

Consolidated Financial Statements of

**THE GEORGE BROWN
COLLEGE OF APPLIED
ARTS AND TECHNOLOGY**

Year ended March 31, 2008

Auditors' Report

To the Board Governors of
The George Brown College of Applied Arts and Technology

We have audited the consolidated statement of financial position of The George Brown College of Applied Arts and Technology (the "College") as at March 31, 2008 and the consolidated statements of operations, changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the College's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these consolidated financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licenced Public Accountants
May 23, 2008 (except for Note 11, which is dated June 5, 2008)

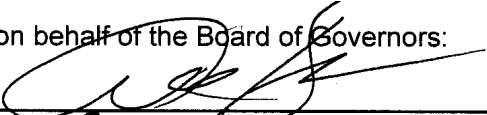
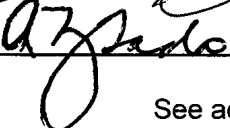
THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	\$ 61,112,901	\$ 41,328,430
Grants receivable	7,771,536	4,607,070
Accounts receivable	7,129,230	6,864,558
Inventories	2,977,441	2,611,600
Prepaid expenses	696,106	915,055
	79,687,214	56,326,713
Deposits	215,119	1,175
Long term investments (Note 4)	22,496,105	21,117,664
Capital assets (Note 5)	150,314,379	133,962,533
	\$ 252,712,817	\$ 211,408,085
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	29,162,614	25,038,098
Deferred revenue	20,800,958	21,356,532
Current portion of obligations under capital leases (Note 9)	696,341	1,199,868
	50,659,913	47,594,498
Long-term liabilities:		
Sick leave benefits (Note 6)	4,097,514	4,306,734
Employee future benefits (Note 7)	1,248,000	1,207,000
Obligations under capital leases (Note 9)	311,948	772,447
	5,657,462	6,286,181
Deferred contributions:		
Expenses of future periods (Note 10(a))	3,480,665	2,627,270
Capital assets (Note 10(b))	104,490,280	86,627,123
	107,970,945	89,254,393
Net assets:		
Unrestricted:		
Operating	367,960	255,049
Employee future benefits	(1,248,000)	(1,207,000)
Vacation pay	(8,580,143)	(8,250,448)
Sick leave benefits	(3,980,780)	(4,190,000)
	(13,440,963)	(13,392,399)
Internally restricted (Note 11)	34,700,000	27,700,000
Investment in capital assets (Note 12)	61,428,007	49,414,108
Restricted for endowments (Note 14)	5,737,453	4,551,304
	88,424,497	68,273,013
Commitments and contingent liabilities (Note 13)		
	\$ 252,712,817	\$ 211,408,085

Approved on behalf of the Board of Governors:


 _____ Chair

 _____ President

See accompanying notes to financial statements.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007 (Note 17)
Revenue : (Schedule 1)		
Grants and reimbursements	\$ 104,130,747	\$ 89,174,280
Tuition and other student fees	74,959,889	69,322,266
Ancillary	16,765,072	16,050,582
Other	17,877,469	13,696,721
Amortization of deferred contributions related to :		
Capital assets	4,396,274	5,014,910
Expenses of future periods	5,812,866	6,039,202
	<u>223,942,317</u>	<u>199,297,961</u>
Expenditures :		
Salaries and benefits	123,700,210	111,635,133
Supplies and other expenses	46,038,257	41,966,107
Maintenance, utilities and municipal taxes	8,898,121	8,488,849
Ancillary	9,943,369	9,327,231
Scholarships, bursaries and grants	5,812,867	6,039,202
Amortization of capital assets	10,740,068	9,840,524
	<u>205,132,892</u>	<u>187,297,046</u>
Excess of revenue over expenditures	<u>\$ 18,809,425</u>	<u>\$ 12,000,915</u>

See accompanying notes to financial statements.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2008, with comparative figures for 2007

					2008	2007
	Invested in capital assets (Note 12)	Restricted for endowments (Note 14)	Unrestricted	Internally Restricted	Total	Total
Balance, beginning of year	\$ 49,414,108	\$ 4,551,304	\$ (13,392,399)	\$ 27,700,000	\$ 68,273,013	\$ 55,728,809
Adjustment to reflect change in accounting policy (Note 2(a))	-	-	155,910	-	155,910	-
Excess of revenue over expenditures (Note 12(b))	(6,343,794)	-	25,153,219	-	18,809,425	12,000,915
Endowment contributions	-	1,186,149	-	-	1,186,149	543,289
Net change in investment in capital assets (Note 12(b))	18,357,693	-	(18,357,693)	-	-	-
Internally imposed restrictions (Note 11)	-	-	(7,000,000)	7,000,000	-	-
Balance, end of year	\$ 61,428,007	\$ 5,737,453	\$ (13,440,963)	\$ 34,700,000	\$ 88,424,497	\$ 68,273,013

