

FINANCIAL STATEMENTS
STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE
AS AT MAY 31, 2010

STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE

AS AT MAY 31, 2010

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AUDITORS' REPORT

To the Directors of
Student Association of George Brown College

We have audited the balance sheet of **Student Association of George Brown College** as at May 31, 2010, and the statements of operations, net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the association as at May 31, 2010, and the results of its general operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Yale & Partners LLP

Chartered Accountants
Licensed Public Accountants


Toronto, Ontario
October 15, 2010

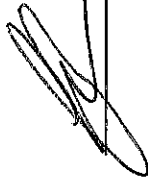
**STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE
BALANCE SHEET
AS AT MAY 31, 2010**

(With comparative figures as at May 31, 2009)

	Unrestricted Fund	Building Fund	TTC Fund	Health Care Fund	Fund Totals 2010	Fund Totals 2009
ASSETS						
CURRENT						
Cash	\$ 100,301	\$ 2,414,559	\$ 441,320	\$ 1,777,590	\$ 4,733,770	\$ 2,927,980
Restricted cash for contingency (note 6)	313,238	-	-	-	313,238	271,320
Accounts receivable (note 2)	<u>716,430</u>	<u>290,185</u>	<u>73,433</u>	<u>481,309</u>	<u>1,561,357</u>	<u>2,298,225</u>
	1,129,969	2,704,744	514,753	2,258,899	6,608,365	5,497,525
PROPERTY AND EQUIPMENT (note 4)	-	3,635,906	858	3,778	3,640,542	3,760,434
INTER-FUND ADVANCES (note 7)	<u>144,264</u>	<u>87,380</u>	<u>(217,533)</u>	<u>(14,111)</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>1,274,233</u>	\$ <u>6,428,030</u>	\$ <u>298,078</u>	\$ <u>2,248,566</u>	\$ <u>10,248,907</u>	\$ <u>9,257,959</u>
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities	\$ 220,712	\$ 276	\$ 314,322	\$ 274,537	\$ 809,847	\$ 399,928
Current portion of long-term debt (note 5)	<u>-</u>	<u>3,638,497</u>	<u>-</u>	<u>-</u>	<u>3,638,497</u>	<u>88,802</u>
	220,712	3,638,773	314,322	274,537	4,448,344	488,730
LONG-TERM DEBT (note 5)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,638,497</u>
TOTAL LIABILITIES	220,712	3,638,773	314,322	274,537	4,448,344	4,127,227
NET ASSETS	<u>1,053,521</u>	<u>2,789,257</u>	<u>(16,244)</u>	<u>1,974,029</u>	<u>5,800,563</u>	<u>5,130,732</u>
Per statement attached						
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,274,233</u>	\$ <u>6,428,030</u>	\$ <u>298,078</u>	\$ <u>2,248,566</u>	\$ <u>10,248,907</u>	\$ <u>9,257,959</u>

APPROVED ON BEHALF OF THE BOARD:

 President

 VP Finance

See accompanying notes
To be read in conjunction with our Auditors' Report dated October 15, 2010

STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED MAY 31, 2010

(With comparative figures for the year ended May 31, 2009)

	Unrestricted Fund	Building Fund	TTC Fund	Health Care Fund	Fund Totals 2010	Fund Totals 2009
Opening net assets	\$ 1,102,214	\$ 2,332,441	\$ (21,826)	\$ 1,717,903	\$ 5,130,732	\$ 5,123,479
Surplus (deficit)	(48,693)	456,816	5,582	256,126	669,831	7,253
Closing net assets	<u>\$ 1,053,521</u>	<u>\$ 2,789,257</u>	<u>\$ (16,244)</u>	<u>\$ 1,974,029</u>	<u>\$ 5,800,563</u>	<u>\$ 5,130,732</u>
Consists of:						
Opening investment in property & equipment	\$ -	\$ 27,964	\$ 1,073	\$ 4,098	\$ 33,135	\$ 38,306
Acquisition of equipment	-	59,687	-	-	59,687	83,290
Amortization	-	(179,044)	(215)	(320)	(179,579)	(194,968)
Mortgage repayments	-	88,802	-	-	88,802	78,941
Net invested in property and equipment	-	(2,591)	858	3,778	2,045	5,569
Restricted fund	-	-	-	1,970,251	1,970,251	1,857,809
Unrestricted fund	<u>1,053,521</u>	<u>2,791,848</u>	<u>(17,102)</u>	<u>-</u>	<u>3,828,267</u>	<u>3,267,354</u>
Total net assets	<u>\$ 1,053,521</u>	<u>\$ 2,789,257</u>	<u>\$ (16,244)</u>	<u>\$ 1,974,029</u>	<u>\$ 5,800,563</u>	<u>\$ 5,130,732</u>

STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE
STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MAY 31, 2010
 (With comparative figures for the year ended May 31, 2009)

	Unrestricted Fund	Building Fund	TTC Fund	Health Care Fund	2010	2009
REVENUES						
Student association fees	\$ 1,938,656	\$ 1,057,638	\$ -	\$ 3,336,517	\$ 6,332,811	\$ 5,782,091
Sales and advertising	167,264	-	4,346,710	-	4,513,974	3,882,996
Leasing	186,058	-	-	-	186,058	194,856
Grants	73,000	-	140,000	-	213,000	213,000
Interest	<u>3,974</u>	<u>17,754</u>	<u>872</u>	<u>6,898</u>	<u>29,498</u>	<u>75,683</u>
	<u>2,368,952</u>	<u>1,075,392</u>	<u>4,487,582</u>	<u>3,343,415</u>	<u>11,275,341</u>	<u>10,148,626</u>
EXPENSES						
Services, programs and purchases	610,424	-	4,377,765	-	4,988,189	4,198,316
Health insurance premiums	-	-	-	2,930,074	2,930,074	3,065,020
Wages and benefits	1,340,904	193,669	64,202	150,578	1,749,353	1,954,341
Interest and bank charges	40,193	217,582	25,665	112	283,552	259,243
Social events	237,704	-	-	-	237,704	184,110
Maintenance and repairs	36,768	28,281	13,952	-	79,001	102,299
Office and general	95,842	-	-	162	96,004	86,322
Marketing	16,196	-	201	6,043	22,440	36,424
Professional fees	26,675	-	-	-	26,675	35,506
Conferences	12,939	-	-	-	12,939	17,045
Amortization	<u>-</u>	<u>179,044</u>	<u>215</u>	<u>320</u>	<u>179,579</u>	<u>202,747</u>
	<u>2,417,645</u>	<u>618,576</u>	<u>4,482,000</u>	<u>3,087,289</u>	<u>10,605,510</u>	<u>10,141,373</u>
SURPLUS (DEFICIT)	<u>\$ (48,693)</u>	<u>\$ 456,816</u>	<u>\$ 5,582</u>	<u>\$ 256,126</u>	<u>\$ 669,831</u>	<u>\$ 7,253</u>

See accompanying notes

To be read in conjunction with our Auditors' Report dated October 15, 2010

STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2010
(With comparative figures for the year ended at May 31, 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM (USED IN):		
OPERATIONS		
Student association fees	\$ 7,282,679	\$ 5,096,813
Sales and rents	4,700,032	4,123,735
Grants	213,000	263,000
Interest received	29,498	153,379
Purchases and payments	(10,367,973)	(9,023,139)
Interest and bank charges paid	<u>(283,552)</u>	<u>(254,404)</u>
	<u>1,573,684</u>	<u>359,384</u>
FINANCING ACTIVITIES		
Mortgage principal	<u>(88,802)</u>	<u>(78,941)</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(59,687)</u>	<u>(83,290)</u>
CHANGE IN CASH	1,425,195	197,153
Cash at beginning of the year	<u>3,621,813</u>	<u>3,424,660</u>
CASH AT END OF THE YEAR	<u>\$ 5,047,008</u>	<u>\$ 3,621,813</u>
Cash represented by:		
Cash	4,733,770	2,927,980
Restricted cash for contingency	<u>313,238</u>	<u>271,320</u>
	<u>\$ 5,047,008</u>	<u>\$ 3,199,300</u>

See accompanying notes

To be read in conjunction with our Auditors' Report dated October 15, 2010

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STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE
NOTES TO FINANCIAL STATEMENTS
AS AT MAY 31, 2010

1. NATURE OF OPERATIONS AND ECONOMIC DEPENDENCE

The Student Association of George Brown College (SAGBC) is a not-for-profit corporation without share capital and exempt from income taxes. The purpose of SAGBC is to provide services to the students of The George Brown College of Applied Arts and Technology (the college). SAGBC is dependent upon the college because the college collects SAGBC's fees from the students together with tuition receipts, and remits them to SAGBC. The college has also guaranteed the association's debt, and a contingent liability, as indicated in note 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The collection and amount of non-academic incidental fees charged to students 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 made in accordance with the Ministry's guidelines and the long-term protocol established between the college and its student government. The agreement between SAGBC and the college requires a referendum of the student body for significant changes to or the introduction of additional fees.

Student fees are recognized at the beginning of each school term, as determined and remitted by the college. Sales revenues are recognized when the related goods or services are provided. Rental income is recognized at the beginning of each month on a straight line basis over the term of the lease. Grants are recognized when received or receivable, provided that collection is reasonably assured and the amount determined. Interest income is accrued as it is earned.

