053	\$ 195,626
Grad Ball Fund cash deposits	30,344	35,433
Levy Fund account	-	2,242
Career Office Trust account	66,372	113,066
	311,769	346,367
Less: Cash deposit - long-term	10,000	19,843
	\$ 301,769	\$ 326,524

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net 2011	Net 2010
Furniture, equipment and computers	\$ 139,373	\$ 129,064	\$ 10,309	\$ 12,223

5. DESCRIPTION OF RESTRICTED FUNDS AND FUND BALANCES

Internally Restricted

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

	2011	2010
Grad Ball Fund ^(a)	\$ 31,179	\$ 35,435
Levy Fund ^(b)	-	2,353
Engineering Career Office Fund ^(c)	75,516	107,646
Tutoring Fund ^(d)	10,000	-
	\$ 116,695	\$ 145,434

(a) Grad Ball Fund

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

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

(b) 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 had received through student fees totaling \$634,533 (2010 - \$633,024), and, disbursed amounts totaling \$636,886 (2010 - \$632,180) resulting in net disbursements of \$2,353 (2010 net surplus of \$844). The balance in the Levy fund was \$NIL (2010 - \$2,353), at end of the year.

(c) 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 \$105,755 (2010 - \$105,504) from fee collection (see Note 6), and, additional \$6,553 (2010 - \$27,193) from joint career programs run with UFT Career office for ECO revenues, totaling to \$112,308 (2010 - \$132,697). From this revenue, and surpluses from past years, The Society disbursed career office expenses totaling \$144,438 (2010 - \$143,651), leaving a balance of \$75,516 (2010 - \$107,646).

(d) Tutoring Fund ("TF")

Pursuant to an referendum and a resolution passed by the Society's committee, it was approved that a TF be established during the year. The TF was funded through collections from student levies and its purpose was provide high quality tutoring programs made available to the Faculty of Applied Science and Engineering students. In addition it was agreed that The University will a contribute \$0.50 for every \$1 contributed by students. These funds will be distributed to support Tutoring programs for the eligible students at the discretion of the Society. No amounts were spent from TF during 2011.

The University of Toronto Engineering Society
Notes to Financial Statements
May 31, 2011

6. FEE REVENUE

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

	2011	2010
Total fees	\$ 1,035,937	\$ 1,027,478
Deduct amounts flowed out to trust accounts:		
Levy Fund payouts (Note 5(b))	(634,533)	(633,024)
	401,404	394,454
Engineering Career Office Fund portion (Note 5)	(105,755)	(105,504)
	295,649	288,950
Deduct amounts flowed out for specific trusts ^(a)		
Solar Car Project	(23,266)	(23,211)
Formula SAE	(19,036)	(18,991)
Human Powered Vehicle Design Team	(10,576)	(10,550)
Engineers Without Borders	(10,576)	(10,550)
Concrete Canoe	(13,790)	(13,758)
Society fees	\$ 218,405	\$ 211,890

(a) The Society flow out the funds to the trust accounts pursuant to Student referendums and as mandated by University of Toronto Administrative policy. These 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 amounts receivables which typically includes uncollected events revenues, or amounts receivable for inventory returns from suppliers. 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 and because business is only conducted with reputable suppliers.

The University of Toronto Engineering Society
Notes to Financial Statements
May 31, 2011

8. RESTATEMENT OF OPERATING FUND

During the year, the Society transferred the balance from Property and equipment fund to the Operating fund in the aggregate amount of \$12,223 pursuant to adopt changes for new accounting standards issued for Non-for Profit Organizations CICA Handbook section 4400. Comparative balance of the Operating fund balance as at May 31, 2010 was restated for fair presentation.

