

Consolidated Financial Statements of

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

Year ended March 31, 2010

Auditors' Report

To the Board of 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, 2010 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, 2010 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
Licensed Public Accountants

May 14, 2010 (except for Note 11, which is dated June 9, 2010).

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position
as at March 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash	\$ 54,100,091	\$ 84,650,088
Short term investments (note 4)	33,859,168	3,379,948
Grants receivable	8,009,139	14,749,575
Accounts receivable	9,015,265	8,569,961
Inventories	2,459,353	3,398,248
Prepaid expenses	389,312	439,427
	107,832,328	115,187,247
Deposits	298,495	244,308
Long term investments (note 4)	47,039,826	20,786,103
Capital assets (note 5)	186,942,769	171,921,192
	\$ 342,113,418	\$ 308,138,850
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 36,893,549	\$ 34,358,247
Deferred revenue	25,868,498	23,407,900
Current portion of obligations under capital leases (note 9)	5,663	300,781
	62,767,710	58,066,928
Long-term liabilities:		
Sick leave benefits (note 6)	3,941,812	4,167,926
Employee future benefits (note 7)	1,242,000	1,235,000
Obligations under capital leases (note 9)	-	5,663
	5,183,812	5,408,589
Deferred contributions:		
Expenses of future periods (note 10(a))	3,792,155	4,642,276
Capital assets (note 10(b))	149,137,320	133,719,559
	152,929,475	138,361,835
Net assets:		
Unrestricted:		
Operating	202,539	287,874
Employee future benefits	(1,242,000)	(1,235,000)
Vacation pay	(9,746,678)	(9,187,647)
Vested sick leave benefits	(3,857,000)	(4,051,192)
	(14,643,139)	(14,185,965)
Internally restricted (note 11)	52,800,000	41,200,000
Investment in capital assets (note 12)	73,202,991	71,791,720
Restricted for endowments (note 15)	9,872,569	7,495,743
	121,232,421	106,301,498
Commitments and contingent liabilities (note 13)		
	\$ 342,113,418	\$ 308,138,850

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, 2010, with comparative figures for 2009

	2010	2009
Revenue : (Schedule 1)		
Grants and reimbursements	\$ 119,378,765	\$ 115,038,139
Tuition and other student fees	95,256,436	84,559,871
Ancillary	18,162,739	16,950,465
Other	15,464,135	14,152,662
Amortization of deferred contributions related to :		
Capital assets	5,205,867	4,968,932
Expenses of future periods	7,360,368	6,515,183
	<u>260,828,310</u>	<u>242,185,252</u>
Expenses :		
Salaries and benefits	152,204,310	138,621,308
Supplies and other expenses	54,761,028	48,440,324
Ancillary	11,649,516	11,179,848
Maintenance, utilities and municipal taxes	9,978,156	10,311,237
Scholarships, bursaries and grants	7,360,368	6,515,183
Amortization of capital assets	12,320,835	12,354,948
	<u>248,274,212</u>	<u>227,422,848</u>
Excess of revenue over expenses	<u>\$ 12,554,097</u>	<u>\$ 14,762,404</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, 2010, with comparative figures for 2009

					2010	2009
	Invested in capital assets (Note 12(a))	Restricted for endowments (Note 15)	Unrestricted	Internally restricted	Total	Total
Balance, beginning of year	71,791,720	7,495,743	(14,185,965)	41,200,000	106,301,498	89,780,804
Excess of (expenses over revenue) revenue over expenses (Note 12(b))	(7,114,968)	-	19,669,065	-	12,554,097	14,762,404
Endowment contributions	-	2,376,826	-	-	2,376,826	1,758,290
Net change in investment in capital assets (Note 12(b))	8,526,239	-	(8,526,239)	-	-	-
Internally imposed restrictions (Note 11)	-	-	(11,600,000)	11,600,000	-	-
Balance, end of year	\$ 73,202,991	\$ 9,872,569	\$ (14,643,139)	\$ 52,800,000	\$ 121,232,421	\$ 106,301,498

