

Financial statements of

**The George Brown
College Foundation**

March 31, 2016

The George Brown College Foundation

March 31, 2016

Table of contents

Independent Auditor’s Report 1-2

Statement of financial position 3

Statement of operations and changes in net assets 4

Statement of cash flows 5

Notes to the financial statements 6-11



Deloitte LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of
The George Brown College Foundation

We have audited the accompanying financial statements of The George Brown College Foundation, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and 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 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 The George Brown College Foundation as at March 31, 2016, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 23, 2016

The George Brown College Foundation

Statement of financial position as at March 31, 2016

				2016	2015
	Endowment Fund	Restricted Donations/ Scholarships/ Fund	Program Fund	Total	Total
	\$	\$	\$	\$	\$
Assets					
Current assets					
Cash	343,717	945,073	1,548,367	2,837,157	3,566,733
Accounts receivable	-	-	37,036	37,036	29,590
Prepaid expenses	-	-	9,822	9,822	6,585
Short-term investments (Note 2)	13,023,266	11,635,684	-	24,658,950	13,696,448
Long-term investments (Note 2)	11,636,421	389,387	-	12,025,808	11,796,097
Capital assets (Note 3)	-	-	12,662	12,662	9,675
Artwork	-	-	16,100	16,100	13,800
	25,003,404	12,970,144	1,623,987	39,597,535	29,118,928
Liabilities					
Accounts payable and accrued liabilities (Note 10)					
	-	27,700	67,072	94,772	87,836
Due to related party (Note 6)	-	-	-	-	63,801
Funds in trust (Note 7)	13,023,316	485,513	-	13,508,829	13,475,956
	13,023,316	513,213	67,072	13,603,601	13,627,593
Net assets					
Externally restricted (Note 5)	11,872,952	12,456,931	-	24,329,883	14,336,432
Internally restricted (Note 5)	107,136	-	-	107,136	107,136
Unrestricted	-	-	1,556,915	1,556,915	1,047,767
	11,980,088	12,456,931	1,556,915	25,993,934	15,491,335
	25,003,404	12,970,144	1,623,987	39,597,535	29,118,928

Approved on behalf of the Board of Directors



Director



Director

The accompanying notes to the financial statements are an integral part of this financial statement.

The George Brown College Foundation

Statement of operations and changes in net assets year ended March 31, 2016

				2016	2015
	Endowment Fund (Note 5)	Restricted Donations/ Scholarship Fund (Note 5)	Program Fund (Note 5)	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Contributions	335,168	11,687,461	1,702,300	13,724,929	5,497,139
Investment income (loss) (Note 4)	(357,743)	444,478	13,621	100,356	1,498,466
	(22,575)	12,131,939	1,715,921	13,825,285	6,995,605
Expenses					
Donations and scholarships	-	1,973,138	-	1,973,138	2,800,356
Amortization of capital assets	-	-	4,128	4,128	2,317
Administration	-	142,775	1,202,645	1,345,420	1,422,687
	-	2,115,913	1,206,773	3,322,686	4,225,360
Excess (deficiency) of revenue over expenses	(22,575)	10,016,026	509,148	10,502,599	2,770,245
Interfund transfers (Note 8)	8,500	(8,500)	-	-	(50)
Net assets, beginning of year	11,994,163	2,449,405	1,047,767	15,491,335	12,721,140
Net assets, end of year	11,980,088	12,456,931	1,556,915	25,993,934	15,491,335

The accompanying notes to the financial statements are an integral part of this financial statement.

