

**University of Toronto
Engineering Society
Financial Statements
For the year ended May 31, 2014**

Contents

Independent Auditor's Report	2-3
Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Fund Balances	6
Statement of Cash Flows	7
Notes to Financial Statements	8-14
Supplementary Schedules (Unaudited)	
Schedule of Store Operations	15
Schedule of Operating Fund General Expenses and Committee Costs	16-17



Tel: 416 865 0200
Fax: 416 865 0887
www.bdo.ca

BDO Canada LLP
TD Bank Tower
66 Wellington Street West
Suite 3600, PO Box 131
Toronto ON M5K 1H1 Canada

Independent Auditor's 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 (the "Society"), which comprise the statement of financial position as at May 31, 2014 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, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, and cash flows from operations for the years ended May 31, 2014 and 2013, current assets as at May 31, 2014 and 2013, and net assets as at June 1 and May 31 for both the 2014 and 2013 years. Our audit opinion on the financial statements for the year ended May 31, 2013 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, 2014 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 schedules or exhibits on pages 15 through 17 of the Society's financial statements.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

October 31, 2014
Toronto, Ontario

University of Toronto Engineering Society Statement of Financial Position

May 31, 2014

	Operating	Store	General Fund Total	Restricted Funds	2014 Total	2013 Total
Assets						
Current						
Cash and cash equivalents (Note 2)	\$ 334,205	\$ 78,020	\$ 412,225	\$ 47,454	\$ 459,679	\$ 532,640
Short term investments (Note 3)	10,694	-	10,694	-	10,694	20,694
Accounts receivable	-	30,113	30,113	-	30,113	1,086
Inventory	-	40,957	40,957	-	40,957	12,146
Prepaid expenses and sundry deposits	449	-	449	-	449	18,364
Due from operating fund (Note 4)	-	-	-	9,783	9,783	17,488
	345,348	149,090	494,438	57,237	551,675	602,418
Other assets						
Long term investments (Note 3)	20,236	-	20,236	-	20,236	20,236
Property and equipment (Note 5)	5,307	3,977	9,284	-	9,284	12,371
	\$ 370,891	\$ 153,067	\$ 523,958	\$ 57,237	\$ 581,195	\$ 635,025
Liabilities and Fund Balances						
Current						
Accounts payable and accrued liabilities (Note 6)	\$ 79,000	\$ 2,920	\$ 81,920	\$ -	\$ 81,920	\$ 97,329
Due to restricted funds (Note 4)	9,783	-	9,783	-	9,783	17,488
	88,783	2,920	91,703	-	91,703	114,817
Fund Balances (Note 7)	282,108	150,147	432,255	57,237	489,492	520,208
	\$ 370,891	\$ 153,067	\$ 523,958	\$ 57,237	\$ 581,195	\$ 635,025

On behalf of the Board:

_____ President

_____ V. P. Finance

University of Toronto Engineering Society Statement of Operations

For the year ended May 31, 2014

	Operating	Store	General Fund Total	Restricted Funds	2014 Total	2013 Total
Fee, Collection and Other Revenue						
Fee revenue (Note 9)	\$ 264,750	\$ -	\$ 264,750	\$ 595,816	\$ 860,566	\$ 941,133
Interest and sundry income	2,644	-	2,644	-	2,644	8,833
Locker income	10,619	-	10,619	-	10,619	11,318
Alumni funding	40,000	-	40,000	-	40,000	40,000
Store and cafe revenue	-	351,320	351,320	-	351,320	492,295
	318,013	351,320	669,333	595,816	1,265,149	1,493,579
Committee Revenue						
Advertising	36,996	-	36,996	-	36,996	22,731
Graduation ball	31,085	-	31,085	-	31,085	24,698
Orientation	110,342	-	110,342	-	110,342	131,095
Pub-SUDS	35,233	-	35,233	-	35,233	36,018
The Cannon Ball	23,407	-	23,407	-	23,407	25,070
	237,063	-	237,063	-	237,063	239,612
	555,076	351,320	906,396	595,816	1,502,212	1,733,191
Expenses						
General	84,698	38,277	122,975	25,638	148,613	200,100
Committee costs	401,795	-	401,795	-	401,795	389,352
Levy fund disbursements	-	-	-	508,579	508,579	580,215
Contribution to Skule	-	-	-	-	-	-
Endowment Fund (Note 8)	161,304	-	161,304	-	161,304	-
Store and cafe cost of sales	-	312,637	312,637	-	312,637	411,041
	647,797	350,914	998,711	534,217	1,532,928	1,580,708
Excess (deficiency) of revenue over expenses	\$ (92,721)	\$ 406	\$ (92,315)	\$ 61,599	\$ (30,716)	\$ 152,483

