

University of Toronto Engineering Society

Financial Statements
For the year ended May 31, 2017

**University of Toronto
Engineering Society
Financial Statements
For the year ended May 31, 2017**

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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, 2017 and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from Locker income, Alumni funding, Orientation, Advertising, Pub-SUDS, Graduation ball, Cannon ball, Store and Cafe revenue and UTSU revenue, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the years ended May 31, 2017 and 2016, current assets as at May 31, 2017 and 2016, and net assets as at June 1 and May 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended May 31, 2016 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, 2017 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

October 15, 2017
Toronto, Ontario

University of Toronto Engineering Society Statement of Financial Position

May 31, 2017

	Operating	Store	General Fund Total	Restricted Funds	2017 Total	2016 Total
Assets						
Current						
Cash and cash equivalents (Note 2)	\$ 452,982	\$ 139,329	\$ 592,311	\$ 67,915	\$ 660,226	\$ 518,823
Short term investments (Note 3)	10,694	-	10,694	-	10,694	10,694
Accounts receivable	-	28,887	28,887	-	28,887	83,534
Inventory	-	26,456	26,456	-	26,456	26,456
Prepaid expenses	449	-	449	-	449	449
Due from operating fund (Note 4)	-	-	-	9,783	9,783	9,783
	464,125	194,672	658,797	77,698	736,495	649,739
Other assets						
Long term investments (Note 3)	20,236	-	20,236	-	20,236	20,236
Property and equipment (Note 5)	1,992	2,037	4,029	-	4,029	5,299
	\$ 486,353	\$ 196,709	\$ 683,062	\$ 77,698	\$ 760,760	\$ 675,274

Liabilities and Fund Balances

Current						
Accounts payable and accrued liabilities (Note 6)	\$ 4,579	\$ 3,694	\$ 8,273	\$ -	\$ 8,273	\$ 43,132
Due to restricted funds (Note 4)	9,783	-	9,783	-	9,783	9,783
	14,362	3,694	18,056	-	18,056	52,915
Fund Balances (Note 7)	471,991	193,015	665,006	77,698	742,704	622,359
	\$ 486,353	\$ 196,709	\$ 683,062	\$ 77,698	\$ 760,760	\$ 675,274

On behalf of the Board:

_____ President

_____ V. P. Finance

University of Toronto Engineering Society Statement of Operations

For the year ended May 31, 2017

	Operating	Store	General Fund Total	Restricted Funds	2017 Total	2016 Total
Fee, Collection and Other Revenue						
Fee revenue (Note 9)	\$ 268,075	\$ -	\$ 268,075	\$ 519,995	\$ 788,070	\$ 808,977
UTSU revenue	83,895	-	83,895	-	83,895	42,443
Interest and sundry income	6,573	-	6,573	-	6,573	2,330
Locker income	7,577	-	7,577	-	7,577	8,833
Alumni funding	40,000	-	40,000	-	40,000	40,000
Store and cafe revenue	-	347,652	347,652	-	347,652	359,849
	406,120	347,652	753,772	519,995	1,273,767	1,262,432
Committee Revenue						
Advertising	12,781	-	12,781	-	12,781	18,563
Graduation ball	33,371	-	33,371	-	33,371	26,568
Orientation	104,876	-	104,876	-	104,876	128,897
Pub-SUDS	53,715	-	53,715	-	53,715	36,891
The Cannon Ball	25,162	-	25,162	-	25,162	16,053
	229,905	-	229,905	-	229,905	226,972
	636,025	347,652	983,677	519,995	1,503,672	1,489,404
Expenses						
General	113,368	49,571	162,939	103	163,042	133,206
Committee costs	460,043	-	460,043	-	460,043	439,368
Levy fund disbursements	-	-	-	465,339	465,339	550,000
Store and cafe cost of sales	-	294,903	294,903	-	294,903	310,011
	573,411	344,474	917,885	465,442	1,383,327	1,432,585
Excess of revenue over expenses	\$ 62,614	\$ 3,178	\$ 65,792	\$ 54,553	\$ 120,345	\$ 56,819

