



Financial Statements

Scarborough Campus Students' Union,
University of Toronto

April 30, 2012

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO
2012 Financial Statements

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Independent Auditor's Report

To the Members of
Scarborough Campus Students' Union, University of Toronto

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We have audited the accompanying financial statements of Scarborough Campus Students' Union, University of Toronto, which comprise the balance sheet as at April 30, 2012, and the statements of revenue and expenses, changes in net assets 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 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Scarborough Campus Students' Union, University of Toronto as at April 30, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants, Licensed Public Accountants
Toronto, Canada
November 9, 2012

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Balance Sheet As at April 30

	2012	2011
ASSETS		
Current assets		
Cash	\$ 179,589	\$ 126,488
Investments (note 3)	331,612	1,452,447
Accounts receivable	81,307	49,178
Prepaid expenses	13,099	17,194
Prepaid health and dental insurance policy premiums	441,987	420,905
Inventory	19,565	25,332
	<hr/>	<hr/>
	1,067,159	2,091,544
Equipment (note 4)	1,296,541	578,831
Due from subsidiary (note 5)	186,105	13,603
Investment in subsidiary (note 5)	1	1
	<hr/>	<hr/>
	\$ 2,549,806	\$ 2,683,979
<hr/>		
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 310,143	\$ 312,833
Deferred revenue	6,946	6,946
Deferred health and dental insurance policy levies	566,945	513,689
Current portion of mortgage payable (note 6)	29,743	28,085
	<hr/>	<hr/>
	913,777	861,553
Mortgage payable (note 6)	47,939	77,681
Deferred capital contributions (note 7)	169,569	211,960
	<hr/>	<hr/>
	1,131,285	1,151,194
Net assets		
Invested in equipment (note 8)	1,126,972	366,871
Internally restricted - health and dental insurance	267,123	267,123
Internally restricted - Student Centre maintenance	38,600	38,600
Unrestricted	(14,174)	860,191
	<hr/>	<hr/>
	1,418,521	1,532,785
	<hr/>	<hr/>
	\$ 2,549,806	\$ 2,683,979
<hr/>		

See accompanying notes

On behalf of the Board

President

Vice-President, Operations

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO
Statement of Revenue and Expenses
Year ended April 30

	2012	2011
Revenue		
Administrative (schedule 1)	\$ 2,010,578	\$ 2,386,982
Events (schedule 2)	171,129	144,011
Building (schedule 3)	208,586	249,923
Student Centre operating grant	140,000	140,000
Levy fees	2,176,394	2,057,117
	<hr/> 4,706,687	<hr/> 4,978,033
Expenses		
Administrative (schedule 1)	2,435,363	2,532,918
Events (schedule 2)	199,282	217,711
Building (schedule 3)	73,434	103,631
Levy disbursements	2,006,306	1,920,256
	<hr/> 4,714,385	<hr/> 4,774,516
Excess (deficiency) of revenue over expenses before undernoted item	(7,698)	203,517
<u>Operating grant</u>	<u>140,000</u>	<u>140,000</u>
Excess (deficiency) of revenue over expenses before recovery	(147,698)	63,517
Recovery of annual mortgage payment (principal and interest) from the University of Toronto Scarborough's Student Centre Capital Reserve	<u>(33,434)</u>	<u>(33,434)</u>
Excess (deficiency) of revenue over expenses	<u>\$ (114,264)</u>	<u>\$ 96,951</u>

See accompanying notes

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Statement of Changes in Net Assets

Year ended April 30

	Invested in equipment	Internally restricted - health and dental insurance	Internally restricted - Student Centre maintenance	Unrestricted	Total 2012	Total 2011
Net assets, beginning of year	\$ 366,871	\$ 267,123	\$ 38,600	\$ 860,191	\$ 1,532,785	\$ 1,435,834
Excess (deficiency) of revenue over expenses	(77,247)	-	-	(37,017)	(114,264)	96,951
Purchase of equipment	837,348	-	-	(837,348)	-	-
Net assets, end of year	\$ 1,126,972	\$ 267,123	\$ 38,600	\$ (14,174)	\$ 1,418,521	\$ 1,532,785