The George Brown College Foundation

Statement of cash flows year ended March 31, 2016

				2016	2015
	Endowment Fund	Restricted Donations/ Scholarship Fund	Program Fund	Total	Total
	\$	\$	\$	\$	\$
Operating activities					
Excess (deficiency) of revenue over expenses	(22,575)	10,016,026	509,148	10,502,599	2,770,245
Non operating items -					
Endowment contributions	(335,168)	-	-	(335,168)	(1,113,881)
Items not involving cash					
Realized and unrealized (gains)/ losses	357,743	-	-	357,743	(1,262,708)
Amortization of capital assets	-	-	4,128	4,128	2,317
Gift in kind	-	-	(2,300)	(2,300)	-
Change in non-cash operating working capital	-	3,827	(71,375)	(67,548)	70,533
	-	10,019,853	439,601	10,459,454	466,506
Financing activities					
Endowment contributions	335,168	-	-	335,168	1,113,881
Funds in trust	-	32,873	-	32,873	18,520
Interfund transfers	8,500	(8,500)	-	-	(50)
	343,668	24,373	-	368,041	1,132,351
Investing activities					
Purchase of capital assets	-	-	(7,115)	(7,115)	(6,983)
Short-term investments (net)	-	(10,962,502)	-	(10,962,502)	(18,679)
Long-term investments (net)	(394,682)	(192,772)	-	(587,454)	(1,049,153)
	(394,682)	(11,155,274)	(7,115)	(11,557,071)	(1,074,815)
Increase (decrease) in cash	(51,014)	(1,111,048)	432,486	(729,576)	524,042
Cash, beginning of year	394,731	2,056,121	1,115,881	3,566,733	3,042,691
Cash, end of year	343,717	945,073	1,548,367	2,837,157	3,566,733

The accompanying notes to the financial statements are an integral part of this financial statement.

The George Brown College Foundation

Notes to the financial statements

March 31, 2016

Purpose and organization

The George Brown College Foundation (the "Foundation") is a not-for-profit organization incorporated without share capital under the Corporations Act (Ontario). The Foundation administers scholarships, bursaries, and student awards under the restrictions set out by the donors of the funds and raises funds for initiatives of The George Brown College of Applied Arts and Technology (the "College"), and other charitable organizations. The Foundation is a registered charity under the Income Tax Act (Canada) (the "Act"), and is exempt from income taxes. The Foundation must meet certain requirements under the Act. In the opinion of management, these requirements have been met.

1. Significant accounting policies

Management has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations.

a) Use of estimates

In preparing the financial statements management, is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and fund balances and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses and changes in fund balances for the year. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known. Actual results could differ from those estimates. Items included in these financial statements that require significant estimates are: investments with respect to valuation; capital assets with respect to useful life; and certain accrued liabilities.

b) Fund accounting

The financial statements include the following funds:

- (i) The Endowment Fund reports non-expendable donor and related Board-restricted contributions.
- (ii) The Restricted Donations/Scholarship Fund reports only donor-restricted resources that are used to provide bursaries, scholarships, student awards and other project initiatives as directed by their related agreements.
- (iii) The Program Fund accounts for the Foundation's operations and administrative activities.

c) Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate Restricted Fund in the year received. Contributions for endowments are recorded as revenue in the Endowment Fund.

Unrestricted contributions are recognized as revenue of the Program Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

d) Investment income

Investment income is accrued as it is earned. Investment income earned on externally restricted funds is a resource that must be spent on bursaries, scholarships, student awards and other project initiatives as defined by the donor and is recognized as revenue of the appropriate fund. Other investment income is recognized as revenue of the Program Fund when earned. Interest and dividend income earned on the endowment fund, net of investment management fees, is transferred to the Restricted Donations/Scholarship Fund. Realized and unrealized gains/losses on endowment investments are recorded as increases/decreases respectively to the Endowment Fund.

The George Brown College Foundation

Notes to the financial statements

March 31, 2016

1. Significant accounting policies (continued)

e) *Contributed goods and services*

Contributed property, equipment and services (other than volunteer fundraising activities) are recorded as revenue at fair market value as at the date of receipt, when fair market value is reasonably determinable.

Contributed securities

Gifts of publicly traded securities are recognized at their fair value based on the average published price on the date of receipt, when such information is available, or other estimated fair value as applicable.

f) *Volunteer fundraising activities*

The work of the Foundation is dependent on the volunteer fundraising activities of many members. Because these services are not normally purchased by the Foundation and because of the difficulty in determining their fair value, donated services are not recognized in these financial statements.

g) *Financial instruments*

The Foundation initially recognizes financial instruments at fair value and subsequently measures them at each reporting date as follows:

<u>Asset/liability</u>	<u>Measurement</u>
Cash	Fair value
Short-term investments	Fair value
Long-term investments	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related party	Amortized cost
Funds in trust	Amortized cost

h) *Capital assets*

Capital assets consist of computer equipment and furniture and equipment and are recorded at cost. Amortization is recorded on the straight-line basis over 3 years for computer equipment and over 5 years for furniture and equipment.

i) *Artwork*

Artwork consists of donated art which is recognized at fair market value as at the date of receipt.