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, 2017

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

For the year ended May 31, 2016

	General Fund	Restricted Funds	Total
Balance, beginning of year	\$ 508,116	\$ 57,424	\$ 565,540
Net transfer from General Fund to Restricted Funds (Note 7)	(5,178)	5,178	-
Excess (deficiency) of revenue over expenses	61,161	(4,342)	56,819
Balance, end of year	\$ 564,099	\$ 58,260	\$ 622,359

University of Toronto Engineering Society Statement of Cash Flows

For the year ended May 31	2017	2016
Cash was provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 120,345	\$ 56,819
Adjustments to reconcile excess of revenue over expenses for the year		
Amortization of property and equipment	1,270	1,700
Changes in non-cash operating balances		
Accounts receivable	54,647	(69,697)
Inventory	-	3,973
Accounts payable and accrued liabilities	(34,859)	(28,793)
	141,403	(35,998)
Investing activities		
Redemption of investments	10,000	10,000
Purchase of investments	(10,000)	(10,000)
	-	-
Net increase (decrease) in cash and cash equivalents during the year	141,403	(35,998)
Cash and cash equivalents, beginning of year	518,823	554,821
Cash and cash equivalents, end of year	\$ 660,226	\$ 518,823

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

University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2017

1. Significant Accounting Policies

(a) Purpose of the Organization

The University of Toronto Engineering Society (the "Society") serves to provide student services to the undergraduate members of The University of Toronto Faculty of Applied Science and Engineering. Pursuant to the provisions of section 149 of the Income Tax Act, the entity qualifies as a non-profit organization and is exempt from income tax.

(b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

(c) Fund Accounting

The General Fund accounts for the Society's student service delivery expenses, committee costs, administrative activities and store operations.

The Restricted Funds report resources restricted as to use at the time of contribution and amounts established for future key initiatives as established by the Society members. These future initiatives are fully described in Note 7 to these financial statements and are summarized as follows: Levy Fund - Externally restricted fund established for projects within the Faculty of Applied Science and Engineering; Tutoring Fund - Internally restricted fund established to provide high quality tutoring programs to eligible students; and Student Fund - Internally restricted fund established to fund capital projects for clubs and engineering education.

(d) Revenue Recognition

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

Restricted contributions are recognized as revenue of the Restricted Funds when amounts are received. Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Student fees are recognized as revenue in the General Fund in the year to which the student fees relate on a straight line basis. The Society operates a retail store and cafe and revenue is recognized as cash is received from customers upon delivery of merchandise. Revenue from events and functions are recognized as the events and functions occur.

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

University of Toronto Engineering Society

Notes to Financial Statements

May 31, 2017

1. Significant Accounting Policies - (Continued)

(e) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. All bonds and guaranteed investment certificates are subsequently measured at amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Unless otherwise noted, the Society initially measures its financial assets and liabilities at fair value and subsequently measures its financial assets and liabilities at amortized cost.

(f) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of three months or less from the date of purchase.

(g) Inventory

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

(h) Property and Equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided on a declining balance basis at the following rates:

Computer equipment	30%
Furniture and fixtures	20%

(i) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates.

University of Toronto Engineering Society Notes to Financial Statements

May 31, 2017

2. Cash and Cash Equivalents

	2017	2016
Cash - general fund	\$ 592,311	\$ 470,346
Levy Fund trust account (Note 7)	56,127	1,266
Student Fund (Note 7)	11,788	47,211
	\$ 660,226	\$ 518,823

3. Investments

Investments are comprised of non-redeemable guaranteed investment certificates which have interest rates between 1.20% and 1.55% (2016 - 1.42% and 1.85%). These investments will mature between February 2018 and March 2020 (2016 - May 2017 and February 2019).

4. Interfund Balances

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

5. Property and Equipment

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 36,446	\$ 34,973	\$ 36,446	\$ 34,342
Furniture and fixtures	110,336	107,780	110,336	107,141
	146,782	142,753	146,782	141,483
Net carrying amount		\$ 4,029		\$ 5,299

6. Government Remittances

Included in accounts payable is government remittances owing of approximately \$3,690 (2016 - \$6,200).