See accompanying notes

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO
Statement of Cash Flows
Year ended April 30

	2012	2011
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (114,264)	\$ 96,951
Items not involving cash		
Amortization of equipment	119,638	55,214
Amortization of deferred capital contributions	(42,391)	(41,736)
Mortgage payments from University of Toronto Scarborough's Student Centre Capital Reserve budget, net of interest expense	(30,063)	(29,031)
Imputed interest expense	1,979	2,512
	<u>(65,101)</u>	<u>83,910</u>
Net change in non-cash working capital items		
Accounts receivable	(32,129)	42,084
Prepaid expenses	4,095	(6,369)
Prepaid health and dental insurance policy premiums	(21,082)	(106,925)
Inventory	5,767	(7,587)
Accounts payable and accrued liabilities	(2,690)	118,470
Deferred revenue	-	(15,944)
Deferred health and dental insurance policy levies	53,256	21,623
	<u>7,217</u>	<u>45,352</u>
Cash flows from operating activities	<u>(57,884)</u>	<u>129,262</u>
Financing activity		
Advances to related party and cash flows from financing activity	(172,502)	(13,603)
Investing activities		
Investments (net)	1,120,835	(73,333)
Purchase of equipment	(837,348)	(324,759)
Cash flows from investing activities	<u>283,487</u>	<u>(398,092)</u>
Net change in cash during the year	53,101	(282,433)
Cash, beginning of year	126,488	408,921
Cash, end of year	<u>\$ 179,589</u>	<u>\$ 126,488</u>

See accompanying notes

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Notes to Financial Statements

Year ended April 30, 2012

1. Nature of operations

Scarborough Campus Students' Union, University of Toronto (SCSU) is a not-for-profit organization operating programs and providing services for the students of the University of Toronto Scarborough. Under the Income Tax Act, SCSU qualifies as a not-for-profit organization and is exempt from income tax.

2. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, the more significant of which are outlined below.

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 at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Financial instruments

The CICA provides a choice for financial instrument disclosure and presentation and SCSU has chosen to apply Section 3861, Financial Instruments - Disclosure and Presentation, in place of Section 3862, Financial Instruments - Disclosure, and Section 3863, Financial Instruments - Presentation.

SCSU's financial instruments comprise cash, investments, accounts receivable, due from subsidiary, accounts payable and long-term debt. The carrying value of cash, fixed income investments, accounts receivable and accounts payable approximate fair value due to their short-term maturities. Common shares and mutual funds are measured at fair value based on market quoted rates. Due from subsidiary is measured at cost as fair value and amortized cost are not practicably determinable. Long-term debt is measured at amortized cost using the effective interest rate of 5.75%.

Inventory

Inventory consists of TTC metropasses, movie passes and comedy club tickets and is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

Equipment

Equipment is recorded at cost and is being amortized over its estimated useful life on a declining balance basis. The annual amortization rates are as follows:

Furniture and equipment	20%
Leasehold improvements	20%
Computer equipment	30%

Investment in subsidiary

SCSU is the sole shareholder of SCSU Restaurant Inc. (the Restaurant) (formally known as Scarborough Campus Students' Union Restaurant Inc.). This investment is accounted for using the equity method whereby the initial investment is recorded at cost and is subsequently adjusted to reflect SCSU's pro-rata share of the Restaurant's earnings (note 5).

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Notes to Financial Statements

Year ended April 30, 2012

2. Summary of significant accounting policies — continued

Deferred capital contributions

In 2005, furniture and equipment in the amount of \$707,656 was provided by University of Toronto Scarborough for use in the Student Centre. In 2011, University of Toronto Scarborough provided a \$45,000 grant for SCSU building renovations and HVAC improvements. The contributions are reflected as deferred capital contributions and are being amortized on the same basis as the related assets (note 8).