See accompanying notes to financial statements.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 18,809,425	\$ 12,000,915
Items not involving cash:		
Amortization of capital assets	10,740,068	9,840,524
Amortization of deferred contributions related to capital assets	(4,396,274)	(5,014,910)
Amortization of deferred contributions related to expenses of future periods	(5,812,866)	(6,039,202)
Change in non-cash operating working capital (Note A)	(7,088)	6,585,268
Increase/(decrease) in employee future benefits	41,000	(317,000)
Decrease in sick leave benefits	(209,220)	(118,852)
	19,165,045	16,936,743
Financing activities:		
Endowment contributions	1,186,149	543,289
Deferred contributions received related to capital assets	22,259,431	884,969
Deferred contributions received related to expenses of future periods	6,666,261	6,316,632
Principal payments under capital leases	(1,321,026)	(1,600,892)
	28,790,815	6,143,998
Investing activities:		
Purchase of capital assets	(26,734,914)	(7,515,567)
Purchase of long-term investments - net	(1,222,531)	(501,237)
Deposits	(213,944)	37,500
	(28,171,389)	(7,979,304)
Increase in cash	19,784,471	15,101,437
Cash, beginning of year	41,328,430	26,226,993
Cash, end of year	\$ 61,112,901	\$ 41,328,430
Supplementary information:		
Interest paid	\$ 127,271	\$ 121,298
Non-Cash Transactions:		
Capital assets financed by capital leases	\$ 357,000	\$ 1,249,981
Adjustment to reflect change in accounting policy (Note 2(a))	\$ 155,910	\$ -

Note A:

The net change in non-cash working capital balances related to operations consists of the following:

	2008	2007
Grants receivable	\$ (3,164,466)	\$ 2,180,076
Accounts receivable	(264,672)	(1,257,916)
Inventories	(365,841)	(264,000)
Prepaid expenses	218,949	100,697
Accounts payable and accrued liabilities	4,124,516	1,560,761
Deferred revenue	(555,574)	4,265,650
	\$ (7,088)	\$ 6,585,268

See accompanying notes to financial statements.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

The George Brown College of Applied Arts and Technology (the "College") was established as a community college in 1967 under The Department of Education Act of the Province of Ontario. The College is dedicated to providing post-secondary and vocationally-oriented education. The College is a registered charity and is exempt from income taxes under the Income Tax Act, provided the specified disbursements quota is achieved.

1. Significant accounting policies:

These consolidated financial statements are the representations of management and have been prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations, using the deferral method of accounting for restricted contributions. The significant accounting policies are as follows:

(a) (i) Basis of accounting

The College's consolidated financial statements include the accounts of the College and the College's 50% interest in the GBSP Centre Corp. joint venture. All material inter-entity transactions and balances are eliminated on consolidation.

(ii) Student organizations

These financial statements do not reflect the assets, liabilities and the results of operations of the various student organizations.

(b) Revenue recognition

The College follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants earned but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

(b) Revenue recognition (continued)

Restricted income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted income is recognized as revenue when earned.

Tuition fees are deferred to the extent that the related courses extend beyond the fiscal year of the College. Other operating revenues are deferred to the extent that related services provided, or goods sold, are rendered/delivered subsequent to the end of the College's fiscal year.

(c) Inventories

Inventories other than books are valued at the lower of cost, (determined on the first-in first-out basis) and net realizable value. Books are valued at the lower of cost and net realizable value using the retail inventory method.

(d) Investments

(i) Investment in Joint Venture

The investment in the 50% owned joint venture "GBSP Centre Corp." is accounted for using the proportionate consolidation method.

(ii) Long-term investments

Long-term investments comprised of a bond portfolio are recorded at fair value (2007 – lower of cost and market value).

