

Consolidated Financial Statements of

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

Year ended March 31, 2011

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

March 31, 2011

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The George Brown College of Applied Arts and Technology, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of The George Brown College of Applied Arts and Technology as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards.

Deloitte & Touche LLP


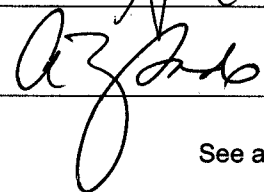
Chartered Accountants
Licensed Public Accountants
June 14, 2011

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position
as at March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash	\$ 45,159,296	\$ 54,100,091
Short term investments (Note 3)	80,904,453	33,859,168
Grants receivable	3,473,336	8,009,139
Accounts receivable (Note 13)	29,258,717	9,015,265
Inventories	2,312,670	2,459,353
Prepaid expenses	879,539	389,312
	161,988,011	107,832,328
Deposits	1,215,623	298,495
Long term investments (Note 3)	21,589,557	47,039,826
Capital assets (Note 4)	233,020,634	186,942,769
	\$ 417,813,825	\$ 342,113,418
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 36,042,350	\$ 36,893,549
Deferred revenue	25,553,454	25,868,498
Current portion of obligations under capital leases	-	5,663
	61,595,804	62,767,710
Long-term liabilities:		
Sick leave benefits (Note 5)	3,605,292	3,941,812
Employee future benefits (Note 6)	1,362,000	1,242,000
	4,967,292	5,183,812
Deferred contributions:		
Expenses of future periods (Note 9(a))	5,423,741	3,792,155
Capital assets (Note 9(b))	204,282,445	149,137,320
	209,706,186	152,929,475
Net assets:		
Unrestricted:		
Operating	383,502	202,539
Employee future benefits	(1,362,000)	(1,242,000)
Vacation pay	(9,897,627)	(9,746,678)
Vested sick leave benefits	(3,525,000)	(3,857,000)
	(14,401,125)	(14,643,139)
Internally restricted (Note 10)	65,000,000	52,800,000
Investment in capital assets (Note 11)	78,848,647	73,202,991
Restricted for endowments (Note 14)	12,097,021	9,872,569
	141,544,543	121,232,421
Commitments and contingent liabilities (Note 12)		
	\$ 417,813,825	\$ 342,113,418

Approved on behalf of the Board of Governors:


 _____ Chair

 _____ President

See accompanying notes to the financial statements

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenue: (Schedule 1)		
Grants and reimbursements	\$ 122,538,341	\$ 119,378,765
Tuition and other student fees	101,874,218	95,256,436
Ancillary	18,141,809	18,162,739
Other	15,105,783	15,464,135
Amortization of deferred contributions related to:		
Capital assets (Note 9(b))	4,826,863	5,205,867
Expenses of future periods (Note 9(a))	7,428,660	7,360,368
	<u>269,915,674</u>	<u>260,828,310</u>
Expenses:		
Salaries and benefits	159,314,336	152,204,310
Supplies and other expenses	52,166,477	54,309,685
Ancillary	10,642,406	11,649,516
Maintenance, utilities and municipal taxes	11,356,905	10,429,499
Scholarships, bursaries and grants	7,428,660	7,360,368
Amortization of capital assets	10,919,220	12,320,835
	<u>251,828,004</u>	<u>248,274,213</u>
Excess of revenue over expenses	<u>\$ 18,087,670</u>	<u>\$ 12,554,097</u>

See accompanying notes to the financial statements

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

					2011	2010
	Invested in capital assets (Note 11(a))	Restricted for endowments (Note 14)	Unrestricted	Internally restricted	Total	Total
Balance, beginning of year	\$ 73,202,991	\$ 9,872,569	\$ (14,643,139)	\$ 52,800,000	\$ 121,232,421	\$ 106,301,498
Excess of (expenses over revenue) revenue over expenses (Note 11(b))	(6,092,359)	-	24,180,029	-	18,087,670	12,554,097
Endowment contributions	-	2,224,452	-	-	2,224,452	2,376,826
Capital assets additions financed by college funds (Note 11(b))	11,738,015	-	(11,738,015)	-	-	-
Internally imposed restrictions (Note 10)	-	-	(12,200,000)	12,200,000	-	-
Balance, end of year	\$ 78,848,647	\$ 12,097,021	\$ (14,401,125)	\$ 65,000,000	\$ 141,544,543	\$ 121,232,421