Net assets

Net assets comprise:

(i) Invested in equipment

Net assets invested in equipment represents the net book value of equipment less any indebtedness thereon (note 8).

(ii) Internally restricted

The Board of Directors (the Board) can internally restrict net assets to be held for specific purposes. These internally restricted amounts are not available for other purposes without the approval of the Board.

Health and dental insurance

A health and dental insurance fund has been established by the Board as a reserve against future health and dental costs.

Student Centre maintenance

A Student Centre maintenance fund has been established by the Board as a reserve against future Student Centre maintenance costs.

(iii) Unrestricted

Unrestricted net assets are derived from SCSU's operations and are charged with transfers to internally restricted funds, as approved by the Board.

Revenue recognition

TTC metropasses, movie pass and comedy club ticket revenue is recorded in the period the passes and tickets are sold.

Student fees, grants, rent and levy fees (including health and dental premiums) are recognized as revenue in the year to which they relate.

Services and events revenue are recognized in the period the services are provided or in the period in which the related events occur.

Donated materials and services

Due to the difficulty of determining their fair value, SCSU does not record the value of donated materials and services.

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Notes to Financial Statements
Year ended April 30, 2012

2. Summary of significant accounting policies — continued

Future change in accounting standards

The Accounting Standards Board has issued new accounting standards for not-for-profit organizations effective for fiscal years beginning on or after January 1, 2012, with earlier adoption permitted. SCSU has not yet determined the impact of the new standards on the financial statements, but does not expect them to be significant.

3. Investments

	2012	2011
Guaranteed Investment Certificate, bearing interest at 1.20%, maturing February 21, 2013	\$ 169,528	\$ -
Guaranteed Investment Certificate, bearing interest at 1.10%, maturing November 2, 2012	162,084	162,084
Guaranteed Investment Certificate, bearing interest at 0.12%, maturing March 26, 2012	-	331,433
Guaranteed Investment Certificate, bearing interest at 0.15%, maturing May 13, 2011	-	325,717
Guaranteed Investment Certificate, bearing interest at 1.20%, maturing February 17, 2012	-	167,517
Bankers acceptances, zero-coupon, maturities ranging from April 2013 to April 2015 at \$94,000 (2010 - April 2013 to April 2015 at \$94,000)	-	101,055
Mutual funds	-	153,840
Common shares	-	133,141
Investment funds	-	77,660
	<u>\$ 331,612</u>	<u>\$ 1,452,447</u>

All investments are presented as current assets as they can be liquidated without significant penalty.

4. Equipment

	Cost	Accumulated amortization	2012 Net	2011 Net
Furniture and equipment	\$ 1,537,875	\$ 581,890	\$ 955,985	\$ 173,482
Leasehold improvements	449,029	128,600	320,429	390,881
Computer equipment	47,184	27,057	20,127	14,468
	<u>\$ 2,034,088</u>	<u>\$ 737,547</u>	<u>\$ 1,296,541</u>	<u>\$ 578,831</u>

Included in furniture and equipment is \$707,656 of assets which were contributed by University of Toronto Scarborough for use in the Student Centre. As well, included in Leasehold Improvements are additions in the amount of \$45,000 contributed by University of Toronto Scarborough for Student Centre renovations (See note 2 - deferred capital contributions).

During the year, furniture and equipment of \$817,200 was purchased, and is not being amortized as it pertains to the renovation of two related party restaurants (2275596 Ontario Ltd. and 2277345 Ontario Inc.) which were not yet operational at year-end.

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Notes to Financial Statements

Year ended April 30, 2012

5. Due from and investment in subsidiary

SCSU's initial investment in the Restaurant was \$100 and related to the purchase of 100 common shares.

The Restaurant is currently in a net deficit, accordingly the value of the investment has been written down from \$100 to a \$1 nominal amount. SCSU has not adjusted its investment to reflect its pro-rata share of the Restaurant deficit as this would result in a negative investment. Negative investments would only be recognized to the extent there was a legal obligation to a third party which does not exist in this circumstance. As a result, the investment has been recorded at a nominal amount. The Restaurant's deficit at April 30, 2012 is \$254,064 (2011 - \$194,431).

