Financial Statements of

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year ended March 31, 2015

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the George Brown College of Applied Arts and Technology (the "College") are the responsibility of management and have been approved by the Board of Governors.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs"). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The College maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the College's assets are appropriately accounted for and adequately safeguarded.

The College's insurance liabilities have been reviewed by management in consultation with its broker. There are no material liabilities in either fact or contingency as at the date of this report.

The Board of Governors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Governors and meets regularly with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the financial statements and the external auditor's report. The Committee reports its findings to the Board for consideration when approving the financial statements. The Committee also considers, for review and approval by the Board, the engagement or re-appointment of the external auditors.

The financial statements have been audited by BDO Canada LLP, the external auditors in accordance with Canadian generally accepted auditing standards, on behalf of the Board. BDO Canada LLP has full and free access to the Audit Committee.

College President

June 3, 2015

Vice President, Corporate Services

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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 financial statements of The George Brown College of Applied Arts and Technology, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in net assets, cash flows and remeasurement gains and losses for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The George Brown College of Applied Arts and Technology as at March 31, 2015 and the results of its operations, cash flows and remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 3, 2015

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position
as at March 31, 2015

		2015 ($'000)		2014 ($'000)
Assets				
Current assets:				
Cash	$	91,070	$	66,680
Short term investments (Note 2)		27,984		27,119
Grants receivable		1,041		2,677
Accounts receivable		15,076		16,915
Receivable from George Brown College Foundation (Note 14 & 15)		13,476		13,457
Inventories		2,575		3,349
Prepaid expenses		1,513		1,284
		152,735		131,481
Deposits		2,448		2,782
Investment in GBSP Centre Corp. (Note 3)		5,511		5,498
Capital assets (Note 4)		368,415		376,680
	$	529,109	$	516,441
Liabilities, Deferred Contributions and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	49,277	$	39,961
Current portion of long term debt (Note 6)		4,954		4,838
Deferred revenue (Note 5)		35,014		34,230
		89,245		79,029
Long-term liabilities:				
Liability for contaminated site (Note 13)		806		-
Post employment benefits and compensated absences (Note 7)		9,863		10,041
Long term debt (Note 6)		22,168		27,122
		32,837		37,163
Deferred contributions:				
Expenses of future periods (Note 9(a))		5,880		4,703
Capital assets (Note 9(b))		214,602		217,586
		220,482		222,289
Net assets:				
Unrestricted:				
Operating		64		15
Post employment benefits and compensated absences		(9,863)		(10,041)
Vacation pay		(9,739)		(9,934)
		(19,538)		(19,960)
Internally restricted (Note 10)		61,600		53,800
Investment in capital assets (Note 11)		131,309		130,948
Restricted for endowments (Note 14)		13,177		13,234
		186,548		178,022
Accumulated remeasurement losses		(3)		(62)
		186,545		177,960
	$	529,109	$	516,441

____________________ Chair

____________________ President

See accompanying notes to the financial statements

THE GEORGE BROWN COLLEGE
OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations
Year ended March 31, 2015

	2015 ($'000)	2014 ($'000)
Revenue :		
Grants and reimbursements	$ 126,583	$ 126,295
Tuition and other student fees	144,862	127,578
Ancillary	21,844	21,908
Other	13,178	10,351
Amortization of deferred contributions related to :		
Capital assets	8,190	8,172
Expenses of future periods	7,036	6,032
	321,693	300,336
Expenditures :		
Salaries and benefits	$ 195,164	$ 184,763
Services	29,500	25,905
Supplies & minor equipment	18,531	16,985
Rental, utilities & maintenance	23,395	20,954
Ancillary	10,544	11,208
Other expenses	8,935	8,880
Scholarships, bursaries and grants	7,036	6,032
Amortization of capital assets	20,005	20,433
	313,110	295,160
Excess of revenue over expenditures	$ 8,583	$ 5,176

THE GEORGE BROWN COLLEGE
OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

($ amounts are in thousands)