University of Toronto Engineering Society Notes to Financial Statements

May 31, 2017

7. Restricted Funds and Fund Balances

The Restricted Funds balance is made up of the following:

	2017	2016
Levy Fund ^(a)	\$ 55,910	\$ 19,974
Tutoring Fund ^(b)	10,000	10,000
Student Fund ^(c)	11,788	28,286
	\$ 77,698	\$ 58,260

(a) Levy Fund

The Levy Fund was established to enhance the quality of undergraduate education pursuant to Student referendums that are passed at commencement of a new fiscal year. These restricted funds are required to be used at the Society's discretion for projects within the Faculty of Applied Science and Engineering (being engineering departments within the Faculty of Applied Science and Engineering, namely Civil, Chemical, Mechanical and Industrial, Electrical and Computer, Materials and Engineering science). Up to a maximum of 10% of the Levy Fund collections may be designated for other Society purposes. During the year, the Society received, through student fees, \$519,995 (2016 - \$545,702), and disbursed amounts totaling \$465,442 (2016 - \$550,000) resulting in net receipts of \$54,553 (2016 - net distributions of \$4,342). During the year, the Board of Directors approved an interfund transfer to the student fund of \$27,717.

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 \$9,100 from the General Fund (2016 - \$18,925) to the Levy fund.

(b) Tutoring Fund (TF)

Pursuant to a referendum and a resolution passed by the Society's committee, it was approved that an internally restricted TF be established in 2011. The TF was initially funded through a transfer from the Levy fund and its purpose is to provide high quality tutoring programs made available to the Faculty of Applied Science and Engineering students. These funds will be distributed to support Tutoring programs for the eligible students at the discretion of the Society. No amounts were restricted to or spent from the TF since the fund's inception.

University of Toronto Engineering Society Notes to Financial Statements

May 31, 2017

7. Restricted Funds and Fund Balances - (Continued)

(c) 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, \$44,215 was transferred from the Student Fund to the General Fund (2016 - \$13,747 transferred from the Student Fund to the General Fund) and \$27,717 was transferred to the Student Fund from the Levy Fund (2016 - nil).

8. Skule Endowment Fund

The Society has donated funds to the University of Toronto ("University") for the creation of the Skule Endowment Fund for the benefit of students of the Faculty of Applied Science and Engineering. The specific uses of the Skule Endowment Fund will be mutually determined by the Society and the University at a later date. The University is responsible for the management of the Skule Endowment Fund. During the year, the Society remitted \$435,000 (2016 - \$75,000) of the \$399,885 (2016 - \$413,510) from the collection of student fees consisting of \$390,785 (2016 - \$394,586) and other miscellaneous revenue of \$9,100 (2016 - \$18,925).

University of Toronto Engineering Society Notes to Financial Statements

May 31, 2017

9. Fee Revenue

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

	2017	2016
Total fees	\$ 1,320,139	\$ 1,350,066
Amounts collected for specific trusts ^(a)		
Formula SAE	(24,708)	(25,621)
Blue Sky Solar	(24,708)	(25,621)
Skule Nite	(17,520)	(18,168)
Engineers Without Borders	(11,231)	(11,646)
University of Toronto Robotics Association	(13,477)	(13,973)
Human Powered Vehicle Design Team	(12,354)	(12,810)
Concrete Canoe	(8,086)	(8,385)
University of Toronto Aerospace Team	(29,200)	(30,279)
Skule Endowment Fund fee revenue (Note 8)	(390,785)	(394,586)
Society Fees	\$ 788,070	\$ 808,977
Comprised of:		
Operating Fund - Fee revenue	\$ 268,075	\$ 263,275
Levy Fund (Note 7 (a))	519,995	545,702
	\$ 788,070	\$ 808,977

(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, 2017

10. Financial Instrument Risk Exposure and Management

The Society has policies relating to the identification, measurement, monitoring, mitigating and controlling of risks associated with financial instruments. The key risks related to financial instruments are market risk, credit risk and liquidity risk. The following sections describe how the Society manages each of these risks:

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market risk is comprised of interest rate risk.

