

**FINANCIAL STATEMENTS**  
**SCARBOROUGH CAMPUS STUDENTS' UNION**  
**AS AT APRIL 30, 2014**

**SCARBOROUGH CAMPUS STUDENTS' UNION**

**AS AT APRIL 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors:

We have audited the accompanying financial statements of the **Scarborough Campus Students' Union**, which comprise the statement of financial position as at April 30, 2014, the statements of operations and 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 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 audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Scarborough Campus Students' Union** at April 30, 2014, and of its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Yale + Partners LLP*  
Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
October 24, 2014

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AT THE UNIVERSITY OF TORONTO**

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**STATEMENT OF FINANCIAL POSITION**

**AS AT APRIL 30, 2014  
(With comparative figures as at April 30, 2013)**

**A S S E T S**

	2014	2013
<b>CURRENT</b>		
Cash	\$ 754,966	\$ 382,096
Investments (note 4)	150,391	166,581
Accounts receivable (net of \$8,005 allowance - 2013 nil)	60,219	69,973
Prepaid expenses	2,273	11,062
Inventory	<u>37,636</u>	<u>11,210</u>
	1,005,485	640,922
<b>INVESTMENT AND LOANS TO RELATED PARTIES</b> (note 9)	254,910	266,395
<b>PROPERTY AND EQUIPMENT</b> (note 5)	<u>228,357</u>	<u>256,263</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,488,752</u>	<u>\$ 1,163,580</u>

**L I A B I L I T I E S**

<b>CURRENT</b>		
Accounts payable	379,020	58,369
Harmonized Sales Tax	12,522	15,252
Deferred rental deposits	6,946	6,946
Deferred health and dental fees (note 7)	219,312	198,606
Deferred student levies (note 6)	62,288	97,568
Current portion of long term debt (note 8)	<u>52,480</u>	<u>32,240</u>
	732,568	408,981
<b>LONG-TERM DEBT</b> (note 8)	<u>-</u>	<u>16,547</u>
<b>TOTAL LIABILITIES</b>	<u>732,568</u>	<u>425,528</u>

**N E T A S S E T S**

<b>TOTAL NET ASSETS</b>	<u>756,184</u>	<u>738,052</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,488,752</u>	<u>\$ 1,163,580</u>

**APPROVED ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying notes

To be read in conjunction with our Auditors' Report dated October 24, 2014

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**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED APRIL 30, 2014  
(With comparative figures for the year ended April 30, 2013)**

	2014	2013
<b>REVENUES</b>		
Health and dental plan fees recognized (note 7)	2,598,857	1,932,638
TTC Metropass and fare sales	836,936	1,050,779
Unrestricted general student fees	598,299	563,956
Restricted referendum fees recognized (note 6)	362,735	289,635
Admissions, events and advertising	292,728	335,714
Rental and leasing	213,310	237,435
Health and dental administration	188,742	176,692
U of T Scarborough operating subsidy	130,000	130,000
Student Centre Capital Reserve income recognition (note 8)	33,431	33,434
Investment income	5,793	5,160
Grants and sponsorship	4,300	9,500
	<u>5,265,131</u>	<u>4,764,943</u>
 <b>EXPENSES</b>		
Health and dental plan disbursements (note 7)	2,598,857	1,932,638
Cost of TTC Metropasses and fares sold	837,626	1,050,798
Wages and benefits	678,474	723,844
General and administrative	411,603	359,185
Restricted referendum fees disbursed (note 6)	362,735	289,635
Operating subsidy paid to SCSU Restaurants Inc.	130,000	130,000
Repairs and maintenance	57,659	75,278
Professional fees	30,495	39,506
Ticket purchases	27,695	19,324
Utilities	13,688	26,155
Credit card and bank charges	11,874	10,313
Interest on long term debt	1,191	4,540
Loss on disposal of computer equipment	12,781	-
Amortization	30,836	29,101
	<u>5,205,514</u>	<u>4,690,317</u>
 <b>SURPLUS FROM OPERATIONS</b>	 59,617	 74,626
Income (loss) in subsidiaries (note 9)	<u>(41,485)</u>	<u>-</u>
 <b>SURPLUS FOR THE YEAR</b>	 18,132	 74,626
Opening net assets	<u>738,052</u>	<u>663,426</u>
 <b>CLOSING NET ASSETS</b>	 <u>\$ 756,184</u>	 <u>\$ 738,052</u>

