



University of Toronto Engineering Society

Report to the Members of the Board of Directors

August 15, 2022



Tel: 416 865 0200
Fax: 416 865 0887
www.bdo.ca

BDO Canada LLP
222 Bay Street, Suite 2200
Toronto ON
M5K 1H1

August 15, 2022

Members of the Board of Directors
University of Toronto Engineering Society

Dear Members:

We are pleased to present the results of our audit of the financial statements of University of Toronto Engineering Society (the "Organization") for the year ended May 31, 2022. The purpose of our report is to summarize certain aspects of the audits that we believe to be of interest to the Board of Directors and should be read in conjunction with the draft financial statements and our draft audit report, which is included as Appendix A.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Board of Directors in fulfilling its responsibilities.

This report has been prepared solely for the use of the Board of Directors and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our appreciation for the co-operation we received during the audit from the Organization's management and staff who have assisted us in carrying out our work. We look forward to meeting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

A handwritten signature in black ink, appearing to read 'Glen Horne', with a stylized flourish at the end.

Glen Horne, CPA, CA
Partner through a Professional Corporation
BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants

TABLE OF CONTENTS

Status of the Audit	4
Independence	5
Materiality	5
Audit Findings	6-8
Fraud Discussion	9
Internal Control Matters	10
Other Required Communications	11-12
BDO Resources	13
Appendix A - Draft Audit Report	
Appendix B - Independence Update	

STATUS OF THE AUDIT

As of the date of this report, we have substantially completed our audit of the 2022 financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our audit report on the financial statements.

COMPLETION OF AUDIT

- Receipt of signed Management representation letter
- Subsequent events review through to financial statement approval date

FINANCIAL STATEMENTS

- Approval of financial statements by the Board of Directors

OTHER ITEMS

- Review of Annual Report (as applicable)

With respect to the Annual Report, we review this document to ensure that there is no inconsistency with the financial statements and that the information is consistent with our knowledge of the Organization. We are not responsible for, nor did we review the Annual Report to determine if the information was complete or sufficient for the readers, if factors were omitted or if the disclosures were adequate.

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the financial statements are free from material misstatement.

INDEPENDENCE

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards require us to communicate to the Board of Directors at least annually, all relationships between BDO Canada LLP and its related entities and the University of Toronto Engineering Society and its related entities, that, in our professional judgment, may reasonably be thought to bear on our independence with respect to the audit of the Organization.

Our annual letter confirming our independence is included in Appendix B.

MATERIALITY

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Preliminary materiality was set at \$20,000 based on 3.0% of expenses. Final materiality remained unchanged from our preliminary assessment.

AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Organization's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In order to have a frank and open discussion, these matters will be discussed verbally with you. A summary of the key discussion points are as follows:

ACCOUNTING AND AUDIT MATTERS

Revenue

- Reviewed revenue recognition policy for consistency with the professional standards.

Restricted funds

- Reconciled restricted fund activity throughout the year.

Management Override of Controls

- Management, due to its authority, is in a unique position to override internal controls, which potentially results in misleading financial information.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- We also obtained an understanding of the business rationale for significant transactions that we became aware of that were outside the normal course of operations for the Organization, or that otherwise appear to be unusual given our understanding of the Organization and its environment.
- We reviewed accounting estimates for potential biases and, if any, evaluated whether they represented a risk of material misstatement.
- All audit testing in this area was executed as planned and no errors or concerns were noted.

COVID-19 Impact

- As a result of the COVID-19 pandemic and response measures that were implemented, we amended our audit plan to address specific risk areas which were deemed to be potentially impacted through our COVID-19 audit checklist.
- These are:
 - Revenue recognition
 - Inventory valuation
 - Collectability of accounts receivable and valuation of prepaid expenses
 - Going concern
- Revenue recognition
 - Audit procedures included performing a detailed analysis on the accuracy completeness of student fees and other revenue streams
 - BDO examined each potential revenue stream for potential cutoff issues and discussed potential adjustments with management.
- Inventory valuation
 - Audit procedures included performing a detailed analysis on the accuracy of inventory
 - BDO analyzed client's inventory count post year-end and examined reasonability of inventory valuation
- Collectability of accounts receivable and valuation of prepaid expenses
 - Audit procedures included performing a detailed analysis of outstanding credits to the Organization's store and for prepaid expenses related to future events that have been postponed
- Going concern
 - We discussed with management the potential impact on each material revenue stream, on expenditures and on other areas of operations to assist our going concern analysis
- The audit testing in each of the above areas was executed as planned and no issues were noted as a result of the additional procedures and analysis performed.

