



Grant Thornton

Financial Statements

Student Association of George Brown College

May 31, 2013

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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 statements of financial position as at May 31, 2013, 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, 2013, 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.

## Comparative information

Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that the Student Association of George Brown College adopted Canadian accounting standards for not-for-profit organizations on June 1, 2012 with a transition date of June 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at May 31, 2012 and June 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended May 31, 2012 and related disclosures. We were not engaged to report on the comparative information, and as such, it is unaudited.

## Other matter

The statement of financial position as at May 31, 2012, and the statements of operations, changes in net assets and cash flows for the year then ended, were audited by another firm of chartered accountants who expressed an opinion without qualification on October 9, 2012.

*Grant Thornton LLP*

Toronto, Canada  
November 7, 2013

Chartered Accountants  
Licensed Public Accountants

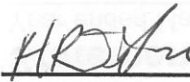
# Student Association of George Brown College

## Statements of Financial Position

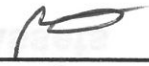
As at

	Unrestricted Fund	Building Fund	TTC Fund	Health Care Fund	May 31, 2013	May 31, 2012 (Unaudited) (Note 3)	June 1, 2011 (Unaudited) (Note 3)
<b>Assets</b>							
<b>Current</b>							
Cash	\$ 466,614	\$ 1,438,165	\$ 284,894	\$ 632,477	\$ 2,822,150	\$ 5,950,813	\$ 4,542,381
Restricted cash for contingency (Note 7)	433,952	-	-	-	433,952	311,438	316,379
Accounts receivable	80,584	-	5,240	877,384	963,208	653,689	1,639,639
Inventory	6,350	-	42,606	-	48,956	16,538	244,467
Government remittances	-	-	-	-	-	46,820	385
Interfund advances (Note 9)	532,993	(53,071)	(452,865)	(27,057)	-	-	-
	1,520,493	1,385,094	(120,125)	1,482,804	4,268,266	6,979,298	6,743,251
Property and equipment (Note 5)	47,415	6,085,475	440	1,934	6,135,264	3,481,086	3,500,279
	<u>\$ 1,567,908</u>	<u>\$ 7,470,569</u>	<u>\$ (119,685)</u>	<u>\$ 1,484,738</u>	<u>\$ 10,403,530</u>	<u>\$ 10,460,384</u>	<u>\$ 10,243,530</u>
<b>Liabilities</b>							
<b>Current</b>							
Accounts payable and accrued liabilities \$	219,244	\$ 14,906	\$ 141,239	\$ 328,906	\$ 704,295	\$ 464,576	\$ 374,318
Government remittances	2,125	-	-	-	2,125	-	-
Current portion of long-term debt (Note 6)	-	115,715	-	-	115,715	109,739	104,067
	221,369	130,621	141,239	328,906	822,135	574,315	478,385
Long-term debt (Note 6)	-	3,254,108	-	-	3,254,108	3,369,823	3,479,562
	221,369	3,384,729	141,239	328,906	4,076,243	3,944,138	3,957,947
<b>Net assets</b>							
Unrestricted	912,587	-	-	-	912,587	995,091	1,095,660
Internally restricted	-	-	(260,924)	-	(260,924)	(239,728)	(163,823)
Externally restricted	433,952	4,085,840	-	1,155,832	5,675,624	5,760,883	5,353,746
	1,346,539	4,085,840	(260,924)	1,155,832	6,327,287	6,516,246	6,285,583
	<u>\$ 1,567,908</u>	<u>\$ 7,470,569</u>	<u>\$ (119,685)</u>	<u>\$ 1,484,738</u>	<u>\$ 10,403,530</u>	<u>\$ 10,460,384</u>	<u>\$ 10,243,530</u>

On behalf of the Board

  
**Hallet Reuena Silva**  
 DIR. STU LIFE & Campus Relations

Director

  
**Mohammad Ali Ameer**  
 See accompanying notes to the financial statements.

Director

Director of Education & Equity  
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# Student Association of George Brown College

