



Financial Statements

Student Association of George Brown College

May 31, 2014

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Independent Auditor's Report

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To the Members of
Student Association of George Brown College

We have audited the accompanying financial statements of Student Association of George Brown College, which comprise the statement of financial position as at May 31, 2014, and the statements of operations, 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

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, 2014, 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.

Grant Thornton LLP

Toronto, Canada
November 25, 2014

Chartered Accountants
Licensed Public Accountants

Student Association of George Brown College

Statement of Financial Position

As at May 31

	Unrestricted Fund	Building Fund	TTC Fund	Health Care Fund	Total 2014	Total 2014
Assets						
Current						
Cash	\$ 203,781	\$ 1,594,156	\$ 171,963	\$ 887,185	\$ 2,857,085	\$ 2,822,150
Restricted cash for contingency (Note 5)	495,863	-	-	-	495,863	433,952
Accounts receivable	1,053,354	-	79,411	549,192	1,681,957	963,208
Inventory	8,435	-	-	-	8,435	48,956
Interfund advances (Note 7)	<u>133,392</u>	<u>222,503</u>	<u>(318,656)</u>	<u>(37,239)</u>	-	-
	1,894,825	1,816,659	(67,282)	1,399,138	5,043,340	4,268,266
Property and equipment (Note 3)	<u>37,628</u>	<u>5,857,812</u>	<u>350</u>	<u>1,547</u>	<u>5,897,337</u>	<u>6,135,264</u>
	<u>\$ 1,932,453</u>	<u>\$ 7,674,471</u>	<u>\$ (66,932)</u>	<u>\$ 1,400,685</u>	<u>\$ 10,940,677</u>	<u>\$ 10,403,530</u>
Liabilities						
Current						
Accounts payable and accrued liabilities	\$ 246,100	\$ 20,680	\$ 170,551	\$ 57,373	\$ 494,704	\$ 704,285
Government remittances	5,505	(1,779)	-	-	3,726	2,125
Current portion of long-term debt (Note 4)	-	<u>272,017</u>	-	-	<u>272,017</u>	<u>115,715</u>
	251,605	272,918	170,551	57,373	770,447	822,135
Long-term debt (Note 4)	-	<u>2,982,091</u>	-	-	<u>2,982,091</u>	<u>3,254,108</u>
	251,605	3,273,009	170,551	57,373	3,752,538	4,076,243
Net assets						
Unrestricted	1,147,357	-	(237,833)	-	909,524	603,808
Invested in property and equipment	37,628	2,603,704	350	1,547	2,643,229	2,765,441
Restricted	<u>495,863</u>	<u>1,797,758</u>	-	<u>1,341,765</u>	<u>3,635,386</u>	<u>2,958,038</u>
	<u>1,680,848</u>	<u>4,401,462</u>	<u>(237,483)</u>	<u>1,343,312</u>	<u>7,188,139</u>	<u>6,327,287</u>
	<u>\$ 1,932,453</u>	<u>\$ 7,674,471</u>	<u>\$ (66,932)</u>	<u>\$ 1,400,685</u>	<u>\$ 10,940,677</u>	<u>\$ 10,403,530</u>

On behalf of the Board of Directors

HR Silva

Director

[Signature]

Director

See accompanying notes to the financial statements.

Student Association of George Brown College
Statement of Changes in Net Assets

As at May 31

	Unrestricted Fund	Building Fund	TTC Fund	Health Care Fund	Total 2014	Total 2014
Net assets, beginning of year	\$ 1,346,539	\$ 4,085,840	\$ (260,924)	\$ 1,155,832	\$ 6,327,287	\$ 6,516,246
Excess (deficiency) of revenues over expenses	<u>334,309</u>	<u>315,622</u>	<u>23,441</u>	<u>187,480</u>	<u>860,852</u>	<u>(188,959)</u>
Net assets, end of year	<u>\$ 1,680,848</u>	<u>\$ 4,401,462</u>	<u>\$ (237,483)</u>	<u>\$ 1,343,312</u>	<u>\$ 7,188,139</u>	<u>\$ 6,327,287</u>
Net invested in property and equipment	\$ 37,628	\$ 2,603,704	\$ 350	\$ 1,547	\$ 2,643,229	\$ 2,765,441
Net restricted assets (Note 5)	495,863	1,797,758	-	1,341,765	3,635,386	2,958,038
Net unrestricted assets	<u>1,147,357</u>	<u>-</u>	<u>(237,833)</u>	<u>-</u>	<u>909,524</u>	<u>603,808</u>
Net assets, end of year	<u>\$ 1,680,848</u>	<u>\$ 4,401,462</u>	<u>\$ (237,483)</u>	<u>\$ 1,343,312</u>	<u>\$ 7,188,139</u>	<u>\$ 6,327,287</u>

See accompanying notes to the financial statements.