See accompanying notes

To be read in conjunction with our Auditors' Report dated October 24, 2014

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**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED APRIL 30, 2014  
(With comparative figures for the year ended April 30, 2013)**

	2014	2013
<b>CASH FLOWS FROM (USED IN):</b>		
<b>OPERATIONS</b>		
Health and Dental plan fees received	\$ 2,422,308	\$ 2,124,161
Sales, rents and receivables	1,357,028	1,644,762
General student fees	598,299	563,956
Health and dental administration fee	188,742	176,692
Restricted student fees received	326,996	309,626
U of T Scarborough operating subsidy	130,000	130,000
Interest received	5,793	5,160
Purchases, expenses and payables	(1,862,898)	(2,624,844)
Health and Dental plan fees disbursed	(2,401,602)	(1,932,638)
Restricted student fees disbursed	<u>(362,276)</u>	<u>(289,635)</u>
	<u>402,390</u>	<u>107,240</u>
<b>INVESTING</b>		
Advances to SCSU Restaurants Inc.	(30,000)	(69,763)
Proceeds from investments	16,190	165,031
Purchase of furniture and equipment	<u>(15,710)</u>	<u>-</u>
	<u>(29,520)</u>	<u>95,268</u>
<b>NET CHANGE IN CASH</b>	372,870	202,508
Cash at beginning of the year	<u>382,096</u>	<u>179,588</u>
<b>CASH AT END OF THE YEAR</b>	<u>\$ 754,966</u>	<u>\$ 382,096</u>

See accompanying notes

To be read in conjunction with our Auditors' Report dated October 24, 2014

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**NOTES TO FINANCIAL STATEMENTS**

**AS AT APRIL 30, 2014**

**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. BASIS OF PRESENTATION ACCOUNTING CHANGES**

These financial statements have been prepared in accordance with Part III of the CPA Canada Handbook - *Accounting Standards for Not-For-Profit Organizations*.

**3. 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 Training, Colleges and Universities 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 requires a referendum of the student body for significant changes to or the introduction of additional fees.

All 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.

These financial statements do not include the student centre levy collected from students as this amount is withheld and retained by the University of Toronto Scarborough and applied to the building's financing. Because the University of Toronto Scarborough retains legal title to the building, any 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.

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NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2014

3. **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.

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 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.

Investment in Subsidiaries

SCSU is the sole controlling shareholder of SCSU Restaurants Inc. (o/a Rex's Den). Rex's Den is the sole controlling shareholder of 2277345 Ontario Ltd. (KFC Express franchise), and 2277596 Ontario Ltd. (Hero Burger franchise), all of which operate out of the Student Centre. The consolidated operations of SCSU Restaurants Inc. have been recorded using the equity method.

Contributed Services

The union makes extensive use of volunteers in its activities. Volunteer services have not been recorded due to the difficulty in valuing them.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the amounts reported in the financial statements and the notes to the financial statements. 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. These amounts are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

To be read in conjunction with our Auditors' Report dated October 24, 2014



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NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2014

3. **SIGNIFICANT ACCOUNTING POLICIES** - continued

Financial instruments

Financial assets and liabilities held for trading

Financial instruments classified as financial assets and financial liabilities held for trading are recorded at fair value at each balance sheet date and any change in fair value is recognized in income in the period in which the change occurs.

Investments held to maturity

Financial instruments classified as held-to-maturity investments are carried at amortized cost using the effective interest method. Interest is included in income for the year.

Loans and receivables and financial liabilities held for purposes other than for trading

Financial instruments classified as loans and receivables, and financial liabilities held for purposes other than for trading, are carried at amortized cost using the effective interest method. Interest income and expenses are included in income for the year.

Available-for-sale financial assets

Financial assets classified as available for sale are recorded at fair value at each balance sheet date and any change in fair value is recognized in other comprehensive income in the period in which these changes occur. Upon derecognition, any accrued gains or losses are recognized in income for the year.

