



Grant Thornton

Financial Statements

Scarborough Campus Students' Union,
University of Toronto

April 30, 2011

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO
2011 Financial Statements

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Grant Thornton

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, 2011, 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
November 16, 2011

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Balance Sheet

As at April 30

	2011	2010
ASSETS		
Current assets		
Cash	\$ 126,488	\$ 408,921
Investments (note 3)	1,452,447	1,379,114
Accounts receivable	98,612	91,262
Prepaid expenses	17,194	10,825
Prepaid health and dental insurance policy premiums	420,905	313,980
Inventory	25,332	17,745
	<hr/>	<hr/>
	2,140,978	2,221,847
Equipment (note 4)	578,831	264,286
Due from related party (note 7)	13,603	-
Investment in related party (note 7)	1	1
	<hr/>	<hr/>
	\$ 2,733,413	\$ 2,486,134
<hr/>		
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 362,267	\$ 194,363
Deferred revenue	6,946	22,890
Deferred health and dental insurance policy levies	513,689	492,066
Current portion of long-term debt (note 5)	28,085	26,519
	<hr/>	<hr/>
	910,987	735,838
Long-term debt (note 5)	77,681	105,766
Deferred capital contributions (note 6)	211,960	208,696
	<hr/>	<hr/>
	1,200,628	1,050,300
Net assets		
Invested in equipment (note 8)	366,871	55,590
Internally restricted - health and dental insurance	267,123	267,123
Internally restricted - Student Centre maintenance	38,600	38,600
Unrestricted	860,191	1,074,521
	<hr/>	<hr/>
	1,532,785	1,435,834
	<hr/>	<hr/>
	\$ 2,733,413	\$ 2,486,134
<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

	2011	2010
Revenue		
Administrative (schedule 1)	\$ 2,386,982	\$ 2,626,183
Events (schedule 2)	144,011	146,913
Building (schedule 3)	249,923	247,363
Student Centre operating grant (note 9)	140,000	140,000
Levy fees (note 10)	2,057,117	1,983,427
	<hr/> 4,978,033	<hr/> 5,143,886
Expenses		
Administrative (schedule 1)	2,532,918	2,892,545
Events (schedule 2)	217,711	159,958
Building (schedule 3)	103,631	125,254
Levy disbursements	1,920,256	1,657,884
	<hr/> 4,774,516	<hr/> 4,835,641
Excess of revenue over expenses before undernoted item	203,517	308,245
Operating Grant (note 9)	<hr/> 140,000	<hr/> 140,000
Excess of revenue over expenses before recovery	63,517	168,245
Recovery of annual mortgage payment (principal and interest) from the University of Toronto Scarborough's Student Centre Capital Reserve (note 5)	<hr/> (33,434)	<hr/> (33,434)
Excess of revenue over expenses	<hr/> \$ 96,951	<hr/> \$ 201,679

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 2011	Total 2010
Net assets, beginning of year	\$ 55,590	\$ 267,123	\$ 38,600	\$ 1,074,521	\$ 1,435,834	\$ 1,234,155
Excess (deficiency) of revenue over expenses	(13,478)	-	-	110,429	96,951	201,679
Purchase of equipment	324,759	-	-	(324,759)	-	-
Net assets, end of year	\$ 366,871	\$ 267,123	\$ 38,600	\$ 860,191	\$ 1,532,785	\$ 1,435,834

See accompanying notes

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Statement of Cash Flows Year ended April 30