SIGNIFICANT ACCOUNTING ESTIMATES

Management is responsible for determining the Organization's significant accounting policies. The choice between accounting policy alternatives can have a significant effect on the financial position and results of the Organization. The application of those policies often involves significant estimates and judgments by management. Based on the audit work that we have performed, it is our opinion that the estimates in the financial statements are reasonable and the disclosures relating to accounting estimates are in accordance with the requirements of the Canadian accounting standards for not-for-profit organizations.

UNADJUSTED DIFFERENCES

We have disclosed all significant unadjusted differences and disclosure omissions (if applicable) identified through the course of our audit engagement. Each of these items has been discussed with Management.

Management has determined that the unadjusted differences are immaterial both individually and in aggregate to the financial statements taken as a whole. Should the Board of Directors agree with this assessment, we do not propose further adjustments.

Uncorrected misstatements aggregated during the audit that were determined by management to be immaterial amounted to \$2,229. A summary of the statement of likely aggregate misstatements is attached to this letter.

MANAGEMENT REPRESENTATIONS

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

FRAUD DISCUSSION

Canadian generally accepted auditing standards require us to discuss fraud risk with the Board of Directors on an annual basis. As an update to the discussion held with the Board of Directors during the planning of our audit, we have prepared the following comments:

Required Discussion	BDO Response	Question to Audit & Finance Committee
Details of existing oversight processes with regard to fraud.	Based on our discussions during the planning of our audit, the Board of Directors' oversight processes include: <ul style="list-style-type: none">• Discussions at committee meetings	Are there any new processes or changes in existing processes relating to fraud of which we should be aware?
Knowledge of actual, suspected or alleged fraud.	Currently, we are not aware of any actual, suspected or alleged fraud.	Are you aware of any instances of actual, suspected or alleged fraud affecting the Organization?

AUDITORS' RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the Organization's internal control environment:

- Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- Discussed and considered potential audit risks with management.

The results of these procedures were considered in determining the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

During the course of our audit, the following significant weaknesses in the design or implementation of internal controls came to our attention:

- During the course of our audit, we identified weaknesses in the design or implementation of internal controls and have communicated them to management. Please refer to the management letter for details of identified weaknesses.

As the purpose of the audit is for us to express an opinion on the Organization's financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

OTHER REQUIRED COMMUNICATIONS

Professional standards require independent auditors to communicate with those charged with governance of certain matters in relation to an audit. In addition to the points communicated within this letter, the table below summarizes these additional required communications.

Communication Required	Auditors' Response
Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.	None.
The final draft of the representation letter.	This will be provided to management.
Material uncertainties related to events and conditions that may cast significant doubt on the Organization's ability to continue as a going concern.	None.
Disagreements with management about matters that, individually or in aggregate, could be significant to the Organization's financial statements or our audit report.	There were no disagreements with management.
Matters involving noncompliance with laws and regulations.	No legal or regulatory non-compliance matters were noted as part of our audit.
Significant related party transactions that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure.	None.
Subsequent events that have caused changes to the audit report.	None.
Modifications in opinion.	Please see our draft auditor's report included in Appendix A.
Emphasis of matters paragraphs or other matters paragraphs.	Please see our draft auditor's report included in Appendix A.
Significant matters arising from the audit that were discussed or subject to correspondence with management.	Impact of COVID 19

Communication Required	Auditors' Response
Significant accounting policies, estimates and judgments.	None.
Unreasonable management refusal to allow the auditor to send a confirmation request, or the inability to obtain relevant and reliable audit evidence from alternative audit procedures.	No difficulties were encountered during our audit.
Limitation of the scope of the audit imposed by management.	No limitation of scope imposed by the management was encountered during our audit.
Material misstatements that affect the prior period financial statements on which the predecessor auditor had previously reported on without modification.	None.
Management consultation with other accountants about significant auditing and accounting matters.	No external consultants or other accountants were consulted during this engagement.

BDO RESOURCES

BDO is one of Canada's largest accounting services firms providing assurance and accounting, taxation, financial advisory, risk advisory, financial recovery and consulting services to a variety of publicly traded and privately held companies and not-for-profit organizations.