See accompanying notes to financial statements

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 12,554,097	\$ 14,762,404
Items not involving cash:		
Amortization of capital assets	12,320,835	12,354,948
Amortization of deferred contributions related to capital assets	(5,205,867)	(4,968,932)
Amortization of deferred contributions related to expenses of future periods	(7,360,368)	(6,515,183)
Change in non-cash operating working capital (Note 17)	12,280,042	(780,324)
Increase /(Decrease) in employee future benefits	7,000	(13,000)
(Decrease)/Increase in sick leave benefits	(226,114)	70,412
	<u>24,369,625</u>	<u>14,910,325</u>
Financing activities:		
Endowment contributions	2,376,826	54,761,028
Deferred contributions received related to capital assets	20,623,628	11,649,516
Deferred contributions received related to expenses of future periods	6,510,247	7,676,794
Principal payments under capital leases	(300,781)	(701,845)
	<u>29,209,920</u>	<u>43,172,700</u>
Investing activities:		
Purchase of capital assets	(27,342,412)	(32,846,703)
Purchase of short term investments	(30,479,220)	(3,379,948)
Purchase of long term investments - net	(26,253,723)	1,710,002
Deposits	(54,187)	(29,189)
	<u>(84,129,542)</u>	<u>(34,545,838)</u>
(Decrease) increase in cash	(30,549,997)	23,537,187
Cash, beginning of year	84,650,088	61,112,901
Cash, end of year	<u>\$ 54,100,091</u>	<u>\$ 84,650,088</u>
Supplementary information:		
Interest paid	\$ 59,115	\$ 89,301

See accompanying notes to financial statements

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

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. 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 restricted contributions.

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.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

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

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) Financial instruments:

The College has classified each of its financial instruments into the undernoted accounting categories. The category for an item determines its accounting treatment under the Canadian Institute of Chartered Accountants Standards on the recognition, measurement and presentation of Financial Instruments.

Financial instrument	Category
Cash	Held-for-trading
Short Term Investments	Held-for-trading
Long Term Investments	Held-for-trading
Grants receivable	Loans and receivables
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 measured in the Consolidated Statement of Operations in the current period. "Loans and receivables" are carried at amortized cost using the effective interest method, net of any impairment. "Other liabilities" are measured at amortized cost.

The carrying value of cash, grants receivable, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short term maturity.

Other accounts noted on the Consolidated Statement of Financial Position such as inventories, prepaid expenses, deposits, capital assets, deferred revenues, sick leave benefits, employee future benefits and deferred contributions are not financial instruments.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

1. Significant accounting policies (continued):

(c) Financial instruments: (continued)

As allowed under Section 3855 "Financial Instruments – Recognition and Measurement", the College has elected not to account for non-financial contracts as derivatives, and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

The College has elected to follow the disclosure requirements of Section 3861 "Financial Instruments – Disclosure and Presentation" of the CICA Handbook.

Credit, Interest and Market Risk

The College is subject to credit risk with respect to its accounts receivable. The College mitigates credit risk by evaluating the collectability of its student accounts and, in addition, the College does not have large concentrations of credit risk due to the large number of students and diverse nature of its accounts receivable.

The College is subject to market and interest rate risks with respect to its short-term and long-term investments. The College mitigates these risks through adherence to its investment policies.

(d) Inventories:

Inventories other than books are valued at the lower of cost and net realizable value with cost being determined on the first-in first-out basis. Books are valued at the lower of cost and net realizable value with cost being determined using the retail inventory method, which approximates average cost. Net realizable value is the estimated selling price less the estimated cost to make the sale. The inventories recognized as expense during the year were \$7,927,409 (2009 - \$7,845,399). There were no write downs of inventory to net realizable value or reversals of previous write downs to net realizable value during the year.

(e) Investments:

Short and long-term investments are designated as held for trading and are measured at fair value. Purchases of investments are recorded on the settlement date. Transaction costs are expensed as incurred.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

1. Significant accounting policies (continued):

(f) 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.
- (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 estimated useful lives of the assets, which have been determined as follows:

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

(iii) Assets under capital leases

The College leases a 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.

(g) Employee future 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.

(h) 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 and 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, 2010

2. Changes in accounting policy:

Adoption of accounting policies

(i) Series of Sections 4400 - Not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to several of the existing sections on accounting, measurement and financial reporting by Not-for-profit organizations contained in the 4400 series of Sections of the CICA Handbook. The adoption of these amendments has not resulted in any change in how the College accounts for its transactions.

(ii) Section 1000 - Financial statement concepts

On April 1, 2009, the College adopted the amendments made to Section 1000 "Financial statement concepts". The amended section requires an entity to demonstrate that any expenditure that it wishes to present as an asset meets the conceptual definition of an asset or is permitted to be recorded as assets under specific CICA Handbook section, and any revenue that it wishes to present as liability must meet the definition of a liability including a restricted contribution under Section 4410. The adoption of these amendments has not resulted in any change in how the College accounts for its transactions.