(e) Capital assets

(i) Title to land, buildings, furniture and equipment and other capital assets occupied and used by predecessor institutions was transferred to the College at nominal value. If these assets are not used by the College for educational purposes, the Province of Ontario has the right to repurchase the assets at the nominal value.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

(e) Capital assets (continued)

- (ii) Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution when fair value is reasonably determinable. Otherwise contributed assets are recorded at a nominal amount. With the exception of artwork which is not amortized, amortization is provided on a straight-line basis over the assets' estimated useful lives, which has been determined as follows:

Buildings and improvements	40 years
Building under capital lease	49 years
Leasehold improvements (GBSP)	20 years
Equipment	5 years
Automotive equipment	5 years
Other assets	5 years
Equipment under capital lease	3 years
Computer equipment	3 years

(iii) Assets under capital leases

The College leases building and equipment on terms which transfer substantially all the benefits and risks of ownership to the College. These leases have been accounted for as "capital leases" as though an asset had been purchased and a liability incurred.

(f) Employee benefits

The College recognizes employee future benefits (health, dental, life insurance, sick leave and other retirement obligations) as they are earned during the employee's tenure of service using the projected benefit method based on management's best estimate of assumptions.

(g) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. The most significant items subject to management estimation are the allowance for doubtful accounts, accruals for sick leave benefits, employee future benefits and other employment related accruals. Actual results could differ from those estimates.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

2. Changes in accounting policy:

(a) Current changes

On April 1, 2007 the College adopted the Canadian Institute of Chartered Accountants' ("CICA's") standards on recognition and measurement and presentation of financial instruments. The standards are titled S.3855 - Financial Instruments Recognition and Measurement, S.3861 - Financial Instruments Disclosure and Presentation, and S.3865. - Hedges. In addition, S.4400 - Financial Statement Presentation by Not-for-profit Organizations was amended.

In accordance with these revised standards, the College on April 1, 2007 has classified its financial instruments as follows:

<u>Financial instrument</u>	<u>Category</u>
Cash	Held-for-trading
Long Term Investments	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long Term Liabilities	Other Liabilities

Held-for-trading items are carried at fair value, with changes in their fair value recognized in the Consolidated Statement of Operations in the current period. "Loans and receivables" are measured at amortized cost using the effective interest method, net of any impairment. "Other liabilities" are measured at amortized cost using the effective interest method. As required, the revised standards have been applied retrospectively as at April 1, 2007 without restatement of the comparative amounts.

As a result of adopting the revised standards as at April 1, 2007, the carrying values of all the College's financial instruments have remained the same as the carrying values recorded as at March 31, 2007, except for the carrying value of long-term investments. The adjustment of \$155,910 to increase the carrying value of long-term investments to their fair value as at April 1, 2007 has been reflected in the Consolidated Statement of Changes in Net Assets.

Management has determined that there were no embedded derivatives that were required to be accounted for separately as derivatives as at April 1, 2007.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

2. Changes in accounting policy (continued):

(b) Future accounting changes

(i) Financial instruments

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures; and Section 3863; Financial Instruments - Presentation. Both sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the College will adopt the new standards for its fiscal year beginning April 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: (a) the significance of financial instruments for the College's financial position and performance and (b) the nature and extent of risks arising from financial instruments to which the College is exposed during the period and at the balance sheet date, and how the College manages those risks. Section 3863 on the presentation for financial instruments establishes standards for presentation of financial instruments and non-financial derivatives.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

(ii) Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the College will adopt the new standards for its fiscal year beginning April 1, 2008. Under the new Section, inventories are required to be measured at the lower of cost and net realizable value. The Section provides updated guidance on the measurement and disclosure requirements for inventories and the impact of any write-downs to net realizable value.

The College is currently evaluating the impact of the adoption of this new Section on its financial statements.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

3. GBSP Centre Corp.:

Pursuant to a Joint Venture Agreement dated February 12, 2004, the College has a 50% interest in GBSP Centre Corp., a joint venture corporation providing facilities for performances as well as for education and instruction in theatre, dance, music and the related arts. The joint venture has a December 31 year end. The proportional share of the joint venture from April 1, 2007 to March 31, 2008 has been included in these financial statements.