2. Investments

Short-term investments

Short-term investments consist of guaranteed investment certificates held at year end in respect of the following:

	<u>2016</u>	<u>2015</u>
	<u>Fair value</u>	<u>Fair value</u>
	\$	\$
Short-term investments held for the Foundation restricted funds	11,040,972	-
Short-term investments held in trust for the College		
Endowed and restricted funds	13,617,978	13,696,448
	24,658,950	13,696,448

The George Brown College Foundation

Notes to the financial statements

March 31, 2016

2. Investments (continued)

Long-term investments

The Foundation's endowment investments are invested primarily in pooled-mutual funds and a fixed income limited partnership, managed by three investment managers.

The Foundation's endowment investments are invested as follows:

	2016	2015
	Fair value	Fair value
	\$	\$
Canadian bond funds	3,656,031	3,526,297
Canadian equity funds	2,223,012	2,323,551
US and Global equity funds	5,219,528	5,052,220
Global fixed income limited partnership	927,237	894,029
	12,025,808	11,796,097

3. Capital assets

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	82,751	(71,630)	11,121	6,929
Furniture and equipment	4,779	(3,238)	1,541	2,746
	87,530	(74,868)	12,662	9,675

4. Investment income

	2016	2015
	\$	\$
Interest and dividends	625,620	379,951
Realized gains	144,997	132,724
Unrealized losses (gains)	(502,738)	1,129,739
Investment management fees	(167,523)	(143,948)
	100,356	1,498,466

The George Brown College Foundation

Notes to the financial statements

March 31, 2016

5. Capital management

The Foundation considers its net assets, which consist of restricted funds and the program fund, as its capital.

Externally and internally restricted funds

Endowment Fund

The Endowment Fund has been established to provide ongoing investment income to be used for bursaries, scholarships, student awards and other College initiatives as directed by the related endowment agreements. The Endowment Fund is comprised of externally and internally restricted funds. The Endowment Fund capital is managed in accordance with the Foundation's and its investment manager's investment policies. The objectives of the investment policies are to invest the Endowment Fund capital with a long-term growth-oriented asset mix in order to maximize the rate of return within acceptable risk tolerances to enable growth in endowments, to ensure the preservation of the capital of the endowed funds of the Foundation over a long term focus, recovery of costs incurred to manage and administer the funds, generate sufficient annual net investment income and cash flow to support the Foundation's endowment objectives, as determined by the Foundation's Board from time to time.

Interest and dividends from this fund, net of investment management fees, are recorded in the Restricted Donations/Scholarship Fund when earned. Funds are disbursed from the Restricted Donations/Scholarship Fund, when required by the College for use in accordance with each respective endowment agreement or purpose.

Donations/Scholarship Fund

The Restricted Donations/Scholarship Fund has been established to provide capital for College initiatives, as well as bursaries, scholarships, and student awards as directed by the related agreements. The Restricted Donations/Scholarship Fund is managed in accordance with the Foundation's investment policy for restricted non-endowed funds. The objectives of this investment policy are as follows: to protect the principal to ensure that the required disbursements may be met; to maximize liquidity so that the funds will be available when required and to achieve the highest possible net yield after first giving consideration to the requirements of principal protection and liquidity needs.

Funds are disbursed from the Restricted Donations/Scholarship Fund, when required by the College for use in accordance with the related agreements or purpose. Management has determined that the restrictions and policies have been satisfactorily complied with for the year ended March 31, 2016 on a consistent basis with the preceding year.

Program Fund (Unrestricted)

The Program Fund accounts for the Foundation's operations and administrative activities. In managing this capital, the Foundation focuses on resources available for operations. The Foundation's objective is to have sufficient resources to continue operations in accordance with its mission and to provide it with the flexibility to take advantage of opportunities. The need for sufficient resources is considered in the preparation of an annual budget, the monitoring of cash flows, the comparison of actual operating results to budget and ensuring adherence with the approved investment policy.

