



Financial Statements

Student Association of George Brown College

May 31, 2015

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# Grant Thornton

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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, 2015, 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.

**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, 2015, 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  
December 8, 2015

Chartered Professional 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 2015	Total 2014
<b>Assets</b>						
<b>Current</b>						
Cash	\$ 504,095	\$ 2,067,185	\$ 99,678	\$ 751,165	\$ 3,422,123	\$ 2,857,085
Restricted cash for contingency (Note 6)	577,779	-	-	-	577,779	495,863
Accounts receivable	1,509,969	-	74,261	979,380	2,563,610	1,680,941
Inventory	10,203	-	-	-	10,203	8,435
Prepays	52,050	-	-	-	52,050	1,016
Interfund advances (Note 8)	(86,945)	340,338	(238,916)	(14,477)	-	-
	2,567,151	2,407,523	(64,977)	1,716,068	6,625,765	5,043,340
Property and equipment (Note 3)	30,102	5,427,135	281	1,238	5,458,756	5,897,337
	<u>\$ 2,597,253</u>	<u>\$ 7,834,658</u>	<u>\$ (64,696)</u>	<u>\$ 1,717,306</u>	<u>\$ 12,084,521</u>	<u>\$ 10,940,677</u>
<b>Liabilities</b>						
<b>Current</b>						
Accounts payable and accrued liabilities	\$ 311,649	\$ 7,146	\$ 163,774	\$ 72,438	\$ 555,007	\$ 494,704
Government remittances	6,785	(1,037)	-	-	5,748	3,726
Current portion of long-term debt (Note 4)	-	2,982,091	-	-	2,982,091	272,017
	318,434	2,988,200	163,774	72,438	3,542,846	770,447
Long-term debt (Note 4)	-	-	-	-	-	2,982,091
	318,434	2,988,200	163,774	72,438	3,542,846	3,752,538
<b>Net assets</b>						
Unrestricted	1,670,938	-	(228,751)	-	1,442,187	909,524
Invested in property and equipment	30,102	2,445,044	281	1,238	2,476,665	2,643,229
Restricted	577,779	2,401,414	-	1,643,630	4,622,823	3,635,386
	2,278,819	4,846,458	(228,470)	1,644,868	8,541,675	7,188,139
	<u>\$ 2,597,253</u>	<u>\$ 7,834,658</u>	<u>\$ (64,696)</u>	<u>\$ 1,717,306</u>	<u>\$ 12,084,521</u>	<u>\$ 10,940,677</u>

On behalf of the Board of Directors

  
 \_\_\_\_\_ Director  
 Gagan Deep  
 Director of Communications & Internal

  
 \_\_\_\_\_ Director  
 Director of Operations  
 Thomas Hadwen  
 See accompanying notes to the financial statements.  
 Dec 10th 2015

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

Year ended May 31

	Unrestricted Fund	Building Fund	TTC Fund	Health Care Fund	<b>Total 2015</b>	Total 2014
Net assets, beginning of year	\$ 1,680,848	\$ 4,401,462	\$ (237,483)	\$ 1,343,312	\$ <b>7,188,139</b>	\$ 6,327,287
Excess of revenues over expenses	<u>597,971</u>	<u>444,996</u>	<u>9,013</u>	<u>301,556</u>	<u><b>1,353,536</b></u>	<u>860,852</u>
<b>Net assets, end of year</b>	\$ <u><b>2,278,819</b></u>	\$ <u><b>4,846,458</b></u>	\$ <u><b>(228,470)</b></u>	\$ <u><b>1,644,868</b></u>	\$ <u><b>8,541,675</b></u>	\$ <u><b>7,188,139</b></u>
Net assets unrestricted	\$ 1,670,938	\$ -	\$ (228,751)	\$ -	\$ <b>1,442,187</b>	\$ 909,524
Net assets invested in property and equipment	30,102	2,445,044	281	1,238	<b>2,476,665</b>	2,643,229
Net assets restricted (Note 6)	<u>577,779</u>	<u>2,401,414</u>	<u>-</u>	<u>1,643,630</u>	<u><b>4,622,823</b></u>	<u>3,635,386</u>
<b>Net assets, end of year</b>	\$ <u><b>2,278,819</b></u>	\$ <u><b>4,846,458</b></u>	\$ <u><b>(228,470)</b></u>	\$ <u><b>1,644,868</b></u>	\$ <u><b>8,541,675</b></u>	\$ <u><b>7,188,139</b></u>