The College's interest in the joint venture is summarized below:

	2008	2007 (Note 17)
Current Assets	\$ 723,500	\$ 527,000
Capital Assets	6,108,443	6,896,913
Current Liabilities	787,000	433,000
Deferred Contributions	1,848,750	1,957,500
Net Assets	4,196,193	5,033,413
Revenue	\$ 842,000	\$ 581,000
Expenses	1,659,970	1,239,470
Deficiency of revenue over expenses	\$ (817,970)	\$ (658,470)
Cash flows provided by (used in) operating activities	\$ 325,000	\$ (904,244)
Cash flows used in investing activities	-	(10,756)
Net cash inflow (outflow)	\$ 325,000	\$ (915,000)

4. Long term investments:

Long term investments, comprised mainly of a bond portfolio, are held with the College's investment management firm. As at March 31, 2008 the fair value of the long term investments was \$22,496,105 (2007 – market value \$21,274,574). 2008 investment income includes realized capital losses of \$65,000 and unrealized capital gains of \$439,000.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

5. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,324,224	\$ -	\$ 2,324,224	\$ 2,324,224
Artwork	157,995	-	157,995	157,995
Building and improvements	176,353,435	59,029,291	117,324,144	107,344,690
Construction in Progress	6,716,463	-	6,716,463	-
Leasehold improvements				
GBSP (Note 3)	7,230,354	1,121,911	6,108,443	6,896,913
Assets under Capital Leases				
Equipment	8,876,198	7,867,888	1,008,310	1,972,336
Building (Note 9)	10,109,970	1,230,668	8,879,302	9,085,797
Equipment	36,021,721	30,974,898	5,046,823	4,864,195
Computer equipment	17,392,012	14,654,340	2,737,672	1,286,295
Automotive equipment	55,015	44,012	11,003	22,006
Other assets	1,108,179	1,108,179	-	8,082
	\$ 266,345,566	\$ 116,031,187	\$ 150,314,379	\$ 133,962,533

6. Sick leave benefits:

The College is liable to pay 50% of certain employees' accumulated sick leave credit on termination or retirement after ten years' service, to a maximum of six months' salary. Included in the sick leave benefits is \$94,191 (2007 - \$116,734) relating to accumulated sick leave credits earned for pre-College service. The related benefit liability at March 31, 2008 of \$4,097,514 (2007 - \$4,306,734) was determined by management based on estimated future salary increases using a discount rate of 5.50%.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

7. Employee future benefits:

Employee future benefits include health, dental and life insurance benefits that are provided to early retirees, future retirees, and employees currently on long-term disability. The related benefit liability at March 31, 2008 of \$1,248,000 (2007 - \$1,207,000) was determined by actuarial valuation as at March 31, 2008.

Information about the College's employee future benefits is as follows:

Accrued benefit liability:

	2008	2007
Balance, beginning of year	\$ 1,207,000	\$ 1,524,000
Current service cost	18,000	(196,000)
Interest	34,000	43,000
Actuarial loss	79,000	-
Benefits paid	(90,000)	(164,000)
Balance, end of year	\$ 1,248,000	\$ 1,207,000

Accrued benefit obligation, reconciliation to accrued benefit liability:

	2008	2007
Accrued benefit obligation	\$ 1,519,000	\$ 1,414,000
Unamortized actuarial loss	(271,000)	(207,000)
Accrued benefit liability	\$ 1,248,000	\$ 1,207,000

The major actuarial assumptions employed for the valuation are as follows:

(a) Discount rate

The present value of employee future benefits as at March 31, 2008 was determined using a discount rate of 5.5%.

(b) Hospital

Hospital costs were assumed to increase at 5% per annum.

(c) Drugs

Drug costs were assumed to increase at 10.5% per annum in 2008, grading down to 5.5% in 2018.

(d) Other medical

Other medical costs were assumed to increase at 5% per annum.

(e) Dental costs

Dental costs were assumed to increase at 7.5% per annum in 2008, grading down to 4.5% in 2014.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

8. Pension plan costs:

A majority of the College's employees are enrolled in a multi-employer pension plan for employees of Ontario Colleges of Applied Arts and Technology. The plan is a defined benefits plan which specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay. Based on the latest actuarial report as at January 1, 2007, the plan has an unfunded liability of \$586,000,000. Contributions by the College on account of current service pension costs amounted to \$6,356,000 (2007 – \$5,568,000).

9. Obligations under leases:

The College is committed to lease payments for its leased premises and equipment under various operating and capital leases, until 2019. Future minimum annual lease payments are as follows:

	Capital Equipment leases	Operating leases
Year ending March 31:		
2009	\$ 784,108	\$ 1,067,880
2010	359,856	1,071,556
2011	8,538	1,075,231
2012	-	1,078,907
2013	-	1,067,327
and thereafter	<u>-</u>	<u>4,993,741</u>
Total minimum lease payments	1,152,502	<u>\$ 10,354,642</u>
Less amount representing interest (at an average rate of approximately 7.5%)	(144,213)	
Present value of net minimum capital lease payments	<u>1,008,289</u>	
Less current portion of obligations included under current liabilities	(696,341)	
	<u>\$311,948</u>	

Interest on capital leases amounted to \$127,271 (2007 - \$121,298).