	2011	2010
Operating activities		
Excess of revenue over expenses	\$ 96,951	\$ 201,679
Items not involving cash		
Amortization	55,214	64,805
Amortization of deferred capital contributions	(41,736)	(52,174)
Mortgage payments from University of Toronto Scarborough's Student Centre Capital Reserve budget, net of interest expense	(29,031)	(28,033)
Imputed interest expense	2,512	2,993
	<u>83,910</u>	<u>189,270</u>
Net change in non-cash working capital items		
Accounts receivable	(7,350)	19,815
Prepaid expenses	(6,369)	189
Prepaid health and dental insurance policy premiums	(106,925)	76,444
Inventory	(7,587)	(12,278)
Accounts payable and accrued liabilities	167,904	(103,580)
Deferred revenue	(15,944)	(119)
Deferred health and dental insurance policy levies	21,623	58,985
	<u>45,352</u>	<u>39,456</u>
Cash flows from operating activities	<u>129,262</u>	<u>228,726</u>
Financing activity		
Advances to related party and cash flows from financing activity	(13,603)	-
Investing activities		
Investments	(73,333)	33,632
Purchase of equipment	(324,759)	(21,924)
Cash flows from investing activities	<u>(398,092)</u>	<u>11,708</u>
Net change in cash during the year	(282,433)	240,434
Cash, beginning of year	408,921	168,487
Cash, end of year	<u>\$ 126,488</u>	<u>\$ 408,921</u>

See accompanying notes

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Notes to Financial Statements

Year ended April 30, 2011

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 instruments 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 are comprised of cash, investments, accounts receivable, accounts payable and long-term debt. The carrying value of the 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. 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 related party

SCSU is the sole shareholder of SCSU Restaurant Inc. (the "Restaurant") (formally known as Scarborough Campus Students' Union Bluff's 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 7).

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 contribution is reflected as deferred capital contributions and is being amortized on the same basis as the related assets (note 6).

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Notes to Financial Statements

Year ended April 30, 2011

2. Summary of significant accounting policies — continued

Net assets

Net assets is comprised of the following components:

(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.

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.

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Notes to Financial Statements
Year ended April 30, 2011

3. Investments

	2011	2010
Guaranteed Investment Certificate, bearing interest at 0.15%, maturing May 13, 2011	\$ 325,717	\$ 324,096
Guaranteed Investment Certificate, bearing interest at 0.12%, maturing March 26, 2012	331,433	322,332
Guaranteed Investment Certificate, bearing interest at 1.20%, maturing February 17, 2012	167,517	162,276
Guaranteed Investment Certificate, bearing interest at 1.10%, maturing November 2, 2011	162,084	150,000
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	95,374
Common shares	133,141	108,058
Mutual funds	153,840	216,978
Investment Funds	77,660	-
	<u>\$ 1,452,447</u>	<u>\$ 1,379,114</u>

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

4. Equipment

	2011		2010	
	Cost	Accumulated amortization	Net	Net
Furniture and equipment	\$ 720,873	\$ 547,391	\$ 173,482	\$ 213,749
Leasehold improvements	440,446	49,565	390,881	35,125
Computer equipment	35,420	20,952	14,468	15,412
	<u>\$ 1,196,739</u>	<u>\$ 617,908</u>	<u>\$ 578,831</u>	<u>\$ 264,286</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).

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Notes to Financial Statements

Year ended April 30, 2011

5. Long-term debt

	2011	2010
Mortgage payable, bearing interest at 3.5%, payable in monthly instalments of \$2,786 on account of principal and interest, due October 1, 2014	\$ 105,766	\$ 132,285
Less: current portion	<u>28,085</u>	<u>26,519</u>
	<u>\$ 77,681</u>	<u>\$ 105,766</u>

Minimum principal repayments are as follows:

2012	\$ 28,085
2013	29,743
2014	31,498
2015	<u>16,440</u>
	<u>\$ 105,766</u>

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 2011, principal and interest of \$33,434 (2010 - \$33,434) was paid by the University of Toronto Scarborough's Student Centre Capital Reserve on behalf of SCSU.

6. Deferred capital contributions

	2011	2010
Deferred capital contributions, beginning of year	\$ 208,696	\$ 260,870
Less: amortization	(41,736)	(52,174)
University of Toronto Scarborough grant	<u>45,000</u>	<u>-</u>
Deferred capital contributions, end of year	<u>\$ 211,960</u>	<u>\$ 208,696</u>

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Notes to Financial Statements
Year ended April 30, 2011

7. Investment in subsidiary

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

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, 2011 is \$194,431 (2010 - \$193,914).

SCSU's has \$328,172 (2010 - \$315,084) due from the Restaurant, which has been fully allowed for by SCSU.