Student Association of George Brown College
Statement of Operations

Year ended May 31

	Unrestricted Fund	Building Fund	TTC Fund	Health Care Fund	Total 2014	Total 2013
Revenues						
Student association fees	\$ 2,713,934	\$ 1,366,942	\$ -	\$ 5,318,078	\$ 9,398,954	\$ 7,743,098
Sales	251,919	-	2,632,864	-	2,884,783	2,343,551
Leasing	188,363	-	-	-	188,363	184,399
Grants	109,356	-	121,227	-	230,583	226,180
Interest	14,846	20,377	3,105	17,946	56,274	62,259
	<u>3,278,418</u>	<u>1,387,319</u>	<u>2,757,196</u>	<u>5,336,024</u>	<u>12,758,957</u>	<u>10,559,487</u>
Expenses						
Health insurance premiums	-	-	-	5,045,481	5,045,481	4,314,578
Services, programs and purchases	547,497	-	2,627,301	-	3,174,798	2,745,731
Wages and benefits	1,945,630	183,257	63,947	94,335	2,287,169	2,176,025
Amortization	9,407	607,374	88	387	617,256	645,417
Interest and bank charges	89,186	175,896	35,228	157	300,467	352,340
Social events	289,582	-	-	-	289,582	320,139
Maintenance and repairs	2,271	102,527	-	-	104,798	67,129
Office and general	31,464	2,643	6,118	-	40,225	58,934
Conferences	22,564	-	-	-	22,564	45,851
Marketing	6,508	-	1,073	8,184	15,765	22,302
	<u>2,944,109</u>	<u>1,071,697</u>	<u>2,733,755</u>	<u>5,148,544</u>	<u>11,898,105</u>	<u>10,748,446</u>
Excess (deficiency) of revenues over expenses	\$ <u>334,309</u>	\$ <u>315,622</u>	\$ <u>23,441</u>	\$ <u>187,480</u>	\$ <u>860,852</u>	\$ <u>(188,959)</u>

See accompanying notes to the financial statements.

Student Association of George Brown College Statement of Cash Flows

Year ended May 31	2014	2013
Increase (decrease) in cash		
Operating		
Excess (deficiency) of revenues over expenses	\$ 860,852	\$ (188,959)
Item not affecting cash		
Amortization	<u>617,256</u>	<u>645,417</u>
	1,478,108	456,458
Change in non-cash working capital		
Accounts receivable	(718,749)	(309,519)
Inventory	40,521	(32,418)
Accounts payable and accrued liabilities	(209,591)	239,719
Government remittances	<u>1,801</u>	<u>48,945</u>
	<u>591,890</u>	<u>403,185</u>
Investing		
Purchase of property and equipment	<u>(379,329)</u>	<u>(3,299,595)</u>
Financing		
Repayment of long-term debt	<u>(115,715)</u>	<u>(109,739)</u>
Net change in cash	96,846	(3,006,149)
Cash		
Beginning of year	<u>3,256,102</u>	<u>6,262,251</u>
End of year	<u>\$ 3,352,948</u>	<u>\$ 3,256,102</u>

See accompanying notes to the financial statements.

Student Association of George Brown College

Notes to Financial Statements

May 31, 2014

1. Nature of operations and economic dependence

The Student Association of George Brown College (the "Association") is a not-for-profit corporation without share capital and exempt from income taxes. The purpose of the Association is to provide services to the students of The George Brown College of Applied Arts and Technology (the "College"). The Association is dependent upon the College because the College collects the Association's fees from the students together with tuition receipts, and remits them to the Association. The College has also guaranteed the Association's debt as indicated in Note 4.

2. Summary of significant accounting policies

The Association follows Canadian accounting standards for not-for-profit organizations (ASNPO) in preparing its financial statements. The significant accounting policies used are as follows:

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 the Association and the College requires a referendum of the student body for significant changes to or the introduction of additional fees.

Student association 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. Leasing 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. Interest income is accrued as it is earned.

Externally restricted contributions

The component of fees collected from students for general operations is recognized in the Unrestricted Fund. Other components of the fee which were established for a specific purpose through referendum of the student body are recognized as externally restricted contributions. This includes the fees collected for the group health and dental insurance plan, and the building fund fees, which are each recognized in their own fund using the restricted fund method. Due to the smaller size of the contingency fund, it is recognized using the deferral method within the Unrestricted Fund.