(iii) EIC-173 - Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the Emerging Issues Committee issued EIC-173 "Credit risk and the fair value of financial assets and financial liabilities". This abstract requires that an entity's own credit risk (for financial liabilities) and the credit risk of the counterparty (for financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The new guidance did not have any impact on the valuation of the College's financial assets and liabilities, or its net assets.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

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 fiscal year end. The proportional share of the joint venture from April 1, 2009 to March 31, 2010 has been included in these financial statements.

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

	2010	2009
Current assets	\$ 780,299	\$ 715,000
Capital assets	6,659,125	6,883,500
Current liabilities	716,882	686,500
Deferred contributions	6,557,365	6,743,500
Net assets	\$ 165,177	\$ 168,500
Revenue	\$ 1,423,719	\$ 1,276,500
Expenses	1,709,506	1,605,500
Deficiency of revenue over expenses	\$ (285,787)	\$ (329,000)
Cash flows provided by operating activities	\$ 35,151	\$ 49,500
Cash flows used in investing activities	(84,125)	(57,000)
Net cash outflow	\$ (48,974)	\$ (7,500)

4. Investments:

(i) Short Term

Short term investments, primarily for unspent deferred capital contributions, consist of a non-redeemable guaranteed investment certificate maturing November 2010.

(ii) Long Term

Long term investments, comprised of a bond portfolio and a redeemable guaranteed investment certificate, are held with the College's investment management firm. As at March 31, 2010, the fair value of the bond portfolio was \$22,011,129 (2009 - \$20,786,103). 2010 investment income includes realized capital gains of \$552,000 (2009 - \$168,000) and unrealized capital (losses)/gains of \$(1,237,000) (2009 - \$739,000). The fair value as at March 31, 2010 of the redeemable guaranteed investment certificate, maturing on September 5, 2011, was \$25,028,697 (2009 - \$Nil)

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

5. Capital assets:

			2010	2009
	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	216,758,690	69,588,199	147,170,491	143,413,077
Construction in progress	14,557,068	-	14,557,068	-
Leasehold improvements GBSP (Note 3)	7,956,125	1,297,000	6,659,125	6,883,500
Assets under capital leases				
Equipment	8,869,160	8,863,476	5,684	306,465
Building	10,109,970	1,643,659	8,466,311	8,672,806
Equipment	40,750,777	36,124,831	4,625,946	5,425,668
Computer equipment	24,480,031	21,535,381	2,944,649	4,737,457
Automotive equipment	94,109	62,833	31,276	-
	\$326,058,149	\$139,115,379	\$186,942,769	\$171,921,192

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 \$84,812 (2009 - \$84,926) relating to accumulated sick leave credits earned for pre-College service. The related benefit liability at March 31, 2010 of \$3,941,812 (2009 - \$4,167,926) was determined by management based on estimated future salary increases using a discount rate of 4.75% (2009 - 5.50%)

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

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 accrued benefit liability at March 31, 2010 of \$1,242,000 (2009 - \$1,235,000) was determined by actuarial valuation update as at March 31, 2010.

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

Accrued benefits liability:

	2010	2009
Balance, beginning of year	\$ 1,235,000	\$ 1,248,000
Current service cost	(38,000)	22,000
Interest	32,000	48,000
Amortization of actuarial loss net of change in obligation	129,000	62,000
Benefits paid	(116,000)	(145,000)
Balance, end of year	\$ 1,242,000	\$ 1,235,000

Accrued benefit obligation reconciliation to accrued benefit liability:

Accrued benefit obligation	\$ 1,353,000	\$ 1,358,000
Unamortized actuarial loss	(111,000)	(123,000)
Accrued benefit liability	\$ 1,242,000	\$ 1,235,000

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, 2010 was determined using a discount rate of 4.75%.

(b) Hospital

Hospital costs were assumed to increase at 4.5% per annum.

(c) Drugs

Drug costs were assumed to increase at 10.5% per annum in 2008, grading down to 4.5 % in 2020.

(d) Other medical

Other medical costs were assumed to increase at 4.5% per annum.

(e) Dental costs

Dental costs were assumed to increase at 7.5% per annum in 2008, grading down to 4.5% in 2023.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

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 benefit plan which specifies the amount of the retirement benefits to be received by employees based on the length of service and rates of pay. Based on the latest actuarial report of January 1, 2008, the plan has a going concern surplus and a solvency deficit. Contributions by the College on account of current services pension costs amounted to \$9,600,000 (2009 - \$8,000,000).