Effective December 31, 2003, the College entered into a lease agreement in connection with its joint venture (Note 3) to lease certain facilities for an initial term of twenty (20) years, with an option to extend the lease for five (5) successive terms of twenty years each. During the period from the lease commencement date to August 31, 2014, annual lease payments under this agreement are \$155,000 per annum for "grade level facilities" and \$2 per square foot for "above grade premises". Rent escalation is tied to CPI and is provided for during the period September 1, 2014 to February 29, 2024.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

9. Obligations under leases: (continued)

During a prior year, the College entered into an agreement, as part of the Ontario Government Superbuild Program, with Ryerson Polytechnic University to lease additional premises at the Sally Horsfall Eaton Centre for a term of forty nine years, with related total capital lease payments over the lease period estimated at \$9,966,037. These capital lease payments were paid as at March 31, 2003, from Superbuild funding, fundraising and College funds. As a result, there is no related obligation under capital lease related to this facility.

10. Deferred contributions:

(a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent restricted grants and donations for bursary and other purposes.

	2008	2007
Balance, beginning of year	\$ 2,627,270	\$ 2,349,840
Less amount recognized as revenue	(5,812,866)	(6,039,202)
Add amount received related to future periods	6,666,261	6,316,632
Balance, end of year	\$ 3,480,665	\$ 2,627,270

(b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of grants and other contributions received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Consolidated Statement of Operations.

	2008	2007
Balance, beginning of year	\$ 86,627,123	\$ 90,757,064
Contributions received	22,259,431	884,969
Less amounts amortized to revenue	(4,396,274)	(5,014,910)
Balance, end of year	\$ 104,490,280	\$ 86,627,123

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

10. Deferred contributions: (continued)

(b) Capital assets (continued)

The balance of unamortized capital contributions related to capital assets consists of the following:

	2008	2007
Unamortized capital contributions used		
to purchase capital assets	\$ 80,608,748	\$ 75,107,351
to finance building under capital lease	7,269,335	7,468,759
Unspent contributions	16,612,197	4,051,013
	<u>\$ 104,490,280</u>	<u>\$ 86,627,123</u>

11. Internally imposed restrictions:

The Executive Committee of the Board of Governors, on June 5, 2008, approved the transfer of \$7,000,000 unrestricted funds to internally restricted funds for strategic initiatives.

Internally restricted funds are comprised of:

	2008	2007
Strategic initiatives	\$ 24,200,000	\$ 17,200,000
Capital projects	10,000,000	10,000,000
Fundraising initiatives	500,000	500,000
	<u>\$ 34,700,000</u>	<u>\$ 27,700,000</u>

12. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2008	2007
Capital assets	\$ 150,314,379	\$ 133,962,533
Amounts financed by:		
Deferred contributions	(87,878,083)	(82,576,110)
Capital leases	(1,008,289)	(1,972,315)
	<u>\$ 61,428,007</u>	<u>\$ 49,414,108</u>

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2008

12. Investment in capital assets: (continued)

(b) Change in net assets invested in capital assets is calculated as follows:

	2008	2007
Deficiency of revenue over expenditures:		
Amortization of deferred contributions related to capital assets	\$ 4,396,274	\$ 5,014,910
Less amortization of capital assets	(10,740,068)	(9,840,524)
	<u>\$ (6,343,794)</u>	<u>\$ (4,825,614)</u>
Net change in investment in capital assets:		
Net purchase of capital assets	\$ 27,091,914	\$ 8,765,548
Amounts funded by:		
Deferred contributions	(9,698,247)	(2,643,736)
Capital leases liability	(357,000)	(1,249,981)
Repayment of capital leases	1,321,026	1,600,891
	<u>\$ 18,357,693</u>	<u>\$ 6,472,722</u>

13. Commitments and contingent liabilities:

(a) Litigation

The College has been named as a defendant in certain litigation alleging actual and punitive damages. However, it is management's belief that the ultimate outcome will not materially affect the College's financial position. Settlement, if any, will be accounted for during the period of resolution.

(b) Loan Guarantee for Casa Loma Centre

The College has guaranteed a non-revolving term credit facility of \$4 million for the Student Association of George Brown College to finance construction of a 24,000 square foot Student Centre. This loan obligation has been assumed by the Student Association.