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

	2011	2010
Total assets	\$ 173,592	\$ 155,240
Accounts payable to SCSU	341,775	315,084
Other liabilities	26,148	33,970
Share capital	100	100
Deficit	194,431	193,914
Revenue	307,633	178,746
Expenses	448,150	361,069
Operating subsidy from SCSU	140,000	140,000

During the year SCSU incurred costs on behalf of a subsidiary, wholly owned by the Restaurant. The balance due, in the amount of \$13,603, from this company is non-interest bearing, and has no set terms of repayment. It is not expected to be repaid within the next fiscal year.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Net assets invested in equipment

	2011	2010
Net book value of equipment	\$ 578,831	\$ 264,286
Less: deferred capital contributions	(211,960)	(208,696)
Invested in equipment	<u>\$ 366,871</u>	<u>\$ 55,590</u>

9. Student Centre operating grant

During the year, SCSU received \$140,000 (2010 - \$140,000) from the 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.

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Notes to Financial Statements

Year ended April 30, 2011

10. Fees

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

June 2010	\$	66,060
July 2010		33,030
September 2011		1,504,845
January 2011		763,092
March 2011		<u>232,064</u>
		2,599,091
Add: deferred health and dental insurance policy levies, beginning of year		492,066
Less: deferred health and dental insurance policy levies, end of year		<u>(513,689)</u>
	\$	<u>2,577,468</u>

Fees of \$2,057,117 are included in the statement of operations as levy fees revenue, with the remaining \$520,351 included in the statement of operations within administrative revenues.

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, along with the funds required 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 2011 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.

SCARBOROUGH CAMPUS STUDENTS' UNION, UNIVERSITY OF TORONTO

Notes to Financial Statements

Year ended April 30, 2011

13. Financial instruments

SCSU is exposed to the following risks in respect of certain of the financial instruments held:

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.

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.

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.

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.

14. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2011 financial statements.

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

Operations - Administrative	Schedule 1	
	2011	2010
Revenue		
TTC metropasses	\$ 1,551,224	\$ 1,811,808
Student fees (note 10)	520,351	515,840
Services	137,490	145,113
Investment income	73,333	66,513
Other	68,014	54,998
Advertising	36,570	31,911
	<u>2,386,982</u>	<u>2,626,183</u>
Expenses		
TTC metropasses	1,551,620	1,811,631
Salaries, wages and benefits	563,251	529,674
Services	122,469	235,690
Programming costs	81,050	96,838
Amortization of equipment	55,214	64,805
Professional fees	57,494	54,688
Professional development and travel	38,085	46,309
Telephones and communication	23,293	22,478
Supplies	33,078	16,202
Elections	7,364	14,230
	<u>2,532,918</u>	<u>2,892,545</u>
Deficiency of revenue over expenses	<u>\$ (145,936)</u>	<u>\$ (266,362)</u>

See accompanying notes

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

Operations - Events	Schedule 2	
	2011	2010
Revenue		
Other events	\$ 78,319	\$ 77,269
Orientation	53,368	59,109
Spring formal	11,688	8,435
Mosaic	636	2,100
	<hr/> 144,011	<hr/> 146,913
Expenses		
Other events	112,842	72,153
Orientation	76,846	65,967
Spring formal	22,878	15,202
Mosaic	5,145	6,636
	<hr/> 217,711	<hr/> 159,958
Deficiency of revenue over expenses	<hr/> \$ (73,700)	<hr/> \$ (13,045)

See accompanying notes

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

Operations - Building	Schedule 3	
	2011	2010
Revenue		
Rent	\$ 232,745	\$ 237,307
Other	12,368	6,422
Market weeks and vendors	4,810	3,634
	<hr/>	<hr/>
	249,923	247,363
	<hr/>	<hr/>
Expenses		
Repairs and maintenance	96,571	116,859
Interest on long-term debt	7,060	8,395
	<hr/>	<hr/>
	103,631	125,254
	<hr/>	<hr/>
Excess of revenue over expenses	\$ 146,292	\$ 122,109
	<hr/>	<hr/>

See accompanying notes