# Student Association of George Brown College

## Statement of Operations

Year ended May 31

	Unrestricted Fund	Building Fund	TTC Fund	Health Care Fund	Total 2015	Total 2014
<b>Revenues</b>						
Student association fees	\$ 2,951,258	\$ 1,480,627	\$ -	\$ 5,740,584	\$ 10,172,469	\$ 9,398,954
Sales	261,341	-	2,595,157	-	2,856,498	2,884,783
Grants	129,408	-	103,376	-	232,784	230,583
Leasing	197,769	-	-	-	197,769	188,363
Interest	18,660	27,033	1,953	17,163	64,809	56,274
	<u>3,558,436</u>	<u>1,507,660</u>	<u>2,700,486</u>	<u>5,757,747</u>	<u>13,524,329</u>	<u>12,758,957</u>
<b>Expenses</b>						
Health insurance premiums	-	-	-	5,349,568	5,349,568	5,045,481
Services, programs and purchases	627,005	-	2,590,618	-	3,217,623	3,174,798
Wages and benefits	1,757,103	218,516	62,024	99,388	2,137,031	2,287,169
Amortization	7,526	520,467	70	309	528,372	617,256
Interest and bank charges	106,328	173,744	31,926	369	312,367	300,467
Social events	401,619	-	-	-	401,619	289,582
Maintenance and repairs	1,635	145,261	-	-	146,896	104,798
Office and general	25,146	4,676	4,811	-	34,633	40,225
Conferences	25,205	-	-	-	25,205	22,564
Marketing	8,898	-	2,024	6,557	17,479	15,765
	<u>2,960,465</u>	<u>1,062,664</u>	<u>2,691,473</u>	<u>5,456,191</u>	<u>12,170,793</u>	<u>11,898,105</u>
Excess of revenues over expenses	\$ <u>597,971</u>	\$ <u>444,996</u>	\$ <u>9,013</u>	\$ <u>301,556</u>	\$ <u>1,353,536</u>	\$ <u>860,852</u>

# Student Association of George Brown College

## Statement of Cash Flows

Year ended May 31

2015

2014

Increase (decrease) in cash

**Operating**

Excess of revenues over expenses	\$ 1,353,536	\$ 860,852
Item not affecting cash		
Amortization	<u>528,372</u>	<u>617,256</u>
	<b>1,881,908</b>	<b>1,478,108</b>

Change in non-cash working capital

Accounts receivable	(882,669)	(717,733)
Inventory	(1,768)	40,521
Prepays	(51,034)	(1,016)
Accounts payable and accrued liabilities	60,303	(209,591)
Government remittances	<u>2,022</u>	<u>1,601</u>
	<b><u>1,008,762</u></b>	<b><u>591,890</u></b>

**Investing**

Purchase of property and equipment	<u>(89,791)</u>	<u>(379,329)</u>
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**Financing**

Repayment of long-term debt	<u>(272,017)</u>	<u>(115,715)</u>
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Net change in cash

**646,954**                      **96,846**

Cash

Beginning of year	<u>3,352,948</u>	<u>3,256,102</u>
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End of year

	<b>\$ <u>3,999,902</u></b>	<b>\$ <u>3,352,948</u></b>
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Cash comprises:

Cash	\$ 3,422,123	\$ 2,857,085
Restricted cash for contingency	<u>577,779</u>	<u>495,863</u>
	<b>\$ <u>3,999,902</u></b>	<b>\$ <u>3,352,948</u></b>



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# **Student Association of George Brown College**

## **Notes to Financial Statements**

May 31, 2015

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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 4.

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### **2. Summary of significant accounting policies**

The financial statements of the Association have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Accounting standards for not-for-profit organizations are part of Canadian generally accepted accounting principles.

Accounting standards for not-for-profit organizations requires entities to select policies appropriate for their circumstances from policies provided in these standards. The following are the policies selected by the Association and applied in these financial statements.