## Statements of Changes in Net Assets

Year ended May 31

	2012 (Unaudited) (Note 3)				
	Unrestricted Fund	Building Fund	TTC Fund	Health Care Fund	Total
Net assets, June 1, 2011	\$ 1,412,039	\$ 3,312,372	\$ (163,823)	\$ 1,724,995	\$ 6,285,583
Surplus (deficit) as previously stated	(105,510)	600,073	(75,905)	(448,403)	(29,745)
Prior period adjustment (Note 4)	-	-	-	260,408	260,408
Surplus (deficit) as restated	105,510	600,073	(75,905)	(187,995)	230,663
Net assets, May 31, 2012 as restated	<u>\$ 1,306,529</u>	<u>\$ 3,912,445</u>	<u>\$ (239,728)</u>	<u>\$ 1,537,000</u>	<u>\$ 6,516,246</u>
	2013				
	Unrestricted Fund	Building Fund	TTC Fund	Health Care Fund	Total
Net assets, May 31, 2012 as restated	\$ 1,306,529	\$ 3,912,445	\$ (239,728)	\$ 1,537,000	\$ 6,516,246
Surplus (deficit)	40,010	173,395	(21,196)	(381,168)	(188,959)
<b>Net assets, May 31, 2013</b>	<b><u>\$ 1,346,539</u></b>	<b><u>\$ 4,085,840</u></b>	<b><u>\$ (260,924)</u></b>	<b><u>\$ 1,155,832</u></b>	<b><u>\$ 6,327,287</u></b>
Net invested in property and equipment	\$ 47,415	\$ 2,715,652	\$ 440	\$ 1,934	\$ 2,765,441
Net restricted assets (Note 7)	433,952	1,370,188	-	1,153,898	2,958,038
Net unrestricted assets	865,172	-	(261,364)	-	603,808
<b>Net assets, May 31, 2013</b>	<b><u>\$ 1,346,539</u></b>	<b><u>\$ 4,085,840</u></b>	<b><u>\$ (260,924)</u></b>	<b><u>\$ 1,155,832</u></b>	<b><u>\$ 6,327,287</u></b>

See accompanying notes to the financial statements.

# Student Association of George Brown College

## Statements of Operations

Year ended May 31

	Unrestricted Fund	Building Fund	TTC Fund	Health Care Fund	Total 2013	Total 2012 (Unaudited) (Note 3)
<b>Revenues</b>						
Student association fees	\$ 2,510,746	\$ 1,226,256	\$ -	\$ 4,006,096	\$ 7,743,098	\$ 7,305,137
Sales	194,551	-	2,149,000	-	2,343,551	2,772,947
Leasing	184,399	-	-	-	184,399	184,641
Grants	105,905	-	120,275	-	226,180	71,000
Interest	12,839	28,782	2,375	18,263	62,259	70,961
	<u>3,008,440</u>	<u>1,255,038</u>	<u>2,271,650</u>	<u>4,024,359</u>	<u>10,559,487</u>	<u>10,404,686</u>
<b>Expenses</b>						
Health insurance premiums	-	-	-	4,314,578	4,314,578	3,945,888
Services, programs and purchases	566,939	-	2,178,792	-	2,745,731	3,140,548
Wages and benefits	1,826,453	198,442	67,686	83,444	2,176,025	2,073,460
Amortization	11,759	633,064	110	484	645,417	200,683
Interest and bank charges	134,191	180,847	37,157	145	352,340	341,842
Social events	320,139	-	-	-	320,139	304,089
Maintenance and repairs	2,862	64,267	-	-	67,129	84,137
Office and general	52,853	5,023	1,058	-	58,934	39,178
Conferences	45,851	-	-	-	45,851	32,598
Marketing	7,383	-	8,043	6,876	22,302	11,600
	<u>2,968,430</u>	<u>1,081,643</u>	<u>2,292,846</u>	<u>4,405,527</u>	<u>10,748,446</u>	<u>10,174,023</u>
<b>Surplus (deficit)</b>	<u>\$ 40,010</u>	<u>\$ 173,395</u>	<u>\$ (21,196)</u>	<u>\$ (381,168)</u>	<u>\$ (188,959)</u>	<u>\$ 230,663</u>

See accompanying notes to the financial statements.

# Student Association of George Brown College

## Statements of Cash Flows

Year ended May 31

2013

2012  
(Unaudited)  
(Note 3)

Increase (decrease) in cash

### Operating

Surplus (deficit)	\$ (188,959)	\$ 230,663
Item not affecting cash		
Amortization	<u>645,417</u>	<u>200,683</u>
	<b>456,458</b>	<b>431,346</b>

Change in non-cash working capital

Restricted cash for contingency	(122,514)	4,941
Accounts receivable	(309,519)	985,950
Inventory	(32,418)	227,929
Government remittances	48,945	(46,435)
Accounts payable and accrued liabilities	<u>239,719</u>	<u>90,259</u>

280,671 1,693,990

### Investing

Purchase of property and equipment	<u>(3,299,595)</u>	<u>(181,491)</u>
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### Financing

Repayment of long-term debt	<u>(109,739)</u>	<u>(104,067)</u>
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Net change in cash (3,128,663) 1,408,432

### Cash

Beginning of year 5,950,813 4,542,381

End of year \$ 2,822,150 \$ 5,950,813



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# **Student Association of George Brown College**

## **Notes to Financial Statements**

May 31, 2013

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### **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 6.