	March 31, 2015				
	Invested in capital assets (Note 11)	Restricted for endowments (Note 14)	Unrestricted	Internally restricted (Note 10)	Total
Balance, beginning of year	$ 130,948	$ 13,234	$ (19,960)	$ 53,800	$ 178,022
Excess of (expenses over revenue) revenue over expenses (Note 11(b))	(11,815)	-	20,398	-	8,583
Endowment contributions	-	(57)	-	-	(57)
Capital assets additions financed by college funds (Note 11(b))	12,176	-	(12,176)	-	-
Internally imposed restrictions (Note 10)	-	-	(7,800)	7,800	-
Balance, end of year	$ 131,309	$ 13,177	$ (19,538)	$ 61,600	$ 186,548

	March 31, 2014				
	Invested in capital assets (Note 11)	Restricted for endowments (Note 14)	Unrestricted	Internally restricted (Note 10)	Total
Balance, beginning of year	$ 157,686	$ 13,218	$ (40,074)	$ 42,000	$ 172,830
Excess of (expenses over revenue) revenue over expenses (Note 11(b))	(12,261)	-	17,437	-	5,176
Endowment contributions	-	16	-	-	16
Capital assets additions financed by college funds (Note 11(b))	(14,477)	-	14,477	-	-
Internally imposed restrictions (Note 10)	-	-	(11,800)	11,800	-
Balance, end of year	$ 130,948	$ 13,234	$ (19,960)	$ 53,800	$ 178,022

See accompanying notes to the financial statements

THE GEORGE BROWN COLLEGE
OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows
Year ended March 31, 2015

	2015 ($'000)	2014 ($'000)
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$8,583	$5,176
Items not involving cash:		
Amortization of capital assets	20,005	20,433
Amortization of deferred contributions related to capital assets	(8,190)	(8,172)
Change in accumulated remeasurement losses	59	326
Amortization of deferred contributions related to expenses of future periods (Note 9(a))	(7,036)	(6,032)
Change in non-cash operating working capital (Note 16)	14,120	3,778
Liability for contamined site (Note 13)	806	-
Accrual for post employment benefits and compensated absences	(178)	(555)
Endowment contributions	(57)	16
Equity pickup from GBSP (Note 2)	(13)	233
	28,099	15,203
Financing activities:		
Repayment of long-term debt	(4,838)	(3,582)
Long term debt	-	35,000
Deferred contributions received related to expenses of future periods	8,213	6,848
	3,375	38,267
Investing activities:		
Advances to George Brown College Foundation	(19)	33
Purchase of short term investments - net	(865)	(372)
Deposits	334	(2,000)
	(550)	(2,340)
Capital activities:		
Deferred contributions received related to capital assets	5,206	11,612
Purchase of capital assets	(11,740)	(27,087)
	(6,534)	(15,475)
Increase in cash	24,390	35,655
Cash, beginning of year	66,680	31,025
Cash, end of year	$91,070	$66,680

See accompanying notes to the financial statements

THE GEORGE BROWN COLLEGE
OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains and Losses
Year Ended March 31, 2015

	2015 ($'000)	2014 ($'000)
Accumulated remeasurement (loss) gains at beginning of year	$ (62)	$ 36
Unrealized gains (losses) attributable to:		
Short-term investments	319	(259)
Amounts reclassified to the statement of operations:		
Short-term investments	(260)	161
Net remeasurement gains for the year	59	(98)
Accumulated remeasurement losses at end of year	$ (3)	$ (62)

See accompanying notes to the financial statements

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 financial statements are the representations of management and have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by Public Sector Accounting Board (“PSAB for Government NPOs”). The significant accounting policies are as follows:

a) 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 externally 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.

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 recognized ratably over the term to which the tuition fee revenue applies to the extent that the related courses are provided to the student.

Other operating revenues are recognized when the related services are provided or the related products are delivered.

b) Financial instruments:

The College classifies its financial instruments as either fair value or amortized cost. The College’s accounting policy for each category is as follows:

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Fair value

The College has designated its fixed income portfolio that would otherwise be classified into the amortized cost category at fair value as the College manages and reports performance of it on a fair value basis.

