

FINANCIAL STATEMENTS
SCARBOROUGH CAMPUS STUDENTS' UNION
AS AT APRIL 30, 2016

SCARBOROUGH CAMPUS STUDENTS' UNION

AS AT APRIL 30, 2016

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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, 2016, 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, 2016, 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.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
October 21, 2016

SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO

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STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30, 2016
(With comparative figures as at April 30, 2015)

ASSETS

	2016	2015
CURRENT		
Cash	\$ 375,184	\$ 96,973
Guaranteed investment certificate (note 4)	150,391	150,391
Accounts receivable (net of allowance of \$7,740 - 2015 \$8,005)	51,145	37,170
Prepaid expenses	40,216	2,273
Inventory	<u>58,709</u>	<u>56,515</u>
	675,645	343,322
NON-CURRENT		
Cash restricted for health and dental plan (note 7)	1,534,280	660,376
Cash restricted for deferred levies (note 6)	100,555	185,621
Investment in and advances to related parties (note 9)	317,069	267,645
Property and equipment (note 5)	<u>190,603</u>	<u>223,954</u>
TOTAL ASSETS	<u>\$ 2,818,152</u>	<u>\$ 1,680,918</u>

LIABILITIES

CURRENT		
Accounts payable	\$ 35,072	\$ 46,431
Harmonized Sales Tax	15,831	-
Deferred rental deposits	<u>6,946</u>	<u>6,946</u>
	57,849	53,377
NON-CURRENT		
Deferred health and dental plan fees (note 7)	1,534,280	660,376
Deferred student levies (note 6)	<u>100,555</u>	<u>185,619</u>
TOTAL LIABILITIES	1,692,684	899,372

NET ASSETS

TOTAL NET ASSETS	<u>1,125,468</u>	<u>781,546</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,818,152</u>	<u>\$ 1,680,918</u>

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

See accompanying notes

To be read in conjunction with our Auditors' Report dated October 21, 2016

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STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

**FOR THE YEAR ENDED APRIL 30, 2016
(With comparative figures for the year ended April 30, 2015)**

	2016	2015
REVENUES		
Health and dental plan fees recognized (note 7)	2,313,032	2,363,473
TTC Metropass and fare sales (note 11)	1,120,192	991,600
Unrestricted general student fees	661,175	629,112
Restricted referendum fees recognized (note 6)	440,780	316,516
Admissions, events, sales and advertising	390,287	355,848
Rental and leasing	317,786	213,164
Health and dental plan administration fee	210,216	192,404
U of T Scarborough operating subsidy (note 12)	127,500	127,500
Student Centre Capital Reserve income recognition	-	16,547
Investment income	20,531	11,366
Grants and sponsorship	<u>3,670</u>	<u>-</u>
	<u>5,605,169</u>	<u>5,217,530</u>
 EXPENSES		
Health and dental plan disbursements (note 7)	2,313,032	2,363,473
Cost of TTC Metropasses and fares sold (note 11)	1,118,055	982,863
Wages and benefits	650,003	799,501
General and administrative	406,967	403,607
Restricted referendum fees disbursed (note 6)	440,780	316,516
Operating subsidy paid to SCSU Restaurants Inc. (note 12)	127,500	127,500
Repairs and maintenance	81,566	43,255
Professional fees	34,796	33,731
Ticket purchases	44,490	50,434
Utilities	14,140	16,203
Credit card and bank charges	8,391	7,915
Amortization	<u>35,951</u>	<u>33,820</u>
	<u>5,275,671</u>	<u>5,178,818</u>
 SURPLUS FROM OPERATIONS	 329,498	 38,712
Income (loss) in subsidiaries (note 9)	<u>14,424</u>	<u>(13,340)</u>
 SURPLUS FOR THE YEAR	 343,922	 25,372
Opening net assets	<u>781,546</u>	<u>756,174</u>
 CLOSING NET ASSETS	 <u>\$ 1,125,468</u>	 <u>\$ 781,546</u>

See accompanying notes

To be read in conjunction with our Auditors' Report dated October 21, 2016

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STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED APRIL 30, 2016
(With comparative figures for the year ended April 30, 2015)**

	2016	2015
CASH FLOWS FROM (USED IN):		
OPERATIONS		
Surplus for the year	\$ 343,922	\$ 25,372
<i>Non-cash items:</i>		
Amortization	35,951	33,820
Income (loss) in subsidiaries	<u>(14,424)</u>	<u>13,339</u>
	365,449	72,531
<i>Non-cash working capital:</i>		
Accounts receivable	(13,975)	23,036
Accounts payable and accruals	4,490	(332,587)
Harmonized Sales Tax	15,831	(12,522)
Prepaid expenses	(37,943)	-
Inventory	<u>(2,194)</u>	<u>(18,879)</u>
	<u>331,658</u>	<u>(268,421)</u>
INVESTING		
Advances to SCSU Restaurants Inc.	(49,424)	(26,075)
Purchase of furniture and equipment	<u>(4,023)</u>	<u>(29,417)</u>
	<u>(53,447)</u>	<u>(55,492)</u>
FINANCING		
Repayment of long-term debt	-	(52,480)
Change in deferral liabilities	(788,840)	(564,397)
Change in restricted cash	<u>788,840</u>	<u>564,397</u>
	<u>-</u>	<u>(52,480)</u>
NET CHANGE IN CASH	278,211	(376,393)
Cash at beginning of the year	<u>96,973</u>	<u>473,366</u>
CASH AT END OF THE YEAR	<u>\$ 375,184</u>	<u>\$ 96,973</u>

See accompanying notes

To be read in conjunction with our Auditors' Report dated October 21, 2016

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NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2016

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

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 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.