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### **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 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 general 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.

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# Student Association of George Brown College

## Notes to Financial Statements

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May 31, 2013

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### 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 arm's 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, 2013

### 3. First-time adoption of Canadian accounting standards for not-for-profit organizations

These financial statements are the first financial statements for which the Association has applied ASNPO. The financial statements for the years ended May 31, 2013 and May 31, 2012 were prepared in accordance with ASNPO and the provisions set out in Section 1501 First-time adoption.

The date of transition to ASNPO is June 1, 2011. The Association's transition to ASNPO has not had an impact on the opening net assets as at June 1, 2011, the statements of financial position, or the statement changes in net assets, operations and cash flows for the year ended May 31, 2012. As a result, the reconciliations and disclosures required by Section 1501 First-time adoption are not necessary and have not been presented in these financial statement notes.

The statements of financial position as at May 31, 2012 and June 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended May 31, 2012 were audited under the previous reporting framework. They have not been audited under the ASNPO framework and, accordingly, are designated as unaudited.

### 4. Prior period adjustment

During the current fiscal year, a prior period adjustment in the amount of \$260,408 was made relating to fiscal 2012. The adjustment of \$260,408 resulted in a decrease in both accounts payable and health insurance premium expenditures. The adjustment related to invoices received from the health provider in connection with fiscal 2013 which were incorrectly recorded in fiscal 2012. The differences occurred due to the timing of the invoices received by the Association, and the reconciliation of health premium expenditures in fiscal 2013.

# Student Association of George Brown College

## Notes to Financial Statements

May 31, 2013

### 5. Property and equipment

			<u>May 31, 2013</u>	<u>May 31, 2012</u> (Unaudited) (Note 3)	<u>June 1, 2011</u> (Unaudited) (Note 3)
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 976,312	\$ 743,542	\$ 232,770	\$ 166,365	\$ 153,304
Computer equipment	402,516	323,105	79,411	74,241	56,644
Casa Loma Student Centre	4,084,496	1,061,016	3,023,480	3,116,990	3,213,392
Waterfront Student Centre	1,130,000	33,900	1,096,100	-	-
Leasehold improvements	<u>2,312,443</u>	<u>608,940</u>	<u>1,703,503</u>	<u>123,490</u>	<u>76,939</u>
	<u>\$ 8,905,767</u>	<u>\$ 2,770,503</u>	<u>\$ 6,135,264</u>	<u>\$ 3,481,086</u>	<u>\$ 3,500,279</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.

### 6. Long-term debt

	<u>May 31, 2013</u>	<u>May 31, 2012</u> (Unaudited) (Note 3)	<u>June 1, 2011</u> (Unaudited) (Note 3)
Scotiabank mortgage bearing interest at 5.3%, repayable in blended monthly payments of \$24,333, maturing November 30, 2015 and guaranteed by the College	\$ 3,369,823	\$ 3,479,562	\$ 3,583,629
Less: current portion	<u>115,715</u>	<u>109,739</u>	<u>104,067</u>
Long-term portion	<u>\$ 3,254,108</u>	<u>\$ 3,369,823</u>	<u>\$ 3,479,562</u>

Principal payments due under the remaining term of the mortgage:

2014	\$ 115,715
2015	122,017
2016	3,132,091

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 8.

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# Student Association of George Brown College

## Notes to Financial Statements

May 31, 2013

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### 7. 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.

# Student Association of George Brown College

## Notes to Financial Statements

May 31, 2013

### 8. 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>2013</u>	<u>2012</u> (Unaudited) (Note 3)
Earnings ratio		
Surplus (deficit)	\$ (188,959)	\$ 230,663
Amortization	645,417	200,683
-Interest	<u>352,340</u>	<u>245,570</u>
Earnings before interest, taxes, depreciation and amortization	<u>\$ 808,798</u>	<u>\$ 676,916</u>
Interest expense	\$ 352,340	\$ 341,842
Current-portion of long term debt	<u>115,715</u>	<u>109,739</u>
Total debt coverage	<u>\$ 468,055</u>	<u>\$ 451,581</u>
Ratio to be 1.10:1 or greater	<u>1.73:1.00</u>	<u>1.50:1.00</u>

### 9. Interfund advances

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

### 10. Commitment

The Association has committed to approximately \$300,000 in renovation costs in relation to the student centre space in the St. James Campus which began during fiscal 2013.



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# **Student Association of George Brown College**

## **Notes to Financial Statements**

May 31, 2013

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### **11. 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, 2013, the Association has recognized an allowance for doubtful accounts of \$Nil (May 31, 2012- \$Nil; June 1, 2011 - \$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.