4. **INVESTMENTS**

	2014	2013
GIC bearing interest at 1.1% maturing November 3, 2015	\$ 150,391	\$ -
GIC bearing interest at 1.1% maturing November 3, 2014	-	166,581
	<u>\$ 150,391</u>	<u>\$ 166,581</u>

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**NOTES TO FINANCIAL STATEMENTS**

**AS AT APRIL 30, 2014**

**5. PROPERTY AND EQUIPMENT**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
As at April 30, 2014			
Computers	\$ 8,028	\$ 1,734	\$ 6,294
Equipment and furniture	<u>280,265</u>	<u>58,202</u>	<u>222,063</u>
	<u>\$ 288,293</u>	<u>\$ 59,936</u>	<u>\$ 228,357</u>
As at April 30, 2013			
Computers	\$ 17,246	\$ 4,465	\$ 12,781
Equipment and furniture	<u>272,583</u>	<u>29,101</u>	<u>243,482</u>
	<u>\$ 289,829</u>	<u>\$ 33,566</u>	<u>\$ 256,263</u>

**6. DEFERRED STUDENT LEVIES**

Changes in the deferred contributions balances are as follows:

	2014	2013
<i>Blue Sky Solar Racing</i>		
Beginning balance	\$ 3	\$ (3)
Net student fee levies	3,138	2,985
Payments and distributions	<u>(3,141)</u>	<u>(2,979)</u>
Ending balance	<u>-</u>	<u>3</u>
<i>Canadian Federation of Students</i>		
Beginning balance	137	(164)
Net student fee levies	176,969	166,775
Payments and distributions	<u>(177,106)</u>	<u>(166,474)</u>
Ending balance	<u>-</u>	<u>137</u>
<i>Day Care Subsidy</i>		
Beginning balance	13,428	12,567
Net student fee levies	12,068	11,480
Payments and distributions	<u>(15,659)</u>	<u>(10,619)</u>
Ending balance	<u>9,837</u>	<u>13,428</u>

To be read in conjunction with our Auditors' Report dated October 24, 2014

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**NOTES TO FINANCIAL STATEMENTS**

**AS AT APRIL 30, 2014**

**6. DEFERRED STUDENT LEVIES - continued**

	2014	2013
<i>Downtown Legal Services</i>		
Beginning balance	10	(12)
Net student fee levies	12,068	11,480
Payments and distributions	<u>(12,078)</u>	<u>(11,458)</u>
Ending balance	<u>-</u>	<u>10</u>
<i>Foster Children Program</i>		
Beginning balance	6,325	5,177
Net student fee levies	1,207	1,148
Payments and distributions	<u>-</u>	<u>-</u>
Ending balance	<u>7,532</u>	<u>6,325</u>
<i>Health Initiative in Developing Countries</i>		
Beginning balance	31,500	25,760
Net student fee levies	6,034	5,740
Payments and distributions	<u>(37,534)</u>	<u>-</u>
Ending balance	<u>-</u>	<u>31,500</u>
<i>Orientation</i>		
Beginning balance	-	-
Net student fee levies	12,068	11,480
Payments and distributions	<u>(12,068)</u>	<u>(11,480)</u>
Ending balance	<u>-</u>	<u>-</u>
<i>Students for Literacy</i>		
Beginning balance	3,668	3,668
Net student fee levies	10,703	10,314
Payments and distributions	<u>(10,703)</u>	<u>(10,314)</u>
Ending balance	<u>3,668</u>	<u>3,668</u>
<i>Student Refugee Program</i>		
Beginning balance	34,559	31,025
Net student fee levies	7,241	6,888
Payments and distributions	<u>(535)</u>	<u>(3,354)</u>
Ending balance	<u>41,265</u>	<u>34,559</u>

To be read in conjunction with our Auditors' Report dated October 24, 2014

**SCARBOROUGH CAMPUS STUDENTS' UNION  
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**NOTES TO FINANCIAL STATEMENTS**

**AS AT APRIL 30, 2014**

**6. DEFERRED STUDENT LEVIES - continued**

	2014	2013
<i>U of T Environmental Resource Network</i>		
Beginning balance	(969)	(980)
Net student fee levies	6,034	5,740
Payments and distributions	<u>(5,079)</u>	<u>(5,729)</u>
Ending balance	<u>(14)</u>	<u>(969)</u>
 <i>Wheelchair Accessibility Projects</i>		
Beginning balance	8,881	621
Net student fee levies and interest earned	24,135	22,960
Payments and distributions	<u>(33,016)</u>	<u>(14,700)</u>
Ending balance	<u>-</u>	<u>8,881</u>
 <i>Women's Centre - UTSC</i>		
Beginning balance	28	(37)
Net student fee levies	36,203	34,440
Payments and distributions	<u>(36,231)</u>	<u>(34,375)</u>
Ending balance	<u>-</u>	<u>28</u>
 <i>WUSC/Refugee Student Program</i>		
Beginning balance	(2)	(45)
Net student fee levies	19,128	18,196
Payments and distributions	<u>(19,126)</u>	<u>(18,153)</u>
Ending balance	<u>-</u>	<u>(2)</u>
 <i>Summary</i>		
Beginning balance	97,568	77,577
Net student fee levies	326,996	309,626
Disbursements and revenue recognized	<u>(362,276)</u>	<u>(289,635)</u>
Ending balance	<u>\$ 62,288</u>	<u>\$ 97,568</u>

To be read in conjunction with our Auditors' Report dated October 24, 2014

**SCARBOROUGH CAMPUS STUDENTS' UNION  
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**NOTES TO FINANCIAL STATEMENTS**

**AS AT APRIL 30, 2014**

**7. 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 closing balance represents the amount remaining in the fund at the fiscal year-end.