They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. Changes in fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

(ii) Amortized cost

This category includes accounts receivable, grants receivable, receivable from George Brown College Foundation, accounts payable and accrued liabilities, and long term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

c) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Student organizations:

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

e) Investment in GBSP Centre Corp.:

The investment in the George Brown Soulpepper Centre Corp. ("GBSP Centre Corp.") joint venture is accounted for using the modified equity method. No adjustment is made for the basis of accounting of the joint venture being different than PSAB for Government NPOs.

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 less accumulated amortization. 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
Building under capital lease	49 years
Leasehold improvements	10 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) Vacation pay:

The College recognizes vacation pay as an expense on the accrual basis.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Liability for contaminated site:

Effective April 1, 2014 the College adopted new Public Sector Accounting Handbook Standard PS 3260, Liability for Contaminated Sites. The standard requires the recognition of a liability for the remediation of contamination sites, which are no longer in active or productive use, in the financial statements when at the financial reporting date: a) an environmental standards exists; b) contamination exceeds the environmental standard; c) the College is directly responsible; or accepts responsibility; d) it is expected that future economic benefits will be given up; e) a reasonable estimate of the amount can be made. This change in accounting policy has been applied prospectively.

i) Retirement and post-employment benefits and compensated absences:

The College provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, vesting sick leave and non-vesting sick leave. The College has adopted the following policies with respect to accounting for these employee benefits:

(i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.

(ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.

(iii) The cost of vesting and non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.

(iv) The discount rate used in the determination of the above-mentioned liabilities is based on the effective yield of Ontario bonds (trading on the market).

($ amounts are in thousands)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Use of estimates:

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the year. Actual results could differ from these estimates. Areas of key estimation include determination of fair value for short term investments, deferred revenue, allowance for doubtful accounts, capital asset amortization, amortization of deferred capital contributions, and actuarial estimation of post-employment benefits and compensated absences liabilities.

k) Public sector salary disclosure act:

The Public Sector Salary Disclosure Act, 1996 (the “Act”) requires the disclosure of salaries and benefits of employees in the public sector who are paid a salary of $100 or more in a year. The College complies with this Act by providing the information to MTCU for disclosure on the public website.

2. SHORT TERM INVESTMENTS

Investments comprised of a bond portfolio are held with the College’s investment management firm. Short term investments carry interests rates ranging from 2.1% to 4.25% (2014 - 1.75% to 4.25%). As at March 31, 2015, the fair value of the bond portfolio was $27,984 (2014 - $27,119).

	2015	2014
Interest income	615	867
Realized capital gains (losses)	260	(161)
Unrealized capital gains (losses)	59	(98)

Interest income and realized capital gains/(losses) are recorded as other revenue and other expenses, respectively, in the statement of operations. Unrealized capital gains/(losses) are recorded in the statement of remeasurement gains and losses.

($ amounts are in thousands)

3. INVESTMENT IN 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 College's equity share of the joint venture from April 1, 2014 to March 31, 2015 has been included in these financial statements using the modified equity method. The College's 50% interest in the joint venture is summarized below:

		2015		2014
Current assets	$	542	$	456
Capital assets		5,717		5,706
Current liabilities		(518)		(451)
Deferred contributions		(5,756)		(5,738)
Net liabilities	$	(15)	$	(27)
Revenue	$	1,690	$	1,237
Expenses		(1,677)		(1,470)
Excess /(deficiency) of revenue over expenses	$	13	$	(233)
Cash flows provided by (used in) operating activities	$	100	$	(17)
Cash flows provided by (used in) financing activities		18		(198)
Cash flows used in investing activities		(16)		(141)
Net cash inflow (outflow)	$	102	$	(355)

The College's 50% equity share of the deficiency of revenue over expenses of GBSP Centre Corp. from April 1, 2014 to March 31, 2015 has been included in other expenses.

During the year, the College paid rent of $254 (2014 - $254) and contributions of $558 (2014 - $557) to the joint venture which was included in maintenance, utilities and municipal taxes and supplies and other expenses, respectively.