Property and Equipment

The property and equipment are recorded at cost. The amount shown as Casa Loma Student Centre represents the association's agreed share of construction costs related to the portion of the building which it occupies under a 49-year lease with an option to renew. Amortization is provided for on a declining balance basis using the following rates:

Equipment under capital lease	20%
Furniture and fixtures	20%
Computer Equipment	30%
Casa Loma Student Centre	3%
Leasehold improvements	Straight line over life of lease

Use of Estimates

The preparation of financial statements requires SAGBC to make estimates and assumptions that affect the amounts reported in the financial statements and the notes. These estimates primarily relate to the useful life of the property and equipment, which affects the net book value and the amortization expense. Actual results may differ from those estimates.

STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE
NOTES TO FINANCIAL STATEMENTS
AS AT MAY 31, 2010

3. FINANCIAL INSTRUMENTS

Fair value - the fair value of the association's cash, accounts receivable, and accounts payable approximate their carrying value due to their liquid, short-term nature. The long term debt is classified as held to maturity and is therefore shown at its amortized cost using the terms and rates agreed to with the bank when the debt was acquired.

Interest rate risk - the association's cash is kept on deposit with a Canadian chartered bank, which pays interest at a rate tied to the bank's prime rate. Therefore, the association is subject to interest rate fluctuations as determined by the bank. The rate of interest charged on SAGBC's corporate credit cards is also subject to change in the event that balances are carried.

Credit risk - virtually all of the association's receivables are due from George Brown College.

4. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2010</u> <u>2009</u> <u>Net Book Value</u>	
Furniture and equipment	\$ 721,206	\$ 556,676	\$ 164,530	\$ 195,225
Leasehold improvements	210,175	133,051	77,124	28,423
Computers	315,899	232,122	83,777	118,634
Equipment under capital lease	51,591	49,255	2,336	2,920
Casa Loma Student Centre	<u>4,084,496</u>	<u>771,721</u>	<u>3,312,775</u>	<u>3,415,232</u>
	<u>\$ 5,383,367</u>	<u>\$ 1,742,825</u>	<u>\$ 3,640,542</u>	<u>\$ 3,760,434</u>

5. LONG-TERM DEBT

	<u>2010</u>	<u>2009</u>
Scotiabank mortgage maturing December 30, 2010, bearing interest at 5.9%. Repayable with a blended monthly payment totaling \$25,528. Secured by George Brown College of Applied Arts and Technology.	\$ 3,638,497	\$ 3,727,299
Current portion	<u>3,638,497</u>	<u>88,802</u>
Long-term portion	<u>\$ -</u>	<u>\$ 3,638,497</u>

The association has available \$50,000 on corporate credit cards secured by George Brown College of Applied Arts and Technology. The association also has a \$400,000 standby letter of credit with Scotiabank as security for the TTC metro pass program, also guaranteed by George Brown College of Applied Arts and Technology. Pursuant to the credit agreement with the bank, the association is subject to the banking covenants described in note 8.

STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE
NOTES TO FINANCIAL STATEMENTS
AS AT MAY 31, 2010

6. RESTRICTIONS ON NET ASSETS

Internally restricted net assets:

Contingency fund

A portion of the annual fees are restricted for the purpose of financing general contingencies. This is disclosed in the financial statements as a restricted cash balance.

Building fund

A portion of the annual fees are restricted for the purpose of financing building and maintenance of the student centres at the College campuses.

TTC fund

The association has entered into an arrangement with the Toronto Transit Commission to make available the sale of discounted monthly passes to students.

Externally restricted net assets:

Health fund

A portion of the annual fees are restricted for the purpose of providing students with affordable medical coverage while they attend George Brown College. The fund is only to be used to: offset the costs of health plan premium increases to students; increase health plan benefits; improve the delivery of health plan services; and to conduct research, surveys, and outreach services to members.

7. INTER-FUND ADVANCES

Advances between the funds are neither interest bearing, nor do they bear any specific terms of repayment.

8. MANAGEMENT OF CAPITAL

The primary objective in managing SAGBC's capital is to maintain operational liquidity while complying with the debt covenant agreed to under the credit facilities with the bank. Maintaining liquidity involves controlling disbursements such that sufficient cash is on hand to sustain operations between the receipt of ancillary fees from the college and to mitigate the liquidity risk inherent in the uncertain timing of these receipts.

	<u>2010</u>	<u>2009</u>
<u>Earnings ratio:</u>		
Surplus	\$ 669,831	\$ 7,253
Amortization	179,579	202,747
Interest	<u>283,552</u>	<u>259,243</u>
EBITDA	<u>1,132,962</u>	<u>469,243</u>
Interest expense	283,552	259,243
Current-portion of loans	<u>3,638,497</u>	<u>88,802</u>
Total debt coverage	<u>\$ 3,922,049</u>	<u>\$ 348,045</u>
Ratio to be 1:1 or better	<u>1.35:1.00</u>	<u>2.45:1.00</u>