

FINANCIAL STATEMENTS
SCARBOROUGH CAMPUS STUDENTS' UNION
AS AT APRIL 30, 2018

SCARBOROUGH CAMPUS STUDENTS' UNION

AS AT APRIL 30, 2018

I N D E X

Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Operations and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 13

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, 2018, 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, 2018, 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 PGC LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
September 27, 2018

Celebrating over 65 years of excellence

20 Holly Street, Suite 400, Toronto, Ontario M4S 3E8 & 1 West Pearce Street, Suite 700, Richmond Hill, Ontario L4B 3K3
Tel: (416) 485-6000 Fax: (416) 485-1105 www.yalepgc.ca Tel: (905) 764-0404 Fax: (905) 764-0320

PARTNERING FOR SUCCESS

GMN International is an association of
legally independent accounting firms

gmn
international

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

STATEMENT OF FINANCIAL POSITION

**AS AT APRIL 30, 2018
(With comparative figures as at April 30, 2017)**

ASSETS

	2018	2017
CURRENT		
Cash	\$ 1,091,115	\$ 696,647
Guaranteed investment certificate (note 4)	151,223	150,930
Accounts receivable (net of allowance of \$4,308 - 2017 \$Nil)	302,951	163,643
Inventory	<u>32,951</u>	<u>31,043</u>
	1,578,240	1,042,263
NON-CURRENT		
Cash restricted for health and dental plan (note 7)	2,394,241	1,879,820
Cash restricted for deferred levies (note 6)	133,516	123,273
Investment in and advances to related parties (note 8)	242,956	207,977
Property and equipment (note 5)	<u>25,193</u>	<u>119,142</u>
TOTAL ASSETS	<u><u>\$ 4,374,146</u></u>	<u><u>\$ 3,372,475</u></u>

LIABILITIES

CURRENT		
Accounts payable	\$ 54,914	\$ 41,882
Government remittances	2,669	4,248
Deferred rental deposits	<u>6,946</u>	<u>6,946</u>
	64,529	53,076
NON-CURRENT		
Deferred health and dental plan fees (note 7)	2,394,241	1,879,820
Deferred student levies (note 6)	<u>133,516</u>	<u>123,273</u>
TOTAL LIABILITIES	2,592,286	2,056,169

NET ASSETS

TOTAL NET ASSETS	<u>1,781,860</u>	<u>1,316,306</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,374,146</u></u>	<u><u>\$ 3,372,475</u></u>

APPROVED ON BEHALF OF THE BOARD



Director



Director

See accompanying notes

To be read in conjunction with our Auditors' Report dated September 27, 2018

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

Page 3

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

**FOR THE YEAR ENDED APRIL 30, 2018
(With comparative figures for the year ended April 30, 2017)**

	2018	2017
REVENUES		
Health and dental plan fees recognized (note 7)	3,353,162	3,145,317
TTC Metropass and fare sales (note 10)	587,009	925,816
Unrestricted general student fees	744,022	707,928
Restricted referendum fees recognized (note 6)	382,612	310,541
Admissions, events, sales and advertising	338,840	356,811
Rental and leasing	355,431	317,549
Health and dental plan administration fee	223,790	210,827
U of T Scarborough operating subsidy (note 12)	127,500	127,500
Investment income	30,486	16,698
Grants and sponsorship	19,358	15,953
	<u>6,162,210</u>	<u>6,134,940</u>
EXPENSES		
Health and dental plan disbursements (note 7)	3,353,162	3,145,317
Cost of TTC Metropasses and fares sold (note 10)	584,486	921,803
Wages and benefits	664,920	646,735
General and administrative	430,191	427,549
Restricted referendum fees disbursed (note 6)	382,612	310,541
Operating subsidy paid to SCSU Restaurants Inc. (note 12)	127,500	127,500
Repairs and maintenance	94,048	80,653
Professional fees	26,744	33,573
Ticket purchases	47,224	49,328
Utilities	13,814	14,850
Bank charges	6,253	5,298
Bad debts	4,308	-
Amortization	5,628	23,887
	<u>5,740,890</u>	<u>5,787,034</u>
SURPLUS FROM OPERATIONS	<u>421,320</u>	<u>347,906</u>
Income in subsidiary (Rex's Den)	33,043	6,888
Discontinued operations (note 11)	(27,362)	(21,387)
Loss on advances to 2275596 Ontario Inc. (o/a Hero Burger)	-	(142,569)
Loss on advances to 2277345 Ontario Inc. (o/a KFC Express)	(61,447)	-
Recovery of Student Centre contributions (note 13)	100,000	-
	<u>44,234</u>	<u>(157,068)</u>
SURPLUS FOR THE YEAR	465,554	190,838
Opening net assets	<u>1,316,306</u>	<u>1,125,468</u>
CLOSING NET ASSETS	<u>\$ 1,781,860</u>	<u>\$ 1,316,306</u>
See accompanying notes		

To be read in conjunction with our Auditors' Report dated September 27, 2018

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

Page 4

STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED APRIL 30, 2018
(With comparative figures for the year ended April 30, 2017)**