To be read in conjunction with our Auditors' Report dated October 21, 2016

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NOTES TO FINANCIAL STATEMENTS

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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.

The health and dental plan administration fees charged is \$5.50 a semester for each enrolment under Dental coverage, and \$5.50 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 \$22.00.

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 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 21, 2016

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NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2016

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial instruments are measured at fair value when issued or acquired. Financial instruments are subsequently measured at amortized cost, and the carrying amount incorporates the amount and the related financing fees and transaction costs. The effective interest rate method is used to amortize any premiums, discounts, transaction fees and financing fees in the statement of operations. The financial assets consist of cash, restricted cash, guaranteed investment certificates and accounts receivable. The financial liabilities consist of accounts payable and harmonized sales tax. Financial instruments are regularly assessed for indications of impairment. If there is an indication of impairment, being a significant adverse change in the expected timing or amount of future cash flows from the financial asset, an impairment loss (bad debts expense) is immediately recognized in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

4. INVESTMENTS

	2016	2015
Redeemable GIC with Meridian Credit Union, yielding 1.9%, interest paid November 3 of each year.	\$ <u>150,391</u>	\$ <u>150,391</u>

5. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
As at April 30, 2016			
Computers	\$ 15,128	\$ 10,080	\$ 5,048
Equipment and furniture	<u>305,182</u>	<u>119,627</u>	<u>185,555</u>
	<u>\$ 320,310</u>	<u>\$ 129,707</u>	<u>\$ 190,603</u>
As at April 30, 2015			
Computers	\$ 12,528	\$ 5,777	\$ 6,751
Equipment and furniture	<u>305,182</u>	<u>87,979</u>	<u>217,203</u>
	<u>\$ 317,710</u>	<u>\$ 93,756</u>	<u>\$ 223,954</u>

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6. DEFERRED STUDENT LEVIES

Changes in the deferred contributions balances are as follows:

	2016	2015
<i>Blue Sky Solar Racing</i>		
Beginning balance	\$ (1)	\$ (1)
Net student fee levies	3,353	3,251
Payments and distributions	<u>(4,137)</u>	<u>(3,251)</u>
Ending balance	<u>(785)</u>	<u>(1)</u>
<i>Canadian Federation of Students</i>		
Beginning balance	98,328	1
Net student fee levies	195,340	186,002
Payments and distributions	<u>(293,668)</u>	<u>(87,675)</u>
Ending balance	<u>-</u>	<u>98,328</u>
<i>Day Care Subsidy</i>		
Beginning balance	22,342	9,837
Net student fee levies	12,897	12,505
Payments and distributions	<u>-</u>	<u>-</u>
Ending balance	<u>35,239</u>	<u>22,342</u>
<i>Downtown Legal Services</i>		
Beginning balance	(1)	(1)
Net student fee levies	12,897	12,505
Payments and distributions	<u>(12,897)</u>	<u>(12,505)</u>
Ending balance	<u>(1)</u>	<u>(1)</u>
<i>Foster Children Program</i>		
Beginning balance	8,782	7,531
Net student fee levies	1,290	1,251
Payments and distributions	<u>-</u>	<u>-</u>
Ending balance	<u>10,072</u>	<u>8,782</u>
<i>Health Initiative in Developing Countries</i>		
Beginning balance	3,301	-
Net student fee levies	6,448	6,253
Payments and distributions	<u>(9,749)</u>	<u>(2,952)</u>
Ending balance	<u>-</u>	<u>3,301</u>
<i>Orientation</i>		
Beginning balance	-	-
Net student fee levies	12,897	12,505
Payments and distributions	<u>(12,897)</u>	<u>(12,505)</u>
Ending balance	<u>-</u>	<u>-</u>

To be read in conjunction with our Auditors' Report dated October 21, 2016

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6. DEFERRED STUDENT LEVIES - continued