The joint venture is a not-for-profit organization, and as such follows the recommendations of CICA Handbook Part III – Accounting Standards for Not-for-Profit Organizations. As such, there are differences between the accounting policies of the College under PSAB for Government NPOs and the Joint Venture under Part III of the CICA Handbook. Under the modified equity approach, the College makes no adjustment to the amounts disclosed or recognized in its financial statements for these differences. For the year ended March 31, 2015, there were no accounting policy differences that would have resulted in an adjustment to amounts or disclosures in these financial statements.

($ amounts are in thousands)

4. CAPITAL ASSETS

					2015		2014
		Cost		Accumulated amortization		Net book value	Net book value
Land	$	2,324	$	-	$	2,324 $	2,324
Artwork		72		-		72	72
Buildings and improvements		452,992		112,975		340,017	343,545
Building under capital lease		10,110		2,676		7,434	7,640
Construction in progress		673		-		673	1,646
Work in progress equipment		1,362		-		1,362	375
Leasehold improvements		3,571		1,071		2,500	2,857
Equipment		66,206		54,708		11,498	14,301
Computer equipment		38,872		36,337		2,535	3,921
Automotive equipment		94		94		-	-
	$	576,276	$	207,861	$	368,415 $	376,680

5. DEFERRED REVENUE

		2015		2014
Tuition fees	$	26,533	$	24,775
Unexpended grants		7,571		7,914
Other		910		1,541
	$	35,014	$	34,230

6. LONG TERM DEBT

In 2012, the College received a $650 loan from the City of Toronto for the purposes of retrofitting and upgrading existing facilities to increase energy efficiency. The loan is unsecured, interest free and is repayable in equal, quarterly installments of $27.

In 2014, the College received a $35,000 loan from the Ontario Financing Authority for the construction costs and acquisition of furniture and equipment for the Waterfront Campus. The loan is unsecured, at an interest rate of 2.423% and is repayable in equal, quarterly installments of $1,363.

The future principal repayments for both loans are as follows:

2016	$	4,954
2017		5,072
2018		5,194
2019		5,210
2020		5,337
and thereafter		1,355
	$	27,122
Less: current portion		4,954
	$	22,168

($ amounts are in thousands)

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES

The following tables outline the components of the College's post-employment benefits and compensated absences liabilities and the related expenses.

	2015			
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 1,985	$ 4,288	$ 1,074	$ 7,347
Value of plan assets	(359)	-	-	(359)
Unamortized actuarial gains	235	2,223	417	2,875
Total liability	$ 1,861	$ 6,511	$ 1,491	$ 9,863

	2014			
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 1,767	$ 4,078	$ 1,177	$ 7,022
Value of Plan assets	(293)	-	-	(293)
Unamortized actuarial gains	264	2,631	417	3,312
Total liability	$ 1,738	$ 6,709	$ 1,594	$ 10,041

	2015			
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$ 149	$ 244	$ 37	$ 430
Interest on accrued benefit obligation	3	111	30	144
Amortized actuarial (gains) / losses	(11)	(120)	65	(66)
Total expense	$ 141	$ 235	$ 132	$ 508

($ amounts are in thousands)

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued)

	2014			
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$ (85)	$ 308	$ 61	$ 284
Interest on accrued benefit obligation	6	117	22	145
Amortized actuarial losses	4	10	2	16
Total expense	$ (75)	$ 435	$ 85	$ 0

Post-employment benefits and compensated absences expense has been included in salaries and benefits expenditures.

Above amounts exclude pension contributions to the Colleges of Applied Arts and Technology pension plan, a multi-employer plan, described below.

Retirement benefits

CAAT Pension Plan

Employees of the college are members of the Colleges of Applied Arts and Technology Pension plan (the "Plan"), which is a multi-employer jointly sponsored defined benefit plan for eligible employees of public colleges and related employers in Ontario. The College makes contributions to the Plan equal to those of the employees. Contributions rates are set by the Plan's governors to ensure the long term viability of the Plan.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filled with pension regulators as at January 1, 2015 indicated an actuarial surplus of $773 million. The College made contributions to the Plan and its associated retirement compensation arrangement of $15,225 (2014 -$14,605) which has been included in the statement of operations.