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:		
2011	\$ 8,538	\$ 1,726,270
2012	-	1,702,898
2013	-	1,480,464
2014	-	1,093,854
2015	-	911,653
and thereafter	-	3,875,538
Total minimum lease payments	8,538	\$ 10,790,677
Less amount representing interest (at an average rate of approximately 7.5%)	(2,875)	
Present value of net minimum capital lease payments	5,663	
Less current portion of obligations included under current liabilities	(5,663)	
	\$ -	

Interest on capital leases amounted to \$ 59,115 (2009 - \$89,000).

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.

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 \$9,966,000. 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 for this facility.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

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.

	2010	2009
Balance, beginning of year	\$ 4,642,276	\$ 3,480,665
Less amount recognized as revenue	(7,360,368)	(6,515,183)
Add amount received related to future periods	6,510,247	7,676,794
Balance, end of year	\$ 3,792,155	\$ 4,642,276

(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.

	2010	2009
Balance, beginning of year	\$ 133,719,559	\$ 104,249,030
Contributions received	20,623,628	34,439,461
Less amounts amortized to revenue	(5,205,867)	(4,968,932)
Balance, end of year	\$ 149,137,320	\$ 133,719,559

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

	2010	2009
Unamortized capital contributions used		
to purchase capital assets	\$ 106,863,628	\$ 92,725,616
to finance building under capital lease	6,870,487	7,069,911
Unspent contributions	35,403,205	33,924,032
	\$ 149,137,320	\$ 133,719,559

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

11. Internally imposed restrictions:

The Board of Governors, on June 9, 2010, approved the transfer of \$11,600,000 unrestricted funds to internally restricted funds for capital projects.

Internally restricted funds are comprised of:

	2010	2009
General contingency	\$ 10,000,000	\$ 10,000,000
Strategic initiatives	1,500,000	1,500,000
Capital projects	40,800,000	29,200,000
Fundraising initiatives	500,000	500,000
	<u>\$ 52,800,000</u>	<u>\$ 41,200,000</u>

12. Investment in capital assets:

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

	2010	2009
Capital assets	\$ 186,942,769	\$ 171,921,192
Amounts financed by:		
Deferred contributions	(113,734,115)	(99,823,028)
Capital leases	(5,663)	(306,444)
	<u>\$ 73,202,991</u>	<u>\$ 71,791,720</u>

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

12. Investment in capital assets (continued):

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

	2010	2009
Deficiency of revenue over expenditures:		
Amortization of deferred contributions related to capital assets	\$ 5,205,867	\$ 4,968,932
Less amortization of capital assets	(12,320,835)	(12,354,948)
	<u>\$ (7,114,968)</u>	<u>\$ (7,386,016)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 27,342,412	\$ 32,846,703
Amounts funded by:		
Deferred contributions	(19,116,954)	(17,127,626)
Repayment of capital leases	300,781	701,845
	<u>\$ 8,526,239</u>	<u>\$ 16,420,922</u>

13. Commitments and contingent liabilities:

(a) Litigation:

The College has been named as a defendant in certain litigation alleging actual and punitive damages. The College carries adequate insurance coverage based on the amount of the claims, however management is not able to determine the final outcome of these claims.

(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.

(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.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

13. Commitments and contingent liabilities: (continued)

(d) Construction contracts

The College has entered into contracts for the design and preliminary construction work in the amount of approximately \$14 million relating to a new campus approved under the Provincial Capital Support and the Canada-Ontario Knowledge Infrastructure Programs. As at March 31, 2010 progress billings in the amount of \$10 million have been recorded in the accounts.

14. Waterfront Campus Development

In May 2008, the College entered into a Letter of Intent ("LOI") with Waterfront Toronto ("WT") to construct a new campus on City-owned land at the East Bayfront. The LOI contemplates a 100 year land lease with the City of Toronto, cost-sharing with WT of the below-grade garage, a 300,000 sq. ft. Centre for the Health Sciences and a shared athletics facility with the City in Phase II. Formal legal agreements, the lease with the City, and the restated Development Agreement with Waterfront Toronto, should be concluded in the near future.

15. Net assets 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 \$3,069,764 (2009 - \$3,130,119), and OTSS trust funds of \$6,385,102 (2009 - \$3,951,605).