	2018	2017
CASH FLOWS FROM (USED IN):		
OPERATIONS		
Surplus for the year	\$ 465,554	\$ 190,838
<i>Non-cash items:</i>		
Amortization	5,628	23,887
Income in subsidiaries	(33,043)	(6,888)
Impairment losses	88,809	163,956
	<u>526,948</u>	<u>371,793</u>
<i>Non-cash working capital:</i>		
Accounts receivable	(139,308)	(112,496)
Accounts payable and accruals	13,032	6,809
Harmonized Sales Tax	(1,579)	(11,583)
Prepaid expenses	-	40,216
Inventory	(1,908)	27,666
	<u>397,185</u>	<u>322,405</u>
INVESTING		
Investment income	(293)	(539)
Purchase of furniture and equipment	(2,424)	(403)
	<u>(2,717)</u>	<u>(942)</u>
FINANCING		
Change in restricted cash	(524,664)	(368,258)
Change in deferral liabilities	524,664	368,258
	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	394,468	321,463
Cash at beginning of the year	<u>696,647</u>	<u>375,184</u>
CASH AT END OF THE YEAR	<u>\$ 1,091,115</u>	<u>\$ 696,647</u>

See accompanying notes

To be read in conjunction with our Auditors' Report dated September 27, 2018

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

Page 5

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2018

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.

SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO

Page 6

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2018

3. **SIGNIFICANT ACCOUNTING POLICIES** - continued

Revenue Recognition - continued

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.

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 \$5.78 a semester for each enrolment under Dental coverage, and \$5.78 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 \$23.12.

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). 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.

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

Page 7

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2018

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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

	2018	2017
Redeemable GIC with Meridian Credit Union, yielding 1.7100%, interest will be paid November 7, 2018.	\$ <u>151,223</u>	\$ <u>150,930</u>

5. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
As at April 30, 2018			
Computers	\$ 14,773	\$ 9,191	\$ 5,582
Equipment and furniture	<u>34,764</u>	<u>15,153</u>	<u>19,611</u>
	<u>\$ 49,537</u>	<u>\$ 24,344</u>	<u>\$ 25,193</u>
As at April 30, 2017			
Computers	\$ 14,773	\$ 8,188	\$ 6,585
Equipment and furniture	<u>206,192</u>	<u>93,635</u>	<u>112,557</u>
	<u>\$ 220,965</u>	<u>\$ 101,823</u>	<u>\$ 119,142</u>

To be read in conjunction with our Auditors' Report dated September 27, 2018

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

Page 8

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2018

6. DEFERRED STUDENT LEVIES

Changes in the deferred contributions balances are as follows:

	2018	2017
<i>Blue Sky Solar Racing</i>		
Beginning balance	\$ (785)	\$ (785)
Net student fee levies	2,865	3,530
Payments and distributions	<u>(2,080)</u>	<u>(3,530)</u>
Ending balance	<u>-</u>	<u>(785)</u>
<i>Canadian Federation of Students</i>		
Beginning balance	-	-
Net student fee levies	219,880	209,170
Payments and distributions	<u>(219,880)</u>	<u>(209,170)</u>
Ending balance	<u>-</u>	<u>-</u>
<i>Day Care Subsidy</i>		
Beginning balance	48,817	35,239
Net student fee levies	14,039	13,578
Payments and distributions	<u>(11,385)</u>	<u>-</u>
Ending balance	<u>51,471</u>	<u>48,817</u>
<i>Downtown Legal Services</i>		
Beginning balance	(1)	(1)
Net student fee levies	14,039	13,578
Payments and distributions	<u>(14,038)</u>	<u>(13,578)</u>
Ending balance	<u>-</u>	<u>(1)</u>
<i>Foster Children Program</i>		
Beginning balance	11,430	10,072
Net student fee levies	1,404	1,358
Payments and distributions	<u>-</u>	<u>-</u>
Ending balance	<u>12,834</u>	<u>11,430</u>
<i>Health Initiative in Developing Countries</i>		
Beginning balance	-	-
Net student fee levies	7,019	6,789
Payments and distributions	<u>(7,019)</u>	<u>(6,789)</u>
Ending balance	<u>-</u>	<u>-</u>
<i>Orientation</i>		
Beginning balance	-	-
Net student fee levies	14,039	13,578
Payments and distributions	<u>(14,039)</u>	<u>(13,578)</u>
Ending balance	<u>-</u>	<u>-</u>