Post-employment benefits

The College extends post employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The College recognizes these benefits as they are earned during the employees' tenure of service. The College also provide continuation of medical and dental benefits to certain employee groups while receiving long-term disability benefits. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued)

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, 2015 was determined using a discount rate of 1.60% (2014 – 2.70%).

(b) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.00% per annum (2014 – 4.00%).
Medical premium increases were assumed to increase at 7.50% per annum in 2014 and decrease proportionately thereafter to an ultimate rate of 4.00% in 2034.

(c) Drug costs
Drug costs increases were assumed to increase at a 9% per annum in 2014 and decrease proportionately thereafter to an ultimate rate of 4.00% in 2034.

(d) Dental costs
Dental costs were assumed to increase at 4.00% per annum (2014 – 4.00%).

Compensated absences

Vesting Sick Leave

The College has provided for vesting sick leave benefits during the year. Eligible employees, after 10 years of service, are entitled to receive 50% of their accumulated sick leave credit on termination or retirement to a maximum of 6 months' salary. The program to accumulate sick leave credits ceased for employees hired after March 31, 1991. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

Non-Vesting Sick Leave

The College allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that the employees' illness or injury exceeds the current year's allocation of days. Sick days are paid out at the salary in effect at the time of usage. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

The major actuarial assumptions used in the valuation of vesting and non-vesting sick leave are as follows:

(a) Discount rate

The present value as at March 31, 2015 of the future benefits were determined using a discount rate of 1.60% (2014 – 2.70%)

($ amounts are in thousands)

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued)

(b) Wage and salary escalation rates

Academic full-time and academic partial load salaries were assumed to increase at a rate between 0% to 1.8% per annum.

Support staff full-time salaries were assumed to increase at a rate between 0% to 1.75% per annum.

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 24% and 0 to 44.3 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

8. OBLIGATIONS UNDER LEASES

The College is committed to lease payments for its leased premises and equipment under various operating leases, until 2111. Future minimum annual lease payments are as follows:

		Operating leases
Year ending March 31:		
2016	$	5,565
2017		5,682
2018		5,539
2019		4,077
2020		3,686
and thereafter		20,350
Total minimum lease payments	$	44,899

In a prior 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**.** This agreement which expires in 2109 has an initial rental period of 23 years at which point the rent will be reset based on the then FMV of the land, its unimproved value and its intended educational use and tied to the CPI. The rental commitment for initial 23 years has been included in the operating lease commitment schedule above.

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 were $155 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.

($ amounts are in thousands)

8. OBLIGATIONS UNDER LEASES (continued)

In 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. 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.

	2015	2014
Balance, beginning of year	$ 4,703	$ 3,886
Contributions received	8,213	6,848
Less amount recognized as revenue	(7,036)	(6,032)
Balance, end of year	$ 5,880	$ 4,703

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 Statement of Operations.

	2015	2014
Balance, beginning of year	$ 217,586	$ 214,147
Contributions received	5,206	11,611
Less amounts amortized to revenue	(8,190)	(8,172)
Balance, end of year	$ 214,602	$ 217,586

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

	2015	2014
Unamortized capital contributions used		
to purchase capital assets	$ 203,130	$ 206,826
to finance building under capital lease	7,179	7,378
Unspent contributions	4,293	3,382
	$ 214,602	$ 217,586

($ amounts are in thousands)

10. INTERNALLY IMPOSED RESTRICTIONS

The Board of Governors, effective March 31, 2015, approved the transfer of $7,800 from unrestricted funds to internally restricted funds, and the following allocations in 2015 internally restricted funds.