BDO serves its clients through 140 offices across Canada. As a member firm of BDO International Limited, BDO serves its multinational clients through a global network of over 1,100 offices in more than 100 countries. Commitment to knowledge and best practice sharing ensures that expertise is easily shared across our global network and common methodologies and information technology ensures efficient and effective service delivery to our clients.

Outlined below is a summary of certain BDO resources that may be of interest to the Board of Directors.

PUBLICATIONS

BDO's national and international accounting and assurance department issues publications on the transition and application of Accounting Standards for Not-for-Profit Organizations (ASNPO). In addition, we offer a wide array of publications on Accounting Standards for Private Enterprises (ASPE), International Financial Reporting Standards (IFRS), and Public Sector Accounting Standards (PSAB).

For additional information on ASNPO, including links to archived publications and model financial statements, refer to the link below:

<http://www.bdo.ca/en/library/services/assurance-and-accounting/pages/default.aspx>.

COVID-19

As global reactions and responses to coronavirus (COVID-19) continue to evolve and change, BDO Canada has issued a number of publications on the financial reporting and tax implications resulting from the outbreak to assist companies in navigating these challenging times. This includes publications on the accounting implications arising from changing economic conditions, understanding available government assistance, crisis management and responding to liquidity changes.

For additional information on the impact of COVID-19 can have on all aspects of a company's operations, refer to the following link: [COVID-19 | BDO Canada](#)

APPENDIX A

Draft Auditor's Report

DRAFT Independent Auditor's Report

To the Members and Directors of
University of Toronto Engineering Society

Qualified Opinion

We have audited the financial statements of the University of Toronto Engineering Society (the "Organization"), which comprise the statement of financial position as at May 31, 2022, and the statement of operations, changes in fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Organization as at May 31, 2022 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from Locker income, Alumni funding, Orientation, Advertising, Pub-SUDS, Graduation ball, Cannon ball, Store and Cafe revenue and UTSU revenue, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the years ended May 31, 2022 and 2021, current assets as at May 31, 2022 and 2021, and net assets as at June 1 and May 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended May 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the supplementary schedules attached to the Organization's financial statements.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
Report Date

APPENDIX B

Independence Update



August 15, 2022

Dear Board of Directors Members:

We have been engaged to audit the financial statements of University of Toronto Engineering Society (the "Organization") for the year ended May 31, 2022.

Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between the Organization and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute and applicable legislation, covering such matters as:

- Holding a financial interest, either directly or indirectly in a client;
- Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- Economic dependence on a client; and
- Provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are aware of the following relationships between the Organization and us that, in our professional judgment, may reasonably be thought to have influenced our independence. The following relationships represent matters that have occurred to the date of this letter.

- We have provided assistance in the preparation of the financial statements, including adjusting journal entries and/or bookkeeping services. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian accounting standards for not-for-profit organizations.
- We, therefore, required that the following safeguards be put in place related to the above:
 - Management created the source data for all the accounting entries.
 - Management reviewed and approved all journal entries prepared by us, as well as changes to financial statement presentation and disclosure.
 - Someone other than the preparer reviewed the proposed journal entries and financial statements.



We hereby confirm that we are independent with respect to the Organization within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario as of the date of this letter.

This letter is intended solely for the use of the Board of Directors, management and others within the Organization and should not be used for any other purposes.

Yours truly,

A handwritten signature in black ink, appearing to read "G. Horne", with a long horizontal flourish extending to the right.

Glen Horne, CPA, CA
Partner through a Professional Corporation
BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountant

APPENDIX C

Schedule of Unadjusted Differences

Description of Misstatement	Identified Misstatements	Projections of Identified Misstatements	Estimates	Proposed Adjustments			
				Assets Dr(Cr)	Liabilities Dr(Cr)	Opening R/E Dr(Cr)	Income Dr(Cr)
Understatement of store and café revenue compared to moneries report	2,705				2,705		(2,705)
Salary accrual not recorded	2,094				(2,094)		2,094
Likely Aggregate Misstatements Before Effect of Previous Year's Errors and Estimates	4,799	-	-	-	611	-	(611)
Effect of Previous Year's Errors				-	-	1,618	(1,618)
Likely Aggregate Misstatements				-	611	1,618	(2,229)