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, 2014

	General Fund	Restricted Funds	Total
Balance, beginning of year	\$ 363,266	\$ 156,942	\$ 520,208
Transfer from Levy Fund to Operating Fund (Note 7)	161,304	(161,304)	-
Excess (deficiency) of revenue over expenses	(92,315)	61,599	(30,716)
Balance, end of year	\$ 432,255	\$ 57,237	\$ 489,492

For the year ended May 31, 2013

	General Fund	Restricted Funds	Total
Balance, beginning of year	\$ 350,982	16,743	\$ 367,725
Legal Reserve Fund (Note 7)	(67,000)	67,000	-
Excess of revenue over expenses	79,284	73,199	152,483
Balance, end of year	\$ 363,266	156,942	\$ 520,208

University of Toronto Engineering Society Statement of Cash Flows

For the year ended May 31	2014	2013
Cash was provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (30,716)	\$ 152,483
Adjustments to reconcile excess (deficiency) of revenue over expenses for the year		
Amortization of property and equipment	3,087	2,916
Changes in non-cash operating balances		
Accounts receivable	(29,027)	22,834
Inventory	(28,811)	1,953
Prepaid expenses and sundry deposits	17,915	(17,915)
Accounts payable and accrued liabilities	(15,409)	(26,155)
	<u>(82,961)</u>	<u>136,116</u>
Investing activities		
Redemption of investments	10,000	11,414
Purchase of property and equipment	-	(5,939)
Purchase of investments	-	(10,000)
	<u>10,000</u>	<u>(4,525)</u>
Net increase in cash and cash equivalents during the year	(72,961)	131,591
Cash and cash equivalents, beginning of year	532,640	401,049
Cash and cash equivalents, end of year	\$ 459,679	\$ 532,640

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

University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2014

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; Legal Reserve Fund - Internally restricted fund established to fund legal expenses; 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 in which the Society provides the related services. The Society operates a retail store and cafe 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 an accrual basis.

University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2014

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.

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.

University of Toronto Engineering Society Notes to Financial Statements

May 31, 2014

2. Cash and Cash Equivalents

	2014	2013
Cash - unrestricted general funds	\$ 412,225	\$ 411,101
Levy Fund trust account (Note 7)	9,998	116,595
Student Fund (Note 7)	37,456	4,944
	\$ 459,679	\$ 532,640

3. Investments

Investments are comprised of non-redeemable guaranteed investment certificates which have interest rates between 1.00% and 1.85% (2013 - 1.00% and 2.45%). These investments will mature between February 2015 and May 2017 (2013 - May 2014 and March 2016).

4. Interfund Balances

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

5. Property and Equipment

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 36,446	\$ 32,152	\$ 36,446	\$ 30,312
Furniture and fixtures	110,336	105,346	110,336	104,099
	146,782	137,498	146,782	134,411
Net carrying amount		\$ 9,284		\$ 12,371

6. Government Remittances

Included in accounts payable is government remittances owing of approximately \$65,000 (2013 - \$80,600).

University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2014

7. Restricted Funds and Fund Balances

The Restricted Funds balance is made up of the following:

	2014	2013
Levy Fund ^(a)	\$ 9,781	\$ 116,378
Legal Reserve Fund ^(b)	-	25,620
Tutoring Fund ^(c)	10,000	10,000
Student Fund ^(d)	37,456	4,944
	\$ 57,237	\$ 156,942

(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 externally 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 Society had received, through student fees, \$595,816 (2013 - \$689,850), and disbursed amounts totaling \$508,579 (2013 - \$580,215) resulting in net collections of \$87,219 (2013 - \$109,635).

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 \$161,304 (2013 - \$nil) to the Operating Fund and \$32,512 (2013 - \$nil) to the Student Fund.

(b) Legal Reserve Fund

Pursuant to a Board of Directors' resolution in July 2012, the internally restricted Legal Reserve Fund was established to cover legal costs associated with diversion of certain fees currently paid to the University of Toronto Student Union by the University of Toronto Engineering Society. The Operating Fund initially funded the Legal Reserve Fund in the amount of \$67,000 of which \$nil (2013 - \$17,915) is recorded in prepaid expenses, \$25,620 (2013 - \$41,380) of legal costs were expensed during the year and the remaining balance of \$nil (2013 - \$7,705) is owed from the Operating Fund.

University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2014

7. Restricted Funds and Fund Balances - (Continued)

(c) 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 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. No amounts were restricted to or spent from the TF since the fund's inception.

(d) Student Fund

The Student Fund represents student fees internally restricted by the Society to fund capital projects for clubs and engineering education. During the year, \$32,512 was transferred to the Student Fund from the Levy Fund as described in Note 7(a).

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 donated \$200,000 (2013 - \$459,900) of the \$372,029 (2013 - \$459,900) from the collection of student fees.