		2015		2014
General contingency	$	18,000	$	18,000
Strategic initiatives		5,000		5,000
Capital projects		38,600		30,800
	$	61,600	$	53,800

11. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

		2015		2014
Capital assets	$	368,415	$	376,680
Amounts financed by:				
Deferred contributions		(214,602)		(217,586)
Unspent deferred contributions		4,293		3,382
Financed by Long Term debt		(26,797)		(31,527)
	$	131,309	$	130,948

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

		2015		2014
Deficiency of revenue over expenditures:				
Amortization of deferred contributions related to capital assets	$	8,190	$	8,172
Less amortization of capital assets		(20,005)		(20,433)
	$	(11,815)	$	(12,261)
Purchase of capital assets	$	11,740	$	27,087
Amounts funded by:				
Deferred contributions		(4,294)		(10,037)
Long Term debt		4,730		(31,527)
		12,176		(14,477)
	$	361	$	(26,738)

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 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.

c) Letter of credit:

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

d) Purchase commitments:

The College has entered into an agreement to purchase real property for the purposes of establishing a student residence for $40 million. The College has made two deposits of $400 and $1,600 relating to the project on February 19, 2014 with the remainder becoming payable within 30 days of substantial completion of retrofit work done to renovate the property for the College’s purposes. Upon substantial completion of the retrofit work, the ownership of the property will transfer to the College. The current estimate of substantial completion is March 15, 2016.

In 2014, the College signed a 25-year mortgage for $40,000 with the Ontario Financing Authority for the student residence. The mortgage is fixed at an interest rate of 5.75% and repayment details will be finalized at a later date.

($ amounts are in thousands)

13. LIABILITY FOR CONTAMINATED SITE

Effective April 1, 2014 the College adopted new Public Sector Accounting Handbook Standard PS 3260, Liability for Contaminated Sites. The standard requires the recognition of a liability for the remediation of contamination sites in the financial statements when the recognition criteria outlined in the standard is met. This change in accounting policy has been applied prospectively. The impact on adoption of this standard was as follows:

	2015
Increase in liability for contaminated site	$806
Increase in other expenses	$806

The liability for remediation results from petroleum impacts in soil and ground water in the vicinity of the basement boiler room in a Casa Loma building, the estimate of the liability was determined by a third party based on the fair value of the cost of the remediation work required.

14. NET ASSETS RESTRICTED FOR ENDOWMENT

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 restricted for endowments are OSOTF trust funds in the amount of $3,070 (2014 - $3,070), and OTSS trust funds of $9,953 (2014 - $9,953).

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.

The College traditionally provides a contribution for services rendered by the Foundation to raise and administer funds in support of the College. A memorandum of understanding dated March 9, 2011 outlines the services provided between the College and the Foundation. Total assets in the Foundation amount to $29,122 (2014 - $26,257). During the year, the Foundation received contributions from the College of $800 (2014 - $600) comprising of $400 for operating expenses and $400 for fundraising campaigns (2014 - $300 and $300 respectively).

During the year, the Foundation provided $2,979 (2014 - $4,110) directly to the College, comprising of $880 for various projects, $1,000 for capital initiatives and $1,099 for student scholarships and awards (2014 - $150, $3,100 and $860 respectively). Included in accounts receivable is an amount of $67 (2014 - nil) receivable from the Foundation. Investment income of $210 (2014 - $209) was earned by the Foundation on the College’s

($ amounts are in thousands)

15. RELATED PARTY TRANSACTIONS (continued)

invested funds. Of this amount $184 (2014 - $209) was directly disbursed by the Foundation and the remaining amount of $26 (2014 - nil) has been included in deferred contributions.

In addition, the Foundation utilized office space owned by The George Brown College. The space is provided rent free.

The receivable from the Foundation is non-interest bearing and is due on demand.

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. STATEMENT OF CASH FLOWS

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

		2015		2014
Grants receivable	$	1,636	$	4,098
Accounts receivable		1,839		(3,162)
Inventories		774		(513)
Prepaid expenses		(229)		489
Accounts payable and accrued liabilities		9,316		(1,599)
Deferred revenue		784		4,465
	$	14,120	$	3,778

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.

17. 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 recorded in the statement of financial position with respect to these agreements.

18. CITY OF TORONTO DAYCARE SUBSIDIES

During the March 31, 2015 fiscal year, the College recorded wage subsidies totaling $ 460 (2014 - $470), wage improvement subsidies totaling $ 32 (2014 - $