	2016	2015
<i>Students for Literacy</i>		
Beginning balance	3,668	3,668
Net student fee levies	11,507	11,162
Payments and distributions	<u>(15,175)</u>	<u>(11,162)</u>
Ending balance	<u>-</u>	<u>3,668</u>
 <i>Student Refugee Program</i>		
Beginning balance	48,768	41,265
Net student fee levies	7,738	7,503
Payments and distributions	<u>-</u>	<u>-</u>
Ending balance	<u>56,506</u>	<u>48,768</u>
 <i>U of T Environmental Resource Network</i>		
Beginning balance	432	(14)
Net student fee levies	6,448	6,253
Payments and distributions	<u>(7,356)</u>	<u>(5,807)</u>
Ending balance	<u>(476)</u>	<u>432</u>
 <i>Wheelchair Accessibility Projects</i>		
Net student fee levies and interest earned	25,793	25,011
Payments and distributions	<u>(25,793)</u>	<u>(25,011)</u>
Ending balance	<u>-</u>	<u>-</u>
 <i>Women's Centre - UTSC</i>		
Net student fee levies	38,690	37,516
Payments and distributions	<u>(38,690)</u>	<u>(37,516)</u>
Ending balance	<u>-</u>	<u>-</u>
 <i>WUSC/Refugee Student Program</i>		
Net student fee levies	20,418	19,804
Payments and distributions	<u>(20,418)</u>	<u>(19,804)</u>
Ending balance	<u>-</u>	<u>-</u>
 <i>Summary</i>		
Beginning balance	185,619	62,286
Net student fee levies	355,716	341,521
Disbursements and revenue recognized	<u>(440,780)</u>	<u>(218,188)</u>
Ending balance	<u>\$ 100,555</u>	<u>\$ 185,619</u>

To be read in conjunction with our Auditors' Report dated October 21, 2016

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

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2016

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 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.

	2016	2015
<i>Group Health and Dental Plan</i>		
Beginning balance	\$ 660,376	\$ 219,312
Net student fee levies	3,186,936	2,804,537
Payments, refunds and expenses	<u>(2,313,032)</u>	<u>(2,363,473)</u>
Ending balance at the end of the fiscal year	1,534,280	660,376
Premiums subsequently paid to August 31	<u>765,541</u>	<u>192,504</u>
Balance at the end of academic year	<u>\$ 768,739</u>	<u>\$ 467,872</u>

The higher balance at the end of the current year is due primarily to two factors. First, the union was able to negotiate lower premiums for the same level of coverage this fiscal year.

8. STUDENT CENTRE CAPITAL FUNDS

Student Centre Loan repayments are withheld from student fee remittances by the University. The fees withheld is recognized as Student Centre Capital Reserve income as the debt to the University is repaid. The 2015 fiscal year is the last for which this amount was withheld from the student fees.

To be read in conjunction with our Auditors' Report dated October 21, 2016

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NOTES TO FINANCIAL STATEMENTS

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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>2016</u>	<u>2015</u>
Advances to 2277345 Ontario Ltd. o/a KFC Express	\$ 102,040	\$ 87,040
Advances to 2275596 Ontario Ltd. O/A Hero Burger	94,593	74,593
Advances to SCSU Restaurants Inc.	364,343	364,343
Impairment allowance	(203,506)	(203,506)
Accumulated net loss	<u>(40,401)</u>	<u>(54,825)</u>
Net investment in SCSU Restaurants Inc.	<u>\$ 317,069</u>	<u>\$ 267,645</u>

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10. FINANCIAL INSTRUMENTS RISKS

The main financial instrument risk exposure is detailed as follows.

Credit Risk

The financial assets with credit risk exposure are accounts receivable and advances to related parties since failure of any of these parties to fulfil their obligations could result in financial losses for the union. The union is also exposed to a concentration of risk in that all of its cash and the guaranteed investment certificates are held with financial institutions and the balances held are in excess of Canadian Insurance Corporation (CDIC) limits.

Liquidity Risk

The Union's liquidity risk represents the risk that the Union could encounter difficulty in meeting obligations associated with its financial liabilities. The Union is, therefore, exposed to liquidity risk with respect to its accounts payable. The Union 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.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

Currency Risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The functional currency of the Union is the Canadian dollar. The Union does not have any financial instruments denominated in foreign currency.

Interest Rate Risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Union is exposed to interest rate risk with respect to cash and guaranteed investment certificates. Fluctuations in market rates of interest on cash and guaranteed investment certificates do not have a significant impact on The Union's results of operations. The objective of The Union with respect to its guaranteed investment certificates is to ensure the security of principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return.

Other Price Risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The Union does not hold any financial instruments subject to this type of risk.

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NOTES TO FINANCIAL STATEMENTS

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11. TTC METROPASSES AND FARES

	<u>2016</u>	<u>2015</u>
TTC Metropass and fare sales	\$ 1,120,192	\$ 991,600
Cost of TTC Metropasses and fares sold	<u>1,118,055</u>	<u>982,863</u>
Net profit	<u>\$ 2,137</u>	<u>\$ 8,737</u>

The net profit realized is due to a 1% commission received from the sale of TTC on tokens, day passes and VIP passes. Post-secondary passes do not generate a profit as they are sold to students at cost.

12. OPERATING SUBSIDY

	<u>2016</u>	<u>2015</u>
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. The University restricted the use of these funds to offset the costs of operating Rex's Den. This subsidy is not student fees, and is passed directly through to the restaurant. This funding is therefore not available for use in the Union's general operations.

13. SUBSEQUENT EVENT

On August 29, 2016, 2275596 Ontario Ltd. (o/a Hero Burger) was sold for cash proceeds of \$50,000.

To be read in conjunction with our Auditors' Report dated October 21, 2016