Donated materials and services

The Association receives the benefit of volunteer services from the student body throughout the fiscal year for various events; however, an amount has not been recorded to recognize these amounts due to the difficulty in determining their fair market value.

Student Association of George Brown College

Notes to Financial Statements

May 31, 2014

2. Summary of significant accounting policies (continued)

Inventory

Inventory, consisting primarily of finished goods, is stated at the lower of cost and net realizable value. Cost is recorded using the first in, first out method of accounting.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided for on a declining balance basis using the following rates:

Furniture and fixtures	20%
Computer equipment	30%
Casa Loma and Waterfront Student Centres	3%
Leasehold improvements	Straight line over life of lease

Use of estimates

The preparation of financial statements in conformity with ASNPO requires the Association 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 amortization expense. Actual results may differ from these estimates.

Financial instruments

The Association considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Association accounts for the following as financial instruments:

- cash
- restricted cash for contingency
- accounts receivable
- accounts payable
- long-term debt

Financial assets or liabilities obtained in arms length transactions are initially measured at their fair value and financial assets or liabilities obtained in related party transactions are measured at their exchange amount.

The Association subsequently measures all of its financial assets and financial liabilities at amortized cost.

Student Association of George Brown College Notes to Financial Statements

May 31, 2014

3. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2014 Net Book Value</u>	<u>2013 Net Book Value</u>
Furniture and fixtures	\$ 1,010,728	\$ 796,980	\$ 213,748	\$ 232,770
Computer equipment	469,756	367,101	102,655	79,411
Casa Loma Student Centre	4,084,496	1,151,720	2,932,776	3,023,480
Waterfront Student Centre	1,130,000	66,782	1,063,218	1,096,100
Leasehold improvements	<u>2,590,115</u>	<u>1,005,175</u>	<u>1,584,940</u>	<u>1,703,503</u>
	<u>\$ 9,285,095</u>	<u>\$ 3,387,758</u>	<u>\$ 5,897,337</u>	<u>\$ 6,135,264</u>

The amount shown as Casa Loma Student Centre and the Waterfront Student Centre represents the Association's agreed share of construction costs related to the portion of the buildings which it occupies under a 49-year lease with an option to renew.

4. Long-term debt

	<u>2014</u>	<u>2013</u>
Scotiabank mortgage bearing interest at 5.3%, repayable in blended monthly payments of \$36,833, maturing November 30, 2015 and guaranteed by the College	\$ 3,254,108	\$ 3,369,823
Less: current portion	<u>272,017</u>	<u>115,715</u>
Long-term portion	<u>\$ 2,982,091</u>	<u>\$ 3,254,108</u>
Principal payments due under the remaining term of the mortgage:		
2015	\$ 272,017	
2016	2,982,091	

The Association has \$50,000 available on corporate credit cards, and a \$600,000 standby letter of credit with Scotiabank which is guaranteed by the College and held as security for the TTC metro pass program. Pursuant to the credit agreement with the bank, the Association is subject to the banking covenants described in Note 6.

Student Association of George Brown College

Notes to Financial Statements

May 31, 2014

5. Restrictions on net assets

Internally restricted net assets

TTC fund

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

Externally restricted net assets

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.

Health Care 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 conduct research, surveys, and outreach services to members.

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.

6. Management of capital

The primary objective in managing the Association'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>2014</u>	<u>2013</u>
Earnings ratio		
Excess (deficiency) of revenues over expenses	\$ 860,852	\$ (188,959)
Amortization	617,256	645,417
Interest	<u>300,467</u>	<u>352,340</u>
Earnings before interest, taxes, depreciation and amortization	<u>\$ 1,778,575</u>	<u>\$ 808,798</u>
Interest expense	\$ 300,467	\$ 352,340
Current-portion of long term debt	<u>272,017</u>	<u>115,715</u>
Total debt coverage	<u>\$ 572,484</u>	<u>\$ 468,055</u>
Ratio to be 1.10:1.00 or greater	<u>3.11:1.00</u>	<u>1.73:1.00</u>

Student Association of George Brown College

Notes to Financial Statements

May 31, 2014

7. Interfund advances

Advances between funds are non-interest bearing and have no specific terms of repayment.

8. Financial instruments

Transactions in financial instruments may result in an entity assuming, or transferring to another party, one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's main credit risks relate to its accounts receivable.

At May 31, 2014, the Association has recognized an allowance for doubtful accounts of \$Nil (2013-\$Nil). In the opinion of management, the credit risk exposure to the Association is low.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting the obligations associated with its financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable.

The Association reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, and ensuring adequate cash reserves are on hand to repay creditors.