SCSU has \$389,612 (2011 - \$341,775) due from the Restaurant and its subsidiary franchises. The total balance owing from the Restaurant is \$212,920 (2011 - \$159,894) of which \$203,507 (2011 - \$159,894) has been allowed for at year end. The balance of \$176,692 (2011- \$13,603) relates to receivables from the two newly acquired franchises which are subsidiaries of the Restaurant.

The following information presents a summary of the consolidated financial position and results of operations of SCSU Restaurant Inc.:

	2012	2011
Other		
Total assets	\$ 135,213	\$ 173,592
Accounts payable to SCSU	389,612	341,775
Other liabilities	29,565	26,148
Share capital	100	100
Deficit	254,064	194,431
Revenue	306,924	307,633
Expenses	536,557	448,150
Operating subsidy from SCSU	140,000	140,000

During the year, SCSU incurred costs on behalf of subsidiaries wholly owned by the Restaurant. The balance due from these subsidiary franchises is non-interest bearing, and has no set terms of repayment. It is not expected to be repaid within the next fiscal year.

All transactions relating to the use of the facilities space at the Restaurant are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. Mortgage payable

	2012	2011
Mortgage payable, bearing interest at 3.5%, payable in monthly instalments of \$2,786 on account of principal and interest, due October 1, 2014	\$ 77,682	\$ 105,766
Less: current portion	29,743	28,085
	<u>\$ 47,939</u>	<u>\$ 77,681</u>

Minimum principal repayments are as follows:

2013	\$ 29,743
2014	31,498
2015	<u>16,441</u>
	<u>\$ 77,682</u>

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Notes to Financial Statements

Year ended April 30, 2012

6. Mortgage payable — continued

If the funds are available, the annual loan repayments for the mortgage are made from the University of Toronto Scarborough's Student Centre Capital Reserve budget, funded from the Student Centre Levy. As a result, to the extent funds are available, there is no cash outlay by SCSU. During 2012, principal and interest of \$33,434 (2011 - \$33,434) was paid by the University of Toronto Scarborough's Student Centre Capital Reserve on behalf of SCSU.

7. Deferred capital contributions

	2012	2011
Deferred capital contributions, beginning of year	\$ 211,960	\$ 208,696
Less: amortization of equipment	(42,391)	(41,736)
University of Toronto Scarborough grant received	-	45,000
	<u>169,569</u>	<u>211,960</u>
Deferred capital contributions, end of year	\$ 169,569	\$ 211,960

8. Net assets invested in equipment

	2012	2011
Net book value of equipment	\$ 1,296,541	\$ 578,831
Less: deferred capital contributions	(169,569)	(211,960)
	<u>1,126,972</u>	<u>366,871</u>
Invested in equipment	\$ 1,126,972	\$ 366,871

9. Student Centre operating grant

During the year, SCSU received \$140,000 (2011 - \$140,000) from University of Toronto Scarborough to support SCSU in the operation of the Student Centre. The full amount received was advanced to the Restaurant as an operating grant.

10. Fees

Fees received from University of Toronto Scarborough during the year are as follows:

June 2011	\$ 68,603
July 2011	34,301
September 2011	1,583,063
January 2012	839,090
March 2012	<u>247,020</u>
	2,772,077
Add: deferred health and dental insurance policy levies, beginning of year	513,689
Less: deferred health and dental insurance policy levies, end of year	<u>(566,945)</u>
	<u>\$ 2,718,821</u>

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Notes to Financial Statements

Year ended April 30, 2012

10. Fees — continued

Fees are reflected in the statement of operations as follows:

Levy fees	\$ 2,176,394
Student fees (included in administrative revenue)	532,132
Other (included in administrative revenue)	<u>10,295</u>
	<u>\$ 2,718,821</u>

11. Objectives, policies and processes for managing capital

SCSU's capital is comprised of net assets invested in equipment, net assets internally restricted and unrestricted net assets. SCSU invests in equipment in order to provide staff and students of the Scarborough Campus of the University of Toronto with services, including advocacy and discounted admissions. The internally restricted funds have been established for specific purposes. SCSU maintains an unrestricted fund balance sufficient to meet its annual working capital requirements and to finance the annual maintenance of property and equipment. SCSU is not subject to any external capital requirements.

