

FINANCIAL STATEMENTS
STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE
AS AT MAY 31, 2011

STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE

AS AT MAY 31, 2011

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Student Association of George Brown College have been prepared by management and approved by the board of directors. Management is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgments and estimates consistent with Canadian generally accepted accounting principles. Management is also responsible for the development of internal controls over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced, and that the controls ensure that the assets of the corporation are safeguarded.

The board of directors of the Student Association of George Brown College is responsible for reviewing and approving the financial statements, and overseeing management's performance of its financial reporting responsibilities.

Yale & Partners LLP are the external auditors of the Student Association of George Brown College. The external auditors have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report is included on the following page of this report.

On behalf of the Student Association of George Brown College

Cindy Brownlee, Director of Education and Equity

PARTNERS

Howard Detsky, B.Comm., C.A.
Amarjit (A.J.) Manhas, B.B.A., C.A.
H. Gordon Lee, B.Comm., C.A.
Earl S. Weiner, M.B.A., C.A.

PRINCIPALS

Max Menezes, C.A.
M. Ibrar Khan, C.G.A.

INDEPENDENT AUDITORS' REPORT

To the Members

Student Association of George Brown College,

We have audited the accompanying financial statements of the Student Association of George Brown College, which comprise the statement of financial position as at May 31, 2011, the statement of net assets, the statement of operations and the statement of 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 generally accepted accounting principles 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 Student Association of George Brown College as at May 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted auditing standards.

Chartered Accountants

Licensed Public Accountants

Yale & Partners LLP

Toronto, Ontario

October 9, 2011

STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT MAY 31, 2011
(With comparative figures as at May 31, 2010)

	<u>Unrestricted Fund</u>	<u>Building Fund</u>	<u>TTC Fund</u>	<u>Health Care Fund</u>	<u>Fund Totals</u>	
					<u>2011</u>	<u>2010</u>
ASSETS						
CURRENT						
Cash	\$ 155,858	\$ 3,129,003	\$ 133,835	\$ 1,123,686	\$ 4,542,382	\$ 4,733,770
Restricted cash for contingency (note 6)	316,379	-	-	-	316,379	313,238
Accounts receivable (note 2)	537,536	249,450	47,207	805,831	1,640,024	1,561,357
Inventory	<u>539</u>	<u>-</u>	<u>243,928</u>	<u>-</u>	<u>244,467</u>	<u>-</u>
	1,010,312	3,378,453	424,970	1,929,517	6,743,252	6,608,365
PROPERTY AND EQUIPMENT (note 4)	5,673	3,490,898	686	3,022	3,500,279	3,640,542
INTER-FUND ADVANCES (note 7)	<u>489,927</u>	<u>26,650</u>	<u>(354,078)</u>	<u>(162,499)</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,505,912</u>	<u>\$ 6,896,001</u>	<u>\$ 71,578</u>	<u>\$ 1,770,040</u>	<u>\$ 10,243,531</u>	<u>\$ 10,248,907</u>
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities	\$ 93,874	\$ -	\$ 235,400	\$ 45,045	\$ 374,319	\$ 809,847
Current portion of long-term debt (note 5)	<u>-</u>	<u>95,141</u>	<u>-</u>	<u>-</u>	<u>95,141</u>	<u>3,638,497</u>
	93,874	95,141	235,400	45,045	469,460	4,448,344
LONG-TERM DEBT (note 5)	<u>-</u>	<u>3,488,488</u>	<u>-</u>	<u>-</u>	<u>3,488,488</u>	<u>-</u>
TOTAL LIABILITIES	93,874	3,583,629	235,400	45,045	3,957,948	4,448,344
NET ASSETS						
Per statement attached	<u>1,412,038</u>	<u>3,312,372</u>	<u>(163,822)</u>	<u>1,724,995</u>	<u>6,285,583</u>	<u>5,800,563</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,505,912</u>	<u>\$ 6,896,001</u>	<u>\$ 71,578</u>	<u>\$ 1,770,040</u>	<u>\$ 10,243,531</u>	<u>\$ 10,248,907</u>

APPROVED ON BEHALF OF THE BOARD: _____

See accompanying notes
To be read in conjunction with our Auditors' Report dated October 9, 2011

STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE
STATEMENT OF NET ASSETS

FOR THE YEAR ENDED MAY 31, 2011
(With comparative figures for the year ended May 31, 2010)

	Unrestricted Fund	Building Fund	TTC Fund	Health Care Fund	Fund Totals	
					<u>2011</u>	<u>2010</u>
Opening net assets	\$ 1,053,520	\$ 2,789,258	\$ (16,244)	\$ 1,974,029	\$ 5,800,563	\$ 5,130,732
Surplus (deficit)	<u>358,518</u>	<u>523,114</u>	<u>(147,578)</u>	<u>(249,034)</u>	<u>485,020</u>	<u>669,831</u>
Closing net assets	<u>\$ 1,412,038</u>	<u>\$ 3,312,372</u>	<u>\$ (163,822)</u>	<u>\$ 1,724,995</u>	<u>\$ 6,285,583</u>	<u>\$ 5,800,563</u>
Net invested in property and equipment	\$ 5,673	\$ (66,081)	\$ 686	\$ 3,022	\$ (56,700)	\$ 2,045
Net restricted assets	-	-	-	1,721,973	1,721,973	1,970,251
Net unrestricted assets	<u>1,406,365</u>	<u>3,378,453</u>	<u>(164,508)</u>	<u>-</u>	<u>4,620,310</u>	<u>3,828,267</u>
Total net assets	<u>\$ 1,412,038</u>	<u>\$ 3,312,372</u>	<u>\$ (163,822)</u>	<u>\$ 1,724,995</u>	<u>\$ 6,285,583</u>	<u>\$ 5,800,563</u>