During the year, the Society has also pledged \$1,000,000 to the University towards the building of the Centre for Engineering Innovations and Entrepreneurship. The pledge is to be provided to the Skule Endowment Fund and is to be fulfilled by April 15, 2016 in annual installments of \$333,333. During the year, the society donated \$333,333 of which \$172,029 is from the collection of student fees and \$161,304 is from the transfer from the Levy Fund as described in Note 7(a).

University of Toronto Engineering Society Notes to Financial Statements

May 31, 2014

9. Fee Revenue

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

	2014	2013
Total fees	\$ 1,350,328	\$ 1,478,756
Amounts collected for specific trusts ^(a)		
Formula SAE	(26,216)	(25,293)
Blue Sky Solar	(26,216)	(11,498)
Skule Nite	(18,589)	(17,936)
Engineers Without Borders	(11,916)	(11,498)
University of Toronto Robotics Association	(14,300)	(11,498)
Human Powered Vehicle Design Team	(11,916)	-
Concrete Canoe	(8,580)	-
Skule Endowment Fund fee revenue (Note 8)	(372,029)	(459,900)
Society Fees	\$ 860,566	\$ 941,133
Comprised of:		
Operating Fund - Fee revenue	\$ 264,750	\$ 251,283
Levy Fund (Note 7)	595,816	689,850
	\$ 860,566	\$ 941,133

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

University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2014

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 advise 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 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.

11. Comparative Figures

Certain prior year figures have been reclassified to conform with the presentation in the current year.

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

For the year ended May 31, 2014

	Bookstore	Cafeteria	2014 Total	2013 Total
Revenue	\$ 279,936	\$ 71,384	\$ 351,320	\$ 492,295
Cost of sales	255,653	56,984	312,637	411,041
	24,283	14,400	38,683	81,254
Expenses				
Wages and benefits	8,140	9,196	17,336	19,266
Office and general	1,889	1,466	3,355	35,773
Credit card charges	4,572	-	4,572	2,960
Rent	-	12,020	12,020	9,439
Amortization - office equipment	994	-	994	1,243
	15,595	22,682	38,277	68,681
Excess (deficiency) of revenue over expenses	\$ 8,688	\$ (8,282)	\$ 406	\$ 12,573

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

For the year ended May 31	2014	2013
General expenses		
Office wages and employee benefits	\$ 52,744	\$ 52,728
Computer systems	1,693	1,902
Elections	27	573
Executive and council	2,185	3,148
Gifts, donations and awards	876	1,307
Insurance	11,027	9,770
Interest and bank charges	862	508
Miscellaneous	2,726	2,192
Office printing, stationery and general	4,220	5,431
Professional fees	22,100	19,608
Repairs and maintenance	1,245	1,862
Amortization - property and equipment	2,093	1,673
Donations	-	7,437
HST	(17,100)	(18,100)
	<u>\$ 84,698</u>	<u>\$ 90,039</u>
Committee costs		
Communications		
Handbook	\$ 11,400	\$ 13,822
Yearbook	17,422	21,117
Toike oike	9,238	6,888
The Cannon	(1,352)	(1,728)
Skule planner	12,147	12,113
	<u>48,855</u>	<u>52,212</u>
Social		
Cannon ball	<u>31,644</u>	<u>28,700</u>
Affiliates		
Club grants	<u>63,725</u>	<u>73,587</u>
Carried forward	<u>\$ 144,224</u>	<u>\$ 154,499</u>

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

For the year ended May 31	2014	2013
Committee costs - (Continued)		
Brought forward	\$ 144,224	\$ 154,499
Blue and gold		
Blue and gold general	1,973	4,470
Cannon guard	3,427	4,830
Cannon video	522	221
Homecoming	302	1,053
LGMB	1,000	1,000
	<u>7,224</u>	<u>11,574</u>
Fourth year		
Fourth year general	98	326
Grad Ball	44,483	37,655
Kipling ritual	13,410	13,650
	<u>57,991</u>	<u>51,631</u>
Professional development		
CEC	-	(775)
CFES fees	1,754	1,718
CFES president's meeting	-	496
ESSCO	-	676
ESSCO OESP	-	250
Engineering congress - CFES	-	547
Miscellaneous conferences	7,416	12,259
New U	-	350
OEC	5,175	7,500
PEO	-	577
UTEK	1,084	(867)
	<u>15,429</u>	<u>22,731</u>
Events		
High school liaison	1,716	1,085
Orientation and first year events	116,358	101,218
Pub - SUDS	34,165	35,956
Skule Kup	69	1,364
Student council	1,414	281
Sundry events and special projects	23,205	9,013
	<u>176,927</u>	<u>148,917</u>
	<u>\$ 401,795</u>	<u>\$ 389,352</u>