

FINANCIAL STATEMENTS
SCARBOROUGH CAMPUS STUDENTS' UNION
AS AT APRIL 30, 2020

SCARBOROUGH CAMPUS STUDENTS' UNION

AS AT APRIL 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors:
Scarborough Campus Students' Union

Opinion

We have audited the financial statements of **Scarborough Campus Students' Union**, which comprise the statement of financial position as at April 30, 2020, and the statements of operations and changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Scarborough Campus Students' Union** as at April 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of **Scarborough Campus Students' Union** in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing **Scarborough Campus Students' Union's** ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate **Scarborough Campus Students' Union** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing **Scarborough Campus Students' Union's** financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Scarborough Campus Students' Union's** internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on **Scarborough Campus Students' Union's** ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause **Scarborough Campus Students' Union** to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Yale PGC LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
November 16, 2020

**SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO**

STATEMENT OF FINANCIAL POSITION

**AS AT APRIL 30, 2020
(With comparative figures as at April 30, 2019)**

	2020	2019
A S S E T S		
CURRENT		
Cash	\$ 2,597,859	\$ 2,311,343
Guaranteed investment certificate	-	151,942
Accounts receivable, net of allowance of \$184,160 (2019 - \$4,728)	156,526	150,385
Prepaid expenses	12,713	12,431
Inventory	13,488	12,701
Current portion of loan receivable	<u>11,667</u>	<u>10,000</u>
	2,792,253	2,648,802
NON-CURRENT		
Cash restricted for health and dental plan (note 4)	3,798,815	2,850,323
Cash restricted for deferred levies (note 3)	291,228	154,853
Investment in and advances to related parties (note 5)	79,994	238,072
Loan receivable (note 6)	62,500	72,500
Property and equipment (note 7)	<u>20,565</u>	<u>21,694</u>
TOTAL ASSETS	<u>\$ 7,045,355</u>	<u>\$ 5,986,244</u>
L I A B I L I T I E S		
CURRENT		
Accounts payable	\$ 146,834	\$ 614,153
Government remittances	6,956	10,828
Deferred rental deposits	<u>6,946</u>	<u>6,946</u>
	160,736	631,927
NON-CURRENT		
Deferred health and dental plan fees (note 4)	3,798,816	2,850,323
Deferred student levies (note 3)	<u>291,228</u>	<u>154,852</u>
TOTAL LIABILITIES	4,250,780	3,637,102
N E T A S S E T S		
TOTAL NET ASSETS	<u>2,794,575</u>	<u>2,349,142</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,045,355</u>	<u>\$ 5,986,244</u>

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

See accompanying notes

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**SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO**

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

**FOR THE YEAR ENDED APRIL 30, 2020
(With comparative figures for the year ended April 30, 2019)**

	2020	2019
REVENUES		
Health and dental plan fees recognized (note 4)	\$ 4,556,572	\$ 3,469,102
Unrestricted general student fees	732,569	774,060
Restricted referendum fees recognized (note 3)	381,747	386,450
Rental and leasing	367,180	398,548
Health and dental plan administration fee	262,080	242,229
Admissions, events, sales and advertising	260,115	365,343
U of T Scarborough operating subsidy (note 9)	127,500	127,500
Investment income	58,672	53,120
TTC Metropass and fare sales (note 8)	7,269	270,410
Grants and sponsorship	<u>2,655</u>	<u>9,288</u>
	<u>6,756,359</u>	<u>6,096,050</u>
EXPENSES		
Health and dental plan disbursements (note 4)	\$ 4,556,572	\$ 3,469,102
Wages and benefits	605,526	670,467
Restricted referendum fees disbursed (note 3)	368,337	386,450
General and administrative	301,738	453,302
Operating subsidy paid to SCSU Restaurants Inc. (note 9)	127,500	127,500
Repairs and maintenance	63,973	36,002
Ticket purchases	30,974	52,310
Professional fees	24,158	33,620
Cost of TTC Metropasses and fares sold (note 8)	7,093	270,474
Utilities	6,333	13,184
Bank charges	3,188	7,556
Bad debts	179,764	420
Amortization	<u>1,129</u>	<u>3,498</u>
	<u>6,276,285</u>	<u>5,523,885</u>
SURPLUS FROM OPERATIONS	480,074	572,165
Loss in subsidiary (Rex's Den)	<u>(34,640)</u>	<u>(4,884)</u>
SURPLUS FOR THE YEAR	445,434	567,281
Opening net assets	<u>2,349,141</u>	<u>1,781,860</u>
CLOSING NET ASSETS	<u>\$ 2,794,575</u>	<u>\$ 2,349,141</u>

**SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO**

STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED APRIL 30, 2020
(With comparative figures for the year ended April 30, 2019)**

	2020	2019
CASH FLOWS FROM (USED IN):		
OPERATIONS		
Surplus for the year	\$ 445,434	\$ 567,281
<i>Non-cash items:</i>		
Amortization	1,129	3,498
Loss in subsidiary	<u>34,642</u>	<u>4,884</u>
	<u>481,205</u>	<u>575,663</u>
<i>Non-cash working capital:</i>		
Accounts receivable	(6,141)	60,066
Prepaid expenses	(282)	(12,431)
Inventory	(787)	20,250
Accounts payable	(467,319)	559,240
Government remittances	<u>(3,872)</u>	<u>8,159</u>
	<u>2,804</u>	<u>1,210,947</u>
INVESTING		
Loans receivable	8,333	10,000
Redemption of guaranteed investment certificate	151,942	-
Reinvested income	-	(719)
Repayment of second mortgage receivable	<u>10,000</u>	<u>-</u>
	<u>160,275</u>	<u>9,281</u>
FINANCING		
Related party advances	123,437	-
Change in restricted cash	(1,084,867)	(477,419)
Change in deferred health and dental plan fees and student levies	<u>1,084,867</u>	<u>477,419</u>
	<u>123,437</u>	<u>-</u>
NET CHANGE IN CASH	286,516	1,220,228
Cash at beginning of the year	<u>2,311,343</u>	<u>1,091,115</u>
CASH AT END OF THE YEAR	<u>\$ 2,597,859</u>	<u>\$ 2,311,343</u>

**SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO**

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2020

1. PURPOSE OF THE ORGANIZATION

Scarborough Campus Student's Union (SCSU) is a not-for-profit organization operating programs and providing services and advocacy for the full-time undergraduate students at the University of Toronto Scarborough and is exempt from income tax under the Income Tax Act. The primary objectives include: improving the quality of campus life, services and education, and to represent the member students in areas of common interest. Financial operations are administered by an executive committee subject to approval by the Board of Directors.

SCSU has a custodial responsibility for the Student Centre building at 1265 Military Trail under a Student Centre Management Agreement with the University dated October 15, 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

SCSU issues only financial statements.

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Revenue recognition

The collection and amount of non-academic incidental fees charged to students in Ontario is regulated by the Ontario Ministry of Advanced Education and Skills Development through its Ontario Operating Funds Distribution Manual and Compulsory Ancillary Fee Policy Guidelines. Pursuant to these, a change to or introduction of a fee must be done in accordance with a long-term protocol established between the University and its student government. SCSU's protocol with the University of Toronto Scarborough requires a referendum of the student body for significant changes to or the introduction of fees.

Fees collected from the students for a specific purpose, pursuant to referendums of the student body, are accounted for using the deferral method of accounting for externally restricted contributions. Restricted fees are initially shown as a liability upon receipt of the funds. When the funds are disbursed for their intended purpose, the liability is reduced and an equal amount is then recognized as revenue and expense. All fees, with the exception of two described below, are collected by the University of Toronto Scarborough and periodically remitted to SCSU.

The Student Centre Levy collected from students as part of the SCSU fee is not recognized as revenue. This levy is withheld and retained by the University of Toronto Scarborough and applied to the building's financing. The University of Toronto Scarborough is required to retain legal title to the building, and contributions towards the cost of the building, or material renovations made to the fabric of the building, become the property of the University and are therefore treated as either repairs and maintenance expenses, or expensed as a contribution towards the building.

Similarly, the UTSC Sports & Recreation Complex Levy collected as part of the SCSU fees is also withheld and retained by the University of Toronto Scarborough for the same reasons.

**SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO**

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sales and rental revenues are recognized when the related goods are sold or the services performed. Any monies received as a deposit are initially shown as unearned revenue and deposits under the liabilities and then taken into income when the goods and services are provided.