Issued from the office of Yale & Partners LLP, Chartered Accountants, Toronto

See accompanying notes
 To be read in conjunction with our Auditors' Report dated October 9, 2011

STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MAY 31, 2011
(With comparative figures for the year ended May 31, 2010)

	Unrestricted Fund	Building Fund	TTC Fund	Health Care Fund	Fund Totals	
					<u>2011</u>	<u>2010</u>
REVENUES						
Student association fees	\$ 2,293,397	\$ 1,083,568	\$ -	\$ 3,573,737	\$ 6,950,702	\$ 6,332,810
Sales and advertising	167,039	-	3,008,305	-	3,175,344	4,513,973
Leasing	186,823	-	-	-	186,823	186,058
Grants	70,000	-	-	-	70,000	213,000
Interest	<u>7,998</u>	<u>28,972</u>	<u>1,732</u>	<u>16,651</u>	<u>55,353</u>	<u>29,499</u>
	<u>2,725,257</u>	<u>1,112,540</u>	<u>3,010,037</u>	<u>3,590,388</u>	<u>10,438,222</u>	<u>11,275,340</u>
EXPENSES						
Services, programs and purchases	415,322	-	3,024,099	-	3,439,421	4,988,189
Health insurance premiums	-	-	-	3,683,759	3,683,759	2,930,074
Wages and benefits	1,517,900	175,956	95,239	149,245	1,938,340	1,749,354
Interest and bank charges	52,083	211,282	37,142	88	300,595	283,552
Social events	197,926	-	-	-	197,926	237,701
Maintenance and repairs	27,396	22,956	-	-	50,352	79,000
Office and general	111,539	-	-	246	111,785	96,005
Marketing	527	-	963	5,308	6,798	22,441
Professional fees	11,000	-	-	-	11,000	26,675
Conferences	31,628	-	-	20	31,648	12,939
Amortization	<u>1,418</u>	<u>179,232</u>	<u>172</u>	<u>756</u>	<u>181,578</u>	<u>179,579</u>
	<u>2,366,739</u>	<u>589,426</u>	<u>3,157,615</u>	<u>3,839,422</u>	<u>9,953,202</u>	<u>10,605,509</u>
SURPLUS (DEFICIT)	<u>\$ 358,518</u>	<u>\$ 523,114</u>	<u>\$ (147,578)</u>	<u>\$ (249,034)</u>	<u>\$ 485,020</u>	<u>\$ 669,831</u>

Issued from the office of Yale & Partners LLP, Chartered Accountants, Toronto

STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2011
(With comparative figures for the year ended at May 31, 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM (USED IN):		
OPERATIONS		
Student association fees	\$ 6,802,035	\$ 7,282,679
Sales and rents	3,362,167	4,700,032
Grants	70,000	213,000
Interest received	55,353	29,498
Purchases and payments	(10,081,024)	(10,367,973)
Interest and bank charges paid	<u>(300,595)</u>	<u>(283,552)</u>
	<u>(92,064)</u>	<u>1,573,684</u>
FINANCING ACTIVITIES		
Mortgage principal	<u>(54,868)</u>	<u>(88,802)</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(41,315)</u>	<u>(59,687)</u>
CHANGE IN CASH	(188,247)	1,425,195
Cash at beginning of the year	<u>5,047,008</u>	<u>3,621,813</u>
CASH AT END OF THE YEAR	<u>\$ 4,858,761</u>	<u>\$ 5,047,008</u>
Cash represented by:		
Cash	4,542,382	4,733,770
Restricted cash for contingency	<u>316,379</u>	<u>313,238</u>
	<u>\$ 4,858,761</u>	<u>\$ 5,047,008</u>

See accompanying notes
To be read in conjunction with our Auditors' Report dated October 9, 2011

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STUDENT ASSOCIATION OF GEORGE BROWN COLLEGE
NOTES TO FINANCIAL STATEMENTS
AS AT MAY 31, 2011

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, 2011

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>2011</u> <u>2010</u> <u>Net Book Value</u>	
Furniture and equipment	\$ 743,471	\$ 594,036	\$ 149,435	\$ 164,530
Leasehold improvements	229,225	152,286	76,939	77,124
Computers	315,899	257,255	58,644	83,777
Equipment under capital lease	51,591	49,722	1,869	2,336
Casa Loma Student Centre	<u>4,084,496</u>	<u>871,104</u>	<u>3,213,392</u>	<u>3,312,775</u>
	<u>\$ 5,424,682</u>	<u>\$ 1,924,403</u>	<u>\$ 3,500,279</u>	<u>\$ 3,640,542</u>

5. LONG-TERM DEBT

	<u>2011</u>	<u>2010</u>
Scotiabank mortgage maturing November 30, 2015, bearing interest at 5.3%. Repayable with a blended monthly payment totaling \$24,333, secured by George Brown College of Applied Arts and Technology.	\$ 3,583,629	\$ 3,638,497
Current portion	<u>95,141</u>	<u>3,638,497</u>
Long-term portion	<u>\$ 3,488,488</u>	<u>\$ -</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 \$600,000 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, 2011

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>2011</u>	<u>2010</u>
<u>Earnings ratio</u>		
Surplus	\$ 485,020	\$ 669,831
Amortization	181,578	179,579
Interest	<u>300,595</u>	<u>283,552</u>
EBITDA	<u>967,193</u>	<u>1,132,962</u>
Interest expense	300,595	283,552
Current-portion of loans (2010 - adjusted to amortization)	<u>95,141</u>	<u>94,186</u>
Total debt coverage	<u>\$ 395,736</u>	<u>\$ 377,738</u>
Ratio to be 1:1 or better	<u>1.73:1.00</u>	<u>3.00:1.00</u>