The Board has established a Standing Committee on Finances and Services (the Committee) which works with the staff to ensure SCSU's standards for the property and equipment are met. Each year the Property Committee submits an annual budget to the Board for examination and approval. The Board then authorizes the funds for an approved plan which is executed by the executive and staff. The budget for fiscal 2012 was completed as approved.

The Committee reviews the annual budget (which includes the property requirements) and determines the working capital needs for the year. Throughout the year, the Chief Accountant and the Committee monitor the actual results against the forecast and notifies the Board when changes to plans are required. It is the opinion of the Board that the amount of the unrestricted fund balance is appropriate for the current needs of SCSU.

12. Contingent liability

SCSU has an outstanding irrevocable letter of credit to the Toronto Transit Commission in the amount of \$150,000. This letter of credit is required in order for SCSU to acquire its monthly TTC metropasses inventory.

13. Financial instruments

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. SCSU's long-term, fixed rate, debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. SCSU is exposed to credit risk from tenants and its subsidiary.

Currency risk

Currency risk is the risk to earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of those rates. SCSU does not have significant transactions in foreign currencies.

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO
Notes to Financial Statements
Year ended April 30, 2012

13. Financial instruments — continued

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. SCSU is exposed to certain market risks including changes in pricing of investments.

14. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2012 financial statements.

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO
Schedules to Financial Statements
Year ended April 30

Operations - Administrative	Schedule 1	
	2012	2011
Revenue		
TTC metropasses	\$ 1,313,640	\$ 1,551,224
Student fees	532,132	520,351
Services	78,973	137,490
Other	71,680	68,014
Advertising	29,613	36,570
Investment income (loss)	(15,460)	73,333
	<hr/>	<hr/>
	2,010,578	2,386,982
	<hr/>	<hr/>
Expenses		
TTC metropasses	1,313,621	1,551,620
Salaries, wages and benefits	755,792	563,251
Amortization of equipment	119,638	55,214
Services	73,897	122,469
Programming costs	64,317	81,050
Professional fees	32,811	57,494
Professional development and travel	26,141	38,085
Telephones and communication	20,451	23,293
Supplies	15,915	33,078
Elections	12,780	7,364
	<hr/>	<hr/>
	2,435,363	2,532,918
	<hr/>	<hr/>
Deficiency of revenue over expenses	\$ (424,785)	\$ (145,936)

See accompanying notes

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO
Schedules to Financial Statements
Year ended April 30

Operations - Events	Schedule 2	
	2012	2011
Revenue		
Orientation	\$ 95,511	\$ 53,368
Other events	64,612	78,319
Spring formal	10,313	11,688
Mosaic	693	636
	<hr/>	<hr/>
	171,129	144,011
	<hr/>	<hr/>
Expenses		
Orientation	98,877	76,846
Other events	79,733	112,842
Spring formal	16,729	22,878
Mosaic	3,943	5,145
	<hr/>	<hr/>
	199,282	217,711
	<hr/>	<hr/>
Deficiency of revenue over expenses	\$ (28,153)	\$ (73,700)

See accompanying notes

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO
Schedules to Financial Statements
Year ended April 30

Operations - Building	Schedule 3	
	2012	2011
Revenue		
Rent	\$ 193,267	\$ 232,745
Market weeks and vendors	8,794	4,810
Other	6,525	12,368
	<hr/> 208,586	<hr/> 249,923
Expenses		
Repairs and maintenance	68,085	96,571
Interest on long-term debt	5,349	7,060
	<hr/> 73,434	<hr/> 103,631
Excess of revenue over expenses	<hr/> \$ 135,152	<hr/> \$ 146,292

See accompanying notes