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Notes to Consolidated Financial Statements

Year ended March 31, 2008

13. Commitments and contingent liabilities (continued):

(c) Letter of credit

The College has issued a letter of credit on behalf of the Student Association for \$400,000 to provide the Toronto Transit Commission (TTC) a guarantee of the obligations of the Student Association pursuant to the TTC agreement.

(d) The College has entered into various contracts for renovations to two of its premises located at the St. James Campus. Total cost of these contracts is \$23,922,000 of which \$11,108,000 remains outstanding for work yet to be completed as at March 31, 2008.

14. Restricted for endowments:

Net assets restricted for endowments includes monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF") and the Ontario Trust for Student Support ("OTSS") matching programs to award student aid as a result of raising an equal amount of endowed donations. Included in the amount for Restricted for endowments are OSOTF trust funds in the amount of \$3,130,119 (2007 - \$3,130,119), and OTSS trust funds of \$2,196,810 (2007-\$1,011,287).

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15. Related party transactions:

(a) Related entity

The George Brown College Foundation (the "Foundation"), an organization in which the College has an economic interest, is incorporated under the Corporations Act (Ontario) and is a registered charity under the Income Tax Act. Its purpose is to raise and administer funds for the benefit of the College, as well as for charitable purposes, including the advancement of education, within Canada.

During the year ended March 31, 2008, the Foundation provided \$209,000 (2007 - \$240,000) directly to the College to support various projects, capital initiatives and award funds held by the College. In addition, the Foundation distributed \$78,000 (2007 - \$83,000) to the College's students through bursaries/scholarships.

The Foundation's primary goal is to raise funds for the College's capital initiatives and programs and for student awards. The College provided the Foundation with financial support during the year ended March 31, 2008 of \$447,000 (2007 - \$393,000) for operations and \$792,559 (2007 - \$538,000) for fundraising project and expenses.

Included in accounts receivable is an amount of \$46,266 (2007 - \$24,338) receivable from the Foundation.

(b) Student Association Centre

Pursuant to an agreement dated in 2001, the College leases a portion of its facilities to the student body for use as a student centre. The agreement is for a term of 49 years with nominal rental to be paid at \$1.00 per year.

16. Guarantees:

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

- (a) The College has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements the College agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

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Notes to Consolidated Financial Statements

Year ended March 31, 2008

16. Guarantees (continued):

- (b) Indemnity has been provided to all directors and or officers of the College for various items including, but not limited to, all costs to settle suits or actions due to association with the College, subject to certain restrictions. The College has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. 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 College. The maximum amount of any potential future payment cannot be reasonably estimated.
- (c) In the normal course of business, the College has entered into agreements that include indemnities in favour of third parties, such as student work placement agreements. These indemnification agreements may require the College to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the College 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 College has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

17. Comparative figures:

Certain of the prior year's comparative figures have been reclassified in accordance with the basis of presentation adopted in the current year's financial statements.

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Schedule 1 - Consolidated Schedule of Revenue

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007 (Note 17)
Grants and reimbursements :		
General purpose operating	\$ 67,520,095	\$ 63,907,496
Special purpose	4,425,361	4,069,222
Collaborative nursing	3,617,304	3,118,787
Quality improvement fund	9,937,381	6,239,316
Enrolment growth	8,175,789	2,322,281
Apprenticeship	4,537,983	4,728,794
Literacy basic skills	2,987,192	2,292,052
Other grants and reimbursements	2,929,642	2,496,332
	<u>104,130,747</u>	<u>89,174,280</u>
Tuition and other student fees :		
Full-time	56,365,648	49,761,371
Part-time	13,418,380	14,675,708
Tuition short	4,402,761	4,101,500
Apprenticeship	773,100	783,687
	<u>74,959,889</u>	<u>69,322,266</u>
Ancillary :		
Bookstore sales	9,346,532	8,943,636
Daycare	5,381,644	5,137,246
Other ancillary	2,036,896	1,969,700
	<u>16,765,072</u>	<u>16,050,582</u>
Other :		
Investment income (Note 4)	3,030,374	2,087,368
Special projects	9,082,692	7,765,928
Miscellaneous	5,764,403	3,843,425
	<u>17,877,469</u>	<u>13,696,721</u>
Amortization of deferred contributions :		
Capital assets	4,396,274	5,014,910
Expenses of future periods	5,812,866	6,039,202
	<u>10,209,140</u>	<u>11,054,112</u>
	<u>\$ 223,942,317</u>	<u>\$ 199,297,961</u>