The George Brown College Foundation

Notes to the financial statements

March 31, 2016

6. Related party transactions and balances

The College traditionally provides a contribution for services rendered by the Foundation to raise and administer funds in support of the College. A memorandum of understanding dated March 9, 2011 outlines the services provided between the College and the Foundation. During the year, the Foundation received contributions from the College of \$1,700,000 (2015 - \$800,000) comprising of \$850,000 for operating expenses and \$850,000 for fundraising campaigns (2015 - \$400,000 and \$400,000, respectively).

During the year, the Foundation provided \$2,120,100 (2015 - \$2,978,895) directly to the College, comprising of \$224,635 for various projects, \$750,000 for capital initiatives and \$1,145,465 for student scholarships and awards (2015 - \$81,100, \$1,799,061 and \$1,098,734, respectively). \$148,642 (2015 - \$183,700) of the \$2,120,100 (2015 - \$2,978,895) was provided from the Funds in trust.

The amount due to the College as at March 31, 2016 amounted to \$Nil (2015 - \$63,801). This amount is non-interest bearing and due on demand.

In addition, the Foundation utilized office space owned by the College. The space is provided rent free, and the College provides certain administrative services to the Foundation without charge.

7. Funds in trust

Certain eligible endowment contributions received by the Foundation were matched by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF") and the Ontario Trust for Student Support ("OTSS") matching endowment grant programs. These matched endowment funds were transferred to the Foundation in trust pursuant to a trust agreement with the College dated May 30, 2011 (the "Trust agreement"). The Foundation invests the matched endowment funds and administers the corresponding expendable funds in accordance with the Trust agreement. Matched endowment funds held in trust for the College by the Foundation total \$13,023,316 (2015 - \$13,023,316). Corresponding expendable funds held in trust for the College by the Foundation total \$485,513 (2015 - \$452,640).

8. Inter-fund transfers

During the year, certain scholarship funds in the amount of \$8,500 (2015 - \$1,050) were transferred from the externally restricted Donations/Scholarships Fund to the Endowment Fund, in accordance with the related agreements.

9. Financial instruments and risk management

The investments held by the Foundation are exposed to a variety of financial risks. The Foundation seeks to minimize the potential adverse effects of these risks by regularly monitoring the investment's position, market events and the diversity of the investment portfolio within the constraints of the Foundation's Investment Policies.

Significant risks that are relevant to the Foundation's investments are as follows:

Financial risk management

The Foundation is subject to market, currency and interest rate risks with respect to its long term investments and interest rate risks with respect to its short term investments.

Market risk

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Foundation to the risk of loss.

The George Brown College Foundation

Notes to the financial statements

March 31, 2016

9. Financial instruments and risk management (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation's investments include non-Canadian equities, the value of which fluctuates in part due to changes in foreign exchange rates. The US and Global equities and Global fixed income limited partnership are denominated in currencies other than Canadian dollars and are therefore directly exposed to currency risk as the value of these investments denominated in other currencies will fluctuate due to changes in exchange rates.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Foundation. The short-term interest bearing investments held by the Foundation have a limited exposure to interest rate risk due to their short-term maturity.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Foundation is subject to credit risk with respect to its accounts receivable. The balance of accounts receivable on the statement of financial position represents the Foundation's maximum exposure at March 31.

To manage its market, currency and interest rate risks, the Foundation has established investment policies which include target mix of investment types and concentration limits designed to achieve the optimum return within reasonable risk tolerances. To manage its credit risk, the Foundation evaluates the credit worthiness of its counter-parties.

Financial liabilities

At March 31, 2016, it is management's opinion that the Foundation is not in default of any terms of its financial liabilities.

10. Government remittances

As at March 31, 2016, \$10,736 (2015 - \$7,205) was payable to the Government of Canada with respect to payroll taxes and included in accounts payable and accrued liabilities on the statement of financial position.

11. Guarantees

In the normal course of business, the Foundation enters into agreements that meet the definition of a guarantee.

Indemnity has been provided to all directors and/or officers of the Foundation for various items including, but not limited to, all costs to settle suits or actions due to association with the Foundation, subject to certain restrictions. The College has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions against the directors and/or officers of the Foundation. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Foundation. The maximum amount of any potential future payment cannot be reasonably estimated.

The nature of this indemnification agreement prevents the Foundation from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Foundation has not made any payments under such or similar indemnification agreements, and therefore no amount has been recorded in the financial statements with respect to these agreements.