See accompanying notes to the financial statements

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 18,087,670	\$ 12,554,097
Items not involving cash:		
Amortization of capital assets	10,919,220	12,320,835
Amortization of deferred contributions related to capital assets	(4,826,863)	(5,205,867)
Unrealized loss on long term investments (Note 3)	162,263	1,237,115
Amortization of deferred contributions related to expenses of future periods	(7,428,660)	(7,360,368)
Change in non-cash operating working capital (Note 16)	(17,217,435)	12,280,042
Increase in employee future benefits	120,000	7,000
Decrease in sick leave benefits	(336,520)	(226,114)
	<u>(520,325)</u>	<u>25,606,740</u>
Financing activities:		
Endowment contributions	2,224,452	2,376,826
Deferred contributions received related to capital assets	59,971,988	20,623,628
Deferred contributions received related to expenses of future periods	9,060,246	6,510,247
Principal payments under capital leases	(5,663)	(300,781)
	<u>71,251,023</u>	<u>29,209,920</u>
Investing activities:		
Purchase of capital assets	(56,997,085)	(27,342,412)
Purchases of short term investments (net)	(21,757,280)	(30,479,220)
Purchase of long term investments (net)	-	(27,490,838)
Deposits	(917,128)	(54,187)
	<u>(79,671,493)</u>	<u>(85,366,657)</u>
Decrease in cash	(8,940,795)	(30,549,997)
Cash, beginning of year	54,100,091	84,650,088
Cash, end of year	<u>\$ 45,159,296</u>	<u>\$ 54,100,091</u>
Supplementary information:		
Interest paid	\$ 2,875	\$ 59,115

See accompanying notes to the financial statements

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

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, 2011

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, 2011

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 \$ 7,724,581 (2010 - \$7,927,409). 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, 2011

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. 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
Computer equipment	3 years

(iii) Assets under capital leases

The College leases a building on terms which transfer substantially all the benefits and risks of ownership to the College. This lease has been accounted for as a "capital lease" 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, 2011

1. Significant accounting policies (continued):

(l) Future accounting changes:

In December 2010, the Public Sector Accounting Board changed the accounting framework required to be followed by Government Not-for-Profit Organizations. Effective for fiscal years beginning on or after January 1, 2012, Government Not-for-Profit Organizations will be required to select from either (a) the CICA Public Sector Accounting Handbook, including Sections PS 4200 to PS 4270 or, alternatively, (b) the CICA Public Sector Accounting Handbook without Sections PS 4200 to PS 4270. Early adoption of these new standards is permitted. The College will adopt a new accounting framework for its fiscal year beginning on April 1, 2012. The College has not determined which option it will select, or the impact of transitioning to a new accounting framework at this time.

2. 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, 2010 to March 31, 2011 has been included in these financial statements.

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

	2011	2010
Current assets	\$ 634,634	\$ 780,299
Capital assets	6,452,838	6,659,125
Current liabilities	750,257	716,882
Deferred contributions	6,168,993	6,557,365
Net assets	\$ 168,222	\$ 165,177
Revenue	\$ 1,298,427	\$ 1,423,719
Expenses	1,670,190	1,709,506
Deficiency of revenue over expenses	\$ (371,763)	\$ (285,787)
Cash flows provided by operating activities	\$ 37,328	\$ 35,151
Cash flows used in investing activities	(107,213)	(84,125)
Net cash outflow	\$ (69,885)	\$ (48,974)

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

3. Investments:

(i) Short term

Short term investments consist of redeemable and non-redeemable investment certificates with interest rates ranging from 1.3% to 1.6%.

(ii) Long term

Long term investments, comprised of a bond portfolio, are held with the College's investment management firm. As at March 31, 2011, the fair value of the bond portfolio was \$25,152,092 (2010 - \$24,507,045) of which \$3,562,535 (2010, \$2,495,916) has been reclassified to short term investments. In 2010, long-term investments also included a redeemable guaranteed certificate with a fair value of \$25,028,697 maturing September 5, 2011. Investment income includes:

	2011	2010
Realized capital (losses)/gains	\$ (139,443)	\$ 551,648
Unrealized capital losses	\$ (162,263)	\$ (1,237,115)

Realized and unrealized capital gains/(losses) are recorded as Other Revenue in the Consolidated Statement of Operations.

4. Capital assets:

	Cost	Accumulated amortization	Net Book value	2011	2010
Land	\$2,324,224	-	\$ 2,324,224	\$ 2,324,224	\$ 2,324,224
Building and improvements	226,813,794	75,200,269	151,613,525	147,170,491	147,170,491
Construction in progress	59,479,153	-	59,479,153	14,557,068	14,557,068
Leasehold improvements GBSP (Note 2)	8,063,338	1,610,500	6,452,838	6,659,125	6,659,125
Assets under capital leases					
Building	10,109,970	1,850,154	8,259,816	8,466,311	8,466,311
Equipment	50,701,769	47,074,866	3,626,903	4,789,625	4,789,625
Computer equipment	24,840,872	23,600,154	1,240,718	2,944,649	2,944,649
Automotive equipment	94,109	70,652	23,457	31,276	31,276
	\$382,427,229	\$ 149,406,595	\$ 233,020,634	\$ 186,942,769	\$ 186,942,769

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

5. 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 \$80,292 (2010 - \$84,812) relating to accumulated sick leave credits earned for pre-College service. The related benefit liability at March 31, 2011 of \$3,605,292 (2010 - \$3,941,812) was determined by management based on estimated future salary increases using a discount rate of 4.75 % (2010 - 4.75%).