	2014	2013
<i>Group Health and Dental Plan</i>		
Beginning balance	\$ 198,606	\$ 7,083
Net student fee levies	2,422,308	2,124,161
Payments and distributions	<u>(2,401,602)</u>	<u>(1,932,638)</u>
Ending balance	<u>\$ 219,312</u>	<u>\$ 198,606</u>

**8. LONG-TERM DEBT**

Loans payable to University of Toronto Scarborough to offset the university's cost of financing the construction of the Student Centre, pursuant to the operating agreement, bearing interest at 3.5% repayable in blended annual payments of \$53,593, maturing October 2014.

	2014	2013
	\$ 16,547	\$ 48,787

Loan payable to University of Toronto Scarborough to offset cost of wages in Restaurants Inc. Loan bears interest at 3% and is repayable in escalating quarterly instalments over four years.

	<u>35,933</u>	<u>-</u>
	52,480	48,787
Current portion	<u>52,480</u>	<u>32,240</u>
	<u>\$ -</u>	<u>\$ 16,547</u>

Student Centre Loan repayments are withheld from student fee remittances by the university. The income withheld is recognized as Student Centre Capital Reserve income.

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NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2014

9. **INVESTMENT AND LOANS TO RELATED PARTIES**

SCSU's initial investment in the Restaurant included \$100 for 100 common shares together with advances to fund its operations. SCSU Restaurants Inc. has invested in two subsidiary franchises - Hero Burger and KFC Express. The SCSU wholly owns all shares either directly and indirectly in each of these related parties.

SCSU Restaurants Inc. continues to accumulate a deficit, as do the Hero Burger and KFC Express. Accordingly, the value of these investments have been impaired to reflect management's estimate of the net amount that will be recovered within ten years.

	<u>2014</u>	<u>2013</u>
Advances to 2277345 Ontario Ltd. o/a KFC Express	\$ 90,965	\$ 80,965
Advances to 2275596 Ontario Ltd. O/A Hero Burger	44,593	24,593
Advances to SCSU Restaurants Inc.	364,343	364,343
Impairment allowance	(203,506)	(203,506)
Share of net loss	<u>(41,485)</u>	<u>-</u>
Net investment in SCSU Restaurants Inc.	<u>\$ 254,910</u>	<u>\$ 266,395</u>

10. **COMMITMENTS**

SCSU entered into an agreement with the University of Toronto Scarborough to pay for custodial services in the Student Centre building. The total cost for the year ending April 30, 2015 will be approximately \$223,000.

To be read in conjunction with our Auditors' Report dated October 24, 2014

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NOTES TO FINANCIAL STATEMENTS

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11. FINANCIAL INSTRUMENTS

Cash

The cash is denominated in Canadian dollars and consists of cash on hand as well as current deposit accounts with Canadian financial institutions. Cash is classified as held-for-trading and carried at fair value. Cash gives rise to some small interest rate risk as the rate of interest received on deposits is determined by the bank's prime rate of interest and therefore subject to change. There are no foreign currencies and therefore no foreign exchange or valuation risk.

Accounts receivable

The Union provides goods and services to a variety of groups, associations, unions, departments, and other customers closely related to the University of Toronto Scarborough. Approximately all of accounts receivable are due from these related parties. Receivables are classified as loans and receivables, initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method. Impairment charges are recognized as bad debts expense. Management is of the opinion that credit risk is minimal.

Accounts payable

The Union's payables arise from the operational expenses and purchases. Payables and accruals are classified as loans and receivables, they are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method. Payables closely approximate their fair value due to their short-term nature.

Long-term debt

The carrying amount of the long-term debt is based upon the amount and terms agreed to in the operating agreement with university and therefore classified as held-to-maturity and carried at amortized cost. The loans bear interest at a fixed rate and are therefore not subject to interest rate risk.

To be read in conjunction with our Auditors' Report dated October 24, 2014