To be read in conjunction with our Auditors' Report dated September 27, 2018

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

Page 9

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2018

6. DEFERRED STUDENT LEVIES - continued

	2018	2017
<i>Students for Literacy</i>		
Beginning balance	-	-
Net student fee levies	12,253	11,921
Payments and distributions	<u>(12,253)</u>	<u>(11,921)</u>
Ending balance	<u>-</u>	<u>-</u>
<i>Student Refugee Program</i>		
Beginning balance	64,288	56,506
Net student fee levies	8,423	8,146
Payments and distributions	<u>(3,500)</u>	<u>(364)</u>
Ending balance	<u>69,211</u>	<u>64,288</u>
<i>U of T Environmental Resource Network</i>		
Beginning balance	(476)	(476)
Net student fee levies	6,543	6,789
Payments and distributions	<u>(6,067)</u>	<u>(6,789)</u>
Ending balance	<u>-</u>	<u>(476)</u>
<i>Wheelchair Accessibility Projects</i>		
Beginning balance	-	-
Net student fee levies and interest earned	28,078	27,155
Payments and distributions	<u>(28,078)</u>	<u>(27,155)</u>
Ending balance	<u>-</u>	<u>-</u>
<i>Women's Centre - UTSC</i>		
Beginning balance	-	-
Net student fee levies	42,117	40,733
Payments and distributions	<u>(42,117)</u>	<u>(40,733)</u>
Ending balance	<u>-</u>	<u>-</u>
<i>WUSC/Refugee Student Program</i>		
Beginning balance	-	-
Net student fee levies	22,156	21,416
Payments and distributions	<u>(22,156)</u>	<u>(21,416)</u>
Ending balance	<u>-</u>	<u>-</u>
<i>Summary</i>		
Beginning balance	123,273	100,555
Net student fee levies	392,855	377,741
Disbursements and revenue recognized	<u>(382,612)</u>	<u>(355,023)</u>
Ending balance	<u>\$ 133,516</u>	<u>\$ 123,273</u>

To be read in conjunction with our Auditors' Report dated September 27, 2018

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

Page 10

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2018

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.

	2018	2017
<i>Group Health and Dental Plan</i>		
Beginning balance	\$ 1,879,820	\$ 1,534,280
Net student fee levies	3,867,583	3,490,857
Payments, refunds and expenses	<u>(3,353,162)</u>	<u>(3,145,317)</u>
Ending balance at the end of the fiscal year	2,394,241	1,879,820
Premiums subsequently paid to August 31	<u>620,582</u>	<u>806,988</u>
Balance at the end of academic year	<u>\$ 1,773,659</u>	<u>\$ 1,072,832</u>

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

8. 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 and wholly owns all shares either directly and indirectly in its subsidiary franchise - KFC Express.

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

	<u>2018</u>	<u>2017</u>
Advances to 2277345 Ontario Ltd. o/a KFC Express	\$ 129,375	\$ 102,040
Advances to SCSU Restaurants Inc.	366,307	364,344
Impairment allowance	(203,507)	(203,507)
Accumulated net loss	<u>(49,219)</u>	<u>(54,900)</u>
Net investment in SCSU Restaurants Inc.	<u>\$ 242,956</u>	<u>\$ 207,977</u>

SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO

Page 11

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2018

9. **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.

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

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2018

10. TTC METROPASSES AND FARES

	<u>2018</u>	<u>2017</u>
TTC Metropass and fare sales	\$ 587,009	\$ 925,816
Cost of TTC Metropasses and fares sold	<u>584,486</u>	<u>921,803</u>
Net profit	<u>\$ 2,523</u>	<u>\$ 4,013</u>

The net profit realized is primarily due to commissions 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.

11. DISCONTINUED OPERATIONS

Discontinued operations include the results from KFC Express.

On August 31, 2016 the business of 2275996 Ontario Ltd, (the Hero Burger franchise) was discontinued. The assets of the business were sold for \$50,000, resulting in a loss of \$41,423. Subsequently, 2275996 Ontario Ltd was dissolved by Articles of Dissolution dated April 26, 2017.

On October 3, 2017 the business of 2277345 Ontario Inc. (KFC Express) was sold by way of an asset sale for proceeds of \$110,000. The sale has resulted in a loss of \$27,362.

	2018	2017
Hero Burger		
Sales	\$ -	\$ 24,357
Cost of sales	<u>-</u>	<u>12,276</u>
Gross profit	-	12,081
Operating expenses	-	50,713
Loss on sale of assets	<u>-</u>	<u>2,791</u>
Net loss	<u>-</u>	<u>(41,423)</u>
KFC Express		
Sales	38,552	274,383
Cost of sales	<u>15,558</u>	<u>111,805</u>
Gross profit	22,994	162,578
Operating expenses	<u>50,356</u>	<u>142,542</u>
Net income	<u>(27,362)</u>	<u>20,036</u>
Discontinued operations	<u>\$ (27,362)</u>	<u>\$ (21,387)</u>

SCARBOROUGH CAMPUS STUDENTS' UNION
AT THE UNIVERSITY OF TORONTO

Page 13

NOTES TO FINANCIAL STATEMENTS

AS AT APRIL 30, 2018

12. OPERATING SUBSIDY

	<u>2018</u>	<u>2017</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. These funds are used to offset the costs of operating Rex's Den. This subsidy is not student fees, and is passed directly through to the restaurant.

13. RECOVERY OF STUDENT CENTRE CONTRIBUTIONS

On December 1, 2011, the Union contributed \$817,002 towards the Student Centre's repairs and renovations. These repairs and renovations include the Dentistry office, which has entered into an agreement with the Union on July 31, 2017 to reimburse \$100,000 over the course of the next 10 years. This is to be repayable in equal monthly instalments of \$833.33 starting August 1, 2017.