6. 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, 2011 of \$ 1,362,000 (2010 - \$1,242,000) was determined by actuarial valuation as at March 1, 2011.

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

Accrued benefits liability:

	2011	2010
Balance, beginning of year	\$ 1,242,000	\$ 1,235,000
Current service cost	(23,000)	(38,000)
Interest	24,000	32,000
Amortization of actuarial loss net of change in obligation	212,000	129,000
Benefits paid	(93,000)	(116,000)
Balance, end of year	\$ 1,362,000	\$ 1,242,000

Accrued benefit obligation reconciliation to accrued benefit liability:

Accrued benefit obligation	\$ 1,502,000	\$ 1,353,000
Unamortized actuarial loss	(140,000)	(111,000)
Accrued benefit liability	\$ 1,362,000	\$ 1,242,000

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, 2011 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 2023.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

6. Employee future benefits (continued):

(d) Other medical & vision/hearing care

Other medical & vision/hearing care 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.

7. 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. The most recent actuarial valuation filed with pension regulators as at January 1, 2011 indicated a going concern surplus of \$ 88 million. Contributions by the College on account of current services pension costs amounted to \$11,222,000 (2010 - \$9,600,000).

8. Obligations under leases:

The College is committed to lease payments for its leased premises and equipment under various operating leases, until 2023. Future minimum annual lease payments are as follows:

	Operating leases
Year ending March 31:	
2012	\$ 3,393,022
2013	4,337,687
2014	3,914,905
2015	3,732,425
2016	3,787,701
and thereafter	23,960,257
Total minimum lease payments	\$ 43,125,997

Interest on capital leases amounted to \$ 2,875 (2010 - \$59,115). All capital leases expired during the fiscal year.

During the year, the College entered into a 12 year contract to leased premises. Minimum lease commitments under this contract amount to \$34,897,802 during the life of the contract.

During the year, the College entered into a 100 year land lease agreement with the City of Toronto in connection with constructing a new Centre for the Health Sciences. Total rental payments for the initial construction and occupancy period up to 2013 is \$607,334, escalating to an annual payment of \$587,145 in 2014 with a 3% annual increase for the first rental period ending 2031. Rental payments for each period after 2031 will be reset based on the then FMV of the land, based on its unimproved value and its intended educational use and tied to the CPI.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

8. Obligations under leases (continued):

Effective December 21, 2003, the College entered into a lease agreement in connection with its joint venture (Note 2) 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 to this facility.

9. 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.

	2011	2010
Balance, beginning of year	\$ 3,792,155	\$ 4,642,276
Contributions received	9,060,246	6,510,247
Less amount recognized as revenue	(7,428,660)	(7,360,368)
Balance, end of year	\$ 5,423,741	\$ 3,792,155

(b) Capital assets:

Deferred capital contributions 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.

	2011	2010
Balance, beginning of year	\$ 149,137,320	\$ 133,719,559
Contributions received	59,971,988	20,623,628
Less amounts amortized to revenue	(4,826,863)	(5,205,867)
Balance, end of year	\$ 204,282,445	\$ 149,137,320

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

9. Deferred contributions (continued):

(b) Capital assets (continued):

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

	2011	2010
Unamortized capital contributions used		
to purchase capital assets	\$ 147,500,924	\$ 106,863,628
to finance building under capital lease	6,671,063	6,870,487
Unspent contributions	50,110,458	35,403,205
	<u>\$ 204,282,445</u>	<u>\$ 149,137,320</u>

10. Internally imposed restrictions:

The Board of Governors, on June 8, 2011, approved the transfer of \$12,200,000 unrestricted funds to internally restricted funds.