The health and dental plan administration fees charged is \$6.37 a semester for each enrolment under Dental coverage, and \$6.37 a semester for each enrolment under Accident and Prescription Drug coverage. The total administration fees allocated from H&D fees collected from a student enrolled under both plans for a full year is \$25.48.

Leasing revenues are recognized on a straight-line basis over the term of the lease.

Interest is accrued on a daily basis.

Inventory

Inventory consists mainly of admission tickets and Toronto Transit Commission (TTC) fares. It is carried at the lower of cost and net realizable value on a first-in first-out (FIFO) basis.

Property and equipment

The property and equipment are recorded at cost and amortized over their estimated useful lives. Computer equipment is amortized over five years on a straight-line basis. Equipment and furniture is amortized over ten years on a straight-line basis.

Investment in subsidiary

SCSU is the sole controlling shareholder of SCSU Restaurants Inc. (o/a Rex's Den).

SCSU elected to account for its investments in its subsidiary using the equity method. The investment is initially recognized at cost and subsequently adjusted to take account of the share of net income reported by the subsidiary, computed by the consolidation method. Dividends declared by the subsidiary are recognized as a reduction of the investment. At the end of each reporting period, SCSU determines whether there are indications that an investment may be impaired. When there is an indication of impairment, and SCSU determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The adjusted carrying amount of the investment may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

**SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO**

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services

SCSU makes extensive use of volunteers in its activities. SCSU does not record these contributed amounts due to the difficulty in determining their fair market value.

Financial instruments

SCSU initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. SCSU subsequently measures all its financial assets and financial liabilities at amortized cost using the straight-line method. Financial assets measured at amortized cost are cash, guaranteed investment certificates and accounts receivable. Financial liabilities measured at amortized cost are accounts payable and government remittances.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to the revenues and expenses as appropriate in the year they become known. The primary estimates concern the net amount recoverable from the loans and investments in the for profit subsidiaries. Actual results may differ from these estimates. Actual results may differ from these estimates.

Impairment

When there are indications of possible impairment, SCSU determines if there has been a significant adverse change to the expected timing or amounts of future cash flows expected from the financial asset. The amount of any impairment loss is determined by comparing the carrying amount of the financial asset with the highest of three amounts:

- (i) The present value of the cash flows expected to be generated by holding the asset, discounted using a current market rate of interest appropriate to that asset;
- (ii) The amount that could be realized by selling the asset at the date of the balance sheet; and,
- (iii) The amount expected to be realized by exercising its rights to any collateral held to secure repayment of the asset, net of all costs necessary to exercise those rights.

Reversals are permitted, but the adjusted carrying amount of the financial asset shall be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized.

**SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO**

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2020

3. DEFERRED STUDENT LEVIES

Changes in the deferred contributions balances are as follows:

	2020	2019
<i>Blue Sky Solar Racing</i>		
Beginning balance	\$ -	\$ -
Net student fee levies	3,487	3,753
Payments and distributions	<u>(2,320)</u>	<u>(3,753)</u>
Ending balance	<u>\$ 1,167</u>	<u>\$ -</u>
<i>Canadian Federation of Students</i>		
Beginning balance	\$ -	\$ -
Net student fee levies	215,824	228,900
Payments and distributions	<u>(142,918)</u>	<u>(228,900)</u>
Ending balance	<u>\$ 72,906</u>	<u>\$ -</u>
<i>Day Care Subsidy</i>		
Beginning balance	\$ 65,905	\$ 51,471
Net student fee levies	<u>13,410</u>	<u>14,434</u>
Ending balance	<u>\$ 79,315</u>	<u>\$ 65,905</u>
<i>Downtown Legal Services</i>		
Beginning balance	\$ -	\$ -
Net student fee levies	4,488	14,434
Payments and distributions	<u>-</u>	<u>(14,434)</u>
Ending balance	<u>\$ 4,488</u>	<u>\$ -</u>
<i>Foster Children Program</i>		
Beginning balance	\$ 14,277	\$ 12,834
Net student fee levies	<u>1,341</u>	<u>1,443</u>
Ending balance	<u>\$ 15,618</u>	<u>\$ 14,277</u>
<i>Health Initiative in Developing Countries</i>		
Beginning balance	\$ -	\$ -
Net student fee levies	6,705	7,217
Payments and distributions	<u>(4,461)</u>	<u>(7,217)</u>
Ending balance	<u>\$ 2,244</u>	<u>\$ -</u>
<i>Orientation</i>		
Beginning balance	\$ -	\$ -
Net student fee levies	-	14,434
Payments and distributions	<u>-</u>	<u>(14,434)</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>

**SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO**

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2020

3. DEFERRED STUDENT LEVIES (continued)

	2020	2019
<i>Students for Literacy</i>		
Beginning balance	\$ -	\$ -
Net student fee levies	11,104	12,406
Payments and distributions	<u>(6,768)</u>	<u>(12,406)</u>
Ending balance	<u>\$ 4,336</u>	<u>\$ -</u>
<i>Student Refugee Program</i>		
Beginning balance	\$ 74,671	\$ 69,211
Net student fee levies	8,046	8,660
Payments and distributions	<u>(3,200)</u>	<u>(3,200)</u>
Ending balance	<u>\$ 79,517</u>	<u>\$ 74,671</u>
<i>U of T Environmental Resource Network</i>		
Beginning balance	\$ -	\$ -
Net student fee levies	6,705	7,217
Payments and distributions	<u>(4,461)</u>	<u>(7,217)</u>
Ending balance	<u>\$ 2,244</u>	<u>\$ -</u>
<i>Wheelchair Accessibility Projects</i>		
Beginning balance	\$ -	\$ -
Net student fee levies and interest earned	26,819	28,867
Payments and distributions	<u>(17,844)</u>	<u>(28,867)</u>
Ending balance	<u>\$ 8,975</u>	<u>\$ -</u>
<i>Women's Centre - UTSC</i>		
Beginning balance	\$ -	\$ -
Net student fee levies	40,229	43,301
Payments and distributions	<u>(26,767)</u>	<u>(43,301)</u>
Ending balance	<u>\$ 13,462</u>	<u>\$ -</u>
<i>WUSC/Refugee Student Program</i>		
Beginning balance	\$ -	\$ -
Net student fee levies	21,257	22,722
Payments and distributions	<u>(14,301)</u>	<u>(22,722)</u>
Ending balance	<u>\$ 6,956</u>	<u>\$ -</u>
<i>Summary</i>		
Beginning balance	\$ 154,853	\$ 133,517
Net student fee levies	359,415	407,788
Disbursements and revenue recognized	<u>(223,040)</u>	<u>(386,452)</u>
Ending balance	<u>\$ 291,228</u>	<u>\$ 154,853</u>

**SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO**

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2020

4. DEFERRED GROUP HEALTH AND DENTAL PLAN FEES

The health and dental group insurance plan portion of the student fees collected are also accounted for using the deferral method, consistent with the treatment of the other restricted fees above. It is shown here separately due to the magnitude of the plan. The ending balance represents the amount remaining in the fund at the fiscal year-end. Payments made subsequent to the year-end are disclosed to show the amount in the fund at the end of the academic year.

	2020	2019
<i>Group Health and Dental Plan</i>		
Beginning balance at the start of the fiscal year	\$ 2,850,323	\$ 2,394,241
Net student fee levies	4,300,091	3,925,184
Payments, refunds and expenses	<u>(3,351,598)</u>	<u>(3,469,102)</u>
Ending balance at the end of the fiscal year	3,798,816	2,850,323
Premiums subsequently paid to August 31	<u>656,922</u>	<u>740,060</u>
Balance at the end of academic year	<u>\$ 3,141,894</u>	<u>\$ 2,110,263</u>

5. INVESTMENT AND LOANS TO RELATED PARTIES

SCSU's initial investment in SCSU Restaurant Inc. included \$100 for 100 common shares together with advances to fund its operations.

SCSU Restaurants Inc. continues to be in a deficit position. Accordingly, the value of the investment has been impaired to reflect management's estimate of the net amount that will be recovered within ten years.

	2020	2019
Advances to 2277345 Ontario Ltd. o/a KFC Express	\$ -	\$ 129,375
Advances to SCSU Restaurants Inc.	373,307	366,307
Impairment allowance	(203,507)	(203,507)
Accumulated net loss	<u>(89,806)</u>	<u>(54,103)</u>
Net investment in SCSU Restaurants Inc.	<u>\$ 79,994</u>	<u>\$ 238,072</u>

6. RECOVERY OF STUDENT CENTRE CONTRIBUTIONS

On December 1, 2011, the SCSU contributed \$817,002 towards the Student Centre's repairs and renovations. These repairs and renovations include the Dentistry office, which has entered into an agreement with SCSU on July 31, 2017 to reimburse \$100,000 over the course of the next 10 years. This is to be repayable in equal monthly instalments of \$833 starting August 1, 2017. The balance remaining at April 30, 2020 is \$74,167 (2019 - \$82,500).

**SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO**

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2020

7. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2020</u>	<u>2019</u>
Computers	\$ 14,773	\$ 10,273	\$ 4,500	\$ 4,625
Equipment and furniture	<u>34,764</u>	<u>18,699</u>	<u>16,065</u>	<u>17,069</u>
	<u>\$ 49,537</u>	<u>\$ 28,972</u>	<u>\$ 20,565</u>	<u>\$ 21,694</u>

8. TTC METROPASSES AND FARES

	2020	2019
TTC Metropass and fare sales	\$ 7,269	\$ 270,410
Cost of TTC Metropasses and fares sold	<u>7,093</u>	<u>270,474</u>
Net profit (loss)	<u>\$ 176</u>	<u>\$ (64)</u>

The net profit realized is primarily due to commissions received from the sale of TTC on tokens, day passes and VIP passes. Losses are due to the restocking fee charged by TTC on the return of unsold Metropasses, which exceeded commissions in the current year. Post-secondary passes do not generate a profit as they are sold to students at cost. The sale of TTC metropasses was discontinued on December 31, 2018 and the sale of TTC tokens was discontinued as of November 30, 2019. As a result SCSU will only be generating marginal revenue from TTC sales in the future.

9. OPERATING SUBSIDY

	2020	2019
U of T Scarborough operating subsidy received	\$ 127,500	\$ 127,500
Operating subsidy paid to SCSU Restaurants Inc.	<u>127,500</u>	<u>127,500</u>
Net amount	<u>\$ -</u>	<u>\$ -</u>

The operating subsidy is received from the University. These funds are used to offset the costs of operating Rex's Den. This subsidy is not student fees, and is passed directly through to the restaurant.

10. FINANCIAL INSTRUMENTS - RISKS AND UNCERTAINTIES

SCSU regularly evaluates and manages the principal risks assumed with its financial instruments. The risks that arise from transacting in financial instruments include credit risk, liquidity risk, interest rate risk, market risk, and foreign currency risk. The following analysis provides a measure of the SCSU's risk exposure and concentrations. There are no significant changes in the risk exposures from the prior period.

**SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO**

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2020

10. FINANCIAL INSTRUMENTS - RISKS AND UNCERTAINTIES (continued)

Credit Risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for SCSU by failing to discharge and obligation. SCSU provides credit to its customers in the normal course of operations. The financial asset with credit risk exposure is accounts receivable since failure of any of these parties to fulfil their obligations could result in financial losses for the company. Management assesses, on a continual basis, the probable losses on the receivables and sets up a provision for losses based on the estimated realizable value based on prior experience. SCSU is also exposed to a concentration of risk in that all of its cash is held with financial institutions and the balances held are in excess of Canadian Insurance Corporation (CDIC) limits.

Liquidity Risk

Liquidity risk represents the risk that SCSU could encounter difficulty in meeting obligations associated with its financial liabilities. SCSU is exposed to this risk mainly in respect to its accounts payable and other amounts owing. SCSU meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing activities, and holding assets that can be readily converted into cash.

At the year end, SCSU is not exposed to any significant credit risk, interest rate risk, market risk or foreign currency risk.

11. SUBSEQUENT EVENT

Subsequent to April 30, 2020, countries around the world have been affected by the COVID-19 virus, which was declared a pandemic by the World Health Organization on March 11, 2020. This pandemic has placed restrictive boundaries on how businesses can operate, requiring social distancing and other measures. While the Union continues to operate on a basis as similar as possible as in the past, it is unclear what impact this pandemic will have on business going forward. As such, the impact of this event has not been reflected in the financial statements.

12. COMPARATIVE FIGURES

Prior year comparative figures have been restated to conform with the current year financial statement presentation.

Changes to comparative figures:

	After	Before
Accounts receivable	\$ 150,385	\$ 232,885
Current portion of loans receivable	10,000	-
Loan receivable	<u>72,500</u>	<u>-</u>
	<u>\$ 232,885</u>	<u>\$ 232,885</u>

To reallocate loan receivable from accounts receivable.