	Society	2011 Store	Total	Society	2010 Store	Total
Operating fund- Originally stated before transfer	\$ 110,690	\$ 113,839	\$ 224,529	\$ 89,827	\$ 104,739	\$ 194,566
Property and equipment fund transfer	4,580	7,653	12,233	4,580	7,643	12,223
Operating Fund - As Restated at May 31, 2011	\$ 115,270	\$ 121,482	\$ 236,752	\$ 94,407	\$ 112,382	\$ 206,789

9. 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, 2011, 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, 2011, 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, 2011 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

Licensed Public Accountants
Chartered Accountants
October 11, 2011
Toronto, Ontario

The University of Toronto Engineering Society
Schedule of Store Operations and Operating Fund
Year Ended May 31, 2011
(unaudited)

	2011	2010
Sales		
Bookstore	\$ 342,381	\$ 357,333
Cafe bar	77,796	54,082
	420,177	411,415
Cost of sales		
Inventory, beginning of the year	11,204	20,024
Purchases	370,198	367,276
	381,402	387,300
Inventory, end of the year	11,204	11,204
	370,198	376,096
Gross profit	49,979	35,319
Other income	362	1,516
	50,341	36,835
Expenses		
Wages and benefits	21,523	19,739
Office and general	3,323	7,409
Credit card charges	5,866	5,565
Rent - Cafe bar	9,000	9,000
Amortization - Office equipment	1,529	1,911
	41,241	43,624
Net income (loss)	\$ 9,100	\$ (6,789)

The University of Toronto Engineering Society
Schedule of General Expenses, Career Office and Committee Costs
Year Ended May 31, 2011
(unaudited)

	2011	2010
General expenses		
Office wages and employee benefits	\$ 57,086	\$ 53,199
Computer systems	422	675
Elections	457	917
Executive and council	8,702	5,147
Gifts, donations and awards	2,711	2,574
Insurance	8,761	8,362
Interest and bank charges	684	485
Miscellaneous	1,984	2,717
Office printing, stationery and general	5,444	2,690
Professional fees	14,511	13,375
Repairs and maintenance	4,860	1,353
Amortization - property and equipment	1,257	1,521
	\$ 106,879	\$ 93,015
Career office		
Salary and wages	\$ 144,233	\$ 143,603
Printing, postage and supplies	-	32
Office and general	205	16
	\$ 144,438	\$ 143,651
Committee costs		
Communications		
Handbook	\$ 8,081	\$ 9,094
Yearbook	39,629	29,053
Toike oike	5,144	5,079
Publications - other costs	-	582
The Cannon	3,423	4,128
Skule planner	11,110	12,080
	67,387	60,016
Social		
Cannon ball	25,443	30,081
Affiliates		
Club grants	47,765	47,929
Blue and gold		
Blue and gold general	3,892	3,070
Cannon guard	4,220	3,129
Cannon video	1,218	1,416
Homecoming	2,097	1,185
LGMB	929	-
	12,356	8,800
Subtotal carried forward	\$ 152,951	\$ 146,826

The University of Toronto Engineering Society
Schedule of General Expenses, Career Office and Committee Costs
Year Ended May 31, 2011
(unaudited)

	2011	2010
Committee costs (Cont'd)		
Subtotal brought forward	\$ 152,951	\$ 146,826
Fourth year		
Fourth year general	949	335
Grad Ball	52,728	56,278
Kipling ritual	13,610	13,500
	67,287	70,113
Professional development		
CEC	246	2,325
CFES fees	1,657	1,676
CFES president's meeting	100	976
CWIE	1,396	887
ESA fees	-	704
ESSCO	1,591	535
ESSCO FYIC	1,150	685
ESSCOOESP	260	200
Engineering congress - CCES	6,056	2,675
Miscellaneous conferences	6,218	2,739
New U	200	225
OEC	-	875
PEO	8	445
UTEK	(506)	983
	18,376	15,930
Events		
Archives and community service	213	321
High school liaison	1,959	3,174
Orientation and first year events	128,213	122,115
Pub - SUDS	28,473	25,499
Skule nite	39,769	47,468
Student council	(102)	720
Student issues	47	1,805
Sundry events and special projects	3,420	14,180
Career fair	13,160	18,600
	215,152	233,882
	\$ 453,766	\$ 466,751