Internally restricted funds are comprised of:

	2011	2010
General contingency	\$ 13,000,000	\$ 10,000,000
Strategic initiatives	2,000,000	1,500,000
Capital projects	50,000,000	40,800,000
Fundraising initiatives	-	500,000
	<u>\$ 65,000,000</u>	<u>\$ 52,800,000</u>

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

11. Investment in capital assets:

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

	2011	2010
Capital assets	\$ 233,020,634	\$ 186,942,769
Amounts financed by:		
Deferred contributions	(154,171,987)	(113,734,115)
Capital leases	-	(5,663)
	<u>\$ 78,848,647</u>	<u>\$ 73,202,991</u>

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

	2011	2010
Deficiency of revenue over expenditures:		
Amortization of deferred contributions related to capital assets	\$ 4,826,863	\$ 5,205,867
Less amortization of capital assets	(10,919,220)	(12,320,835)
	<u>\$ (6,092,357)</u>	<u>\$ (7,114,968)</u>
Net change in investment in capital assets:		
Purchase of capital assets	56,997,085	\$ 27,342,412
Amounts funded by:		
Deferred contributions	(45,264,733)	(19,116,954)
Repayment of capital leases	5,663	300,781
	<u>\$ 11,738,015</u>	<u>\$ 8,526,239</u>

12. 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 \$3.6 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, 2011

12. Commitments and contingent liabilities (continued):

(c) Letter of credit:

The College has issued a letter of credit on behalf of the Student Association for \$600,000 to provide the Toronto Transit Commission (TTC) a guarantee of the obligations of the Student Association pursuant to the TTC agreement.

(d) Construction contracts:

The College has entered into contracts for the design and construction work in the amount of approximately \$143 million relating to a new campus approved under the Provincial Capital Support and the Canada-Ontario Knowledge Infrastructure Programs. As at March 31, 2011 progress billings in the amount of \$55 million have been recorded in the account.

13. Waterfront Campus Development:

During the year, the College signed a 100 year land lease agreement with the City of Toronto at the East Bayfront. The College has also entered into an agreement with Waterfront Toronto in connection with constructing a new campus on the City-owned land, consisting of a 300,000 square foot Centre for the Health Sciences and cost sharing of a below-grade garage. As of March 31st, 2011 a progress billing of \$18 million has been made to Waterfront Toronto for their share of the garage construction.

14. 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 (2010 - \$3,069,764), and OTSS trust funds of \$ 8,797,799 (2010 - \$6,385,102).

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

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, 2011, the Foundation provided \$ 357,248 (2010 - \$853,700) directly to the College comprising of \$27,716 for various projects, \$123,545 for capital initiatives and \$205,987 for student scholarships and awards (2010 - \$18,650, \$700,000 and \$135,050 respectively).

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, 2011 of \$476,780 (2010 - \$804,500) for operations and \$610,200 (2010 - \$545,000) for fundraising projects and expenses.

Included in accounts receivable is an amount of \$ 24,304 (2010 - \$25,764) 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.

16. 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:

	2011	2010
Grants receivable	\$ 4,535,803	\$ 6,740,436
Accounts receivable	(20,243,452)	(445,304)
Inventories	146,683	938,895
Prepaid expenses	(490,227)	50,115
Accounts payable and accrued liabilities	(851,198)	2,535,302
Deferred revenue	(315,044)	2,460,598
	\$ (17,217,435)	\$ 12,280,042

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

17. 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.

18. City of Toronto daycare subsidies:

During the March 31, 2011 fiscal year, the College recorded wage subsidies totaling \$475,864 (2010 - \$483,352), wage improvement subsidies totaling \$31,912 (2010 - \$31,912) and Special Needs grants totaling \$145,817 (2010 - \$141,770), from the City of Toronto.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2011

19. 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, 2011 of \$141,544,543 (2010 - \$121,232,421) 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 10.

A further portion represents financial resources which are subject to external restrictions. The College manages an endowment fund of \$12,097,021 (2010 - \$9,872,569) 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 to income 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.

20. 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, 2011, with comparative figures for 2010

	2011	2010
Grants and reimbursements :		
General Purpose Operating	\$ 85,258,602	\$ 89,422,270
Enrolment Growth	10,443,344	4,005,902
Special Purpose	6,662,103	5,834,680
Apprenticeship	4,017,565	4,704,192
Collaborative Nursing	4,337,080	4,092,478
Literacy Basic Skills	3,919,859	3,714,193
Second Career	3,466,496	3,504,118
Other grants and reimbursements	4,433,292	4,100,932
	122,538,341	119,378,765
Tuition and other student fees :		
Full-time - Domestic	56,406,643	54,408,130
Part-time - Domestic	16,382,786	16,500,613
International	27,505,877	22,412,752
Other	1,578,912	1,934,941
	101,874,218	95,256,436
Ancillary :		
Bookstore sales	9,605,014	9,909,583
Daycare	6,525,806	6,185,101
Other ancillary	2,010,989	2,068,055
	18,141,809	18,162,739
Other :		
Special projects	7,733,236	6,427,659
Miscellaneous	7,372,547	9,036,476
	15,105,783	15,464,135
Amortization of deferred contributions :		
Capital assets	4,826,863	5,205,867
Expenses of future periods	7,428,660	7,360,368
	12,255,523	12,566,235
	\$ 269,915,674	\$ 260,828,310