Interest rate risk is the risk that the fair value of future cash flows of an investment will fluctuate because of changes in market interest rates. It arises when the Society invests in interest-sensitive investments such as GICs. To manage interest rate exposure, the Society invests in fixed income vehicles or cash, upon advice from an investment advisor. To further manage interest rate risk, the Society has established a laddering program whereby investment maturities are staggered over the long term.

Credit Risk

Financial instruments potentially exposed to credit risk include cash and cash equivalents, investments and accounts receivable. Management considers its exposure to credit risk over cash and cash equivalents to be remote as the Society holds cash deposits at one major Canadian bank. Accounts receivable are not concentrated significantly and therefore the carrying amount of accounts receivable represents the maximum credit risk exposure.

Liquidity Risk

Liquidity risk is the risk the Society will not be able to meet its financial obligations as they fall due. The Society maintains its working capital at a sufficient level to ensure it always has cash available to pay accounts payable and accrued liabilities, all of which fall due within twelve months of the balance sheet date.

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

For the year ended May 31

	Bookstore	Cafeteria	2017 Total	2016 Total
Revenue	\$ 184,462	\$ 163,190	\$ 347,652	\$ 359,849
Cost of sales	193,063	101,840	294,903	310,011
	(8,601)	61,350	52,749	49,838
Expenses				
Wages and benefits	9,565	17,186	26,751	24,381
Office and general	2,667	4,039	6,706	6,910
Credit card charges	3,605	-	3,605	3,929
Rent	-	12,000	12,000	12,000
Amortization - office equipment	509	-	509	636
	16,346	33,225	49,571	47,856
Excess (deficiency) of revenue over expenses	\$ (24,947)	\$ 28,125	\$ 3,178	\$ 1,982

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

For the year ended May 31	2017	2016
General expenses		
Office wages and employee benefits	\$ 62,092	\$ 58,852
Computer systems	6,730	2,509
Elections	180	128
Executive and council	5,644	5,928
Gifts, donations and awards	1,553	6,393
Insurance	10,929	10,727
Interest and bank charges	973	751
Miscellaneous	2,501	3,660
Office printing, stationery and general	3,237	3,074
Professional fees	22,952	24,367
Repairs and maintenance	574	2,153
Amortization - property and equipment	761	1,064
HST	(4,758)	(34,300)
	\$ 113,368	\$ 85,306
Committee costs		
Communications		
Handbook	\$ 8,988	\$ 14,452
Yearbook	18,427	18,571
Toike oike	8,413	9,727
The Cannon	2,882	4,599
Skule planner	13,851	12,318
	52,561	59,667
Social		
Cannon ball	38,915	23,644
Affiliates		
Club grants	84,746	81,308
Carried forward	\$ 176,222	\$ 164,619

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

For the year ended May 31	2017	2016
Committee costs - (Continued)		
Brought forward	\$ 176,222	\$ 164,619
Culture Committees		
Blue and gold general	12,034	10,151
Cannon guard	4,030	4,038
LGMB	-	1,799
	16,064	15,988
Fourth year		
Grad Ball	50,631	47,047
Kipling ritual	15,855	14,685
	66,486	61,732
Professional development		
CEC	1,050	-
CFES fees	-	1,824
ESSCO	-	456
Miscellaneous conferences	11,156	15,845
OEC	8,400	5,985
National education week (recovery)	-	(225)
UTEK (recovery)	317	(697)
	20,923	23,188
Events		
High school liaison	2,184	3,705
Orientation and first year events	86,877	98,036
Pub - SUDS	54,046	46,217
Skule Kup	216	517
Student council	1,427	1,241
Student issues	(5,801)	579
Sundry events and special projects	41,399	23,546
	180,348	173,841
	\$ 460,043	\$ 439,368