16. 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, 2010, the Foundation provided \$ 853,700 (2009 - \$924,027) directly to the College comprising of \$18,650 for various projects, \$700,000 for capital initiatives and \$135,050 for student scholarships and awards (2009 - \$126,987, \$650,000 and \$147,040 respectively).

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

16. Related Party Transactions: (continued)

(a) Related entity (continued)

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, 2010 of \$ 804,500 (2009 - \$357,000) for operations and \$ 545,000 (2009 - \$391,000) for fundraising projects and expenses.

Included in accounts receivable is an amount of \$486 (2009 - \$2,900) receivable from the Foundation.

The Foundation utilized office space paid for by the College on a rent free basis.

(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.

17. Consolidated statement of cash flows

The net change in non-cash working capital balances related to operations presented on the Consolidated Statement of Cash Flows consists of the following:

	2010	2009
Grants receivable	\$ 6,740,436	\$ (6,978,039)
Accounts receivable	(445,304)	(1,440,731)
Inventories	938,895	(420,807)
Prepaid expenses	50,115	256,679
Accounts payable and accrued liabilities	2,535,302	5,195,632
Deferred revenue	2,460,598	2,606,942
	<u>\$ 12,280,042</u>	<u>\$ (780,324)</u>

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

18. 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 and license agreements relating to the construction site for the Waterfront Campus Development. 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 terms of the agreements. The maximum amount of any potential future payment cannot be reasonably estimated.
- (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 recorded in the statement of financial position with respect to these agreements.

19. City of Toronto daycare subsidies:

During the March 31, 2010 fiscal year, the College recorded wage subsidies totaling \$483,352 (2009 - \$477,143), wage improvement subsidies totaling \$31,912 (2009 - \$31,401) and Special Needs grants totaling \$141,770 (2009 - \$139,210), from the City of Toronto.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2010

20. Capital management:

The College considers its net assets and deferred capital contributions as its capital.

Net assets

The College operations are reliant on revenues generated annually. The College has accumulated net assets to March 31, 2010 of approximately \$121,232,000 (2009 - \$106,301,000) which are presented in the statement of financial position as net assets.

The majority of this amount relates to invested in capital assets which represent accumulated net assets which have been dedicated to the College's capital asset acquisition and development.

Another portion relates to internally restricted funds which represent financial commitments made by the Board towards those initiatives described in Note 11.

A further portion represents financial resources which are subject to external restrictions. The College manages an endowment fund of approximately \$9,873,000 (2009 - \$7,496,000) with conditions stipulated in contribution agreements concerning the use of the funds and related income. Management believes that the College has complied with the requirements of these restricted funds.

Unrestricted net assets represent capital that may be utilized for general operations, a portion of which is retained as working capital.

Deferred capital contributions

Capital grants and capital donations are treated as deferred capital contributions and amortized over the life of the related capital assets. Management believes that as at March 31, 2010, the College was in compliance with all restrictions applicable to these funding sources.

21. Comparative figures:

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

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule 1 - Consolidated Analysis of Revenue

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Grants and reimbursements :		
General Purpose Operating	\$ 89,422,270	\$ 80,077,961
Enrolment Growth	4,005,902	12,158,524
Special Purpose	5,834,680	5,125,674
Apprenticeship	4,704,192	4,707,692
Collaborative Nursing	4,092,478	3,961,966
Literacy Basic Skills	3,714,193	2,877,866
Second Career	3,504,118	271,297
Other grants and reimbursements	4,100,932	5,857,159
	<u>119,378,765</u>	<u>115,038,139</u>
Tuition and other student fees :		
Full-time - Domestic	54,408,130	47,785,604
Part-time Domestic	16,500,613	14,608,965
International	22,412,752	20,092,321
Other	1,934,941	2,072,981
	<u>95,256,436</u>	<u>84,559,871</u>
Ancillary :		
Bookstore sales	9,909,583	9,744,138
Daycare	6,185,101	5,821,286
Other ancillary	2,068,055	1,385,041
	<u>18,162,739</u>	<u>16,950,465</u>
Other :		
Special projects	6,427,659	5,017,287
Miscellaneous	9,036,476	9,135,375
	<u>15,464,135</u>	<u>14,152,662</u>
Amortization of deferred contributions :		
Capital assets	5,205,867	4,968,932
Expenses of future periods	7,360,368	6,515,183
	<u>12,566,235</u>	<u>11,484,115</u>
	<u>\$ 260,828,310</u>	<u>\$ 242,185,252</u>