#### **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 in the period to which they relate. Sales revenues are recognized when the related goods or services are provided. Grants are recognized when received or receivable, provided that collection is reasonably assured. Leasing income is recognized at the beginning of each month on a straight line basis over the term of the lease. 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 (Health Care Fund), and the building fund fees, which are each recognized in their own fund using the restricted fund method. Under the Restricted Fund method, contributions are recognized in the period the contributions are received or receivable, assuming collection is reasonably assured. Due to the smaller size of the funds for contingency, contributions to it are recognized in the Unrestricted Fund using the deferral method, whereby contributions are deferred and recognized in income in the period the relates expenses are incurred.

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# Student Association of George Brown College

## Notes to Financial Statements

May 31, 2015

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### 2. Summary of significant accounting policies (continued)

#### 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.

#### Inventory

Inventory, consisting primarily of finished goods, is stated at the lower of cost and net realizable value. Inventory is relieved 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 related notes. These estimates primarily relate to the useful lives of the property and equipment, which affects 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
- Government remittances
- 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.

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## Student Association of George Brown College

### Notes to Financial Statements

May 31, 2015

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#### 3. Property and equipment

	Cost	Accumulated Amortization	2015 Net Book Value	2014 Net Book Value
Furniture and fixtures	\$ 1,022,358	\$ 842,056	\$ 180,302	\$ 213,748
Computer equipment	469,757	397,898	71,859	102,655
Casa Loma Student Centre	4,084,496	1,239,703	2,844,793	2,932,776
Waterfront Student Centre	1,130,000	98,679	1,031,321	1,063,218
Leasehold improvements	2,668,276	1,337,795	1,330,481	1,584,940
	\$ 9,374,887	\$ 3,916,131	\$ 5,458,756	\$ 5,897,337

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 39-year lease with an option to renew.

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#### 4. Long-term debt

	2015	2014
Scotiabank mortgage bearing interest at 5.3%, repayable in blended monthly payments of approximately \$33,000, maturing December 31, 2015 and guaranteed by the College	\$ 2,982,091	\$ 3,254,108
Less: current portion	2,982,091	272,017
Long-term portion	\$ -	\$ 2,982,091
Principal payments due under the remaining term of the mortgage:		
2016	2,982,091	

The Association has \$45,000 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 7.

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# Student Association of George Brown College

## Notes to Financial Statements

May 31, 2015

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### 5. Commitments and contingency

The Association is committed to minimum annual payments under lease agreements for office equipment in aggregate and, for each of the next five years as follows:

2016	\$	15,188
2017		15,188
2018		15,188
2019		15,188
2020		<u>3,797</u>
	\$	<u>64,549</u>

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### 6. 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

The Building Fund represents the unspent portion of annual fees collected for the purpose of financing building and maintenance of the student centres at the College campuses.

##### Health Care Fund

The Health Care Fund represents the portion of annual fees collected for the purpose of providing students with affordable medical coverage while they attend the 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

The Contingency Fund represents the unspent portion of annual fees collected for the purpose of financing general contingencies. This is disclosed in the financial statements as a restricted cash balance.

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# Student Association of George Brown College

## Notes to Financial Statements

May 31, 2015

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### 7. 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>2015</u>	<u>2014</u>
Earnings ratio		
Excess of revenues over expenses	\$ 1,353,536	\$ 860,852
Amortization	528,372	617,256
Interest	<u>312,367</u>	<u>300,467</u>
Earnings before interest, taxes, depreciation and amortization	\$ <u>2,194,275</u>	\$ <u>1,778,575</u>
Interest expense	\$ 312,367	\$ 300,467
Current-portion of long term debt	<u>2,982,091</u>	<u>272,017</u>
Total debt coverage	\$ <u>3,294,458</u>	\$ <u>572,484</u>
Ratio to be 1.10:1.00 or greater	<u>0.67:1.00</u>	<u>3.11:1.00</u>

The Association is not in compliance with the covenant requirements as of May 31, 2015. The Association has obtained a waiver from the lender indicating that the loan will not be called as a result of this breach.

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### 8. Interfund advances

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

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### 9. 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, 2015, the Association has recognized an allowance for doubtful accounts of \$ Nil (2014 - \$Nil). In the opinion of management, the credit risk exposure to the Association is low.

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# **Student Association of George Brown College**

## **Notes to Financial Statements**

May 31, 2015

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### **9. Financial instruments (continued)**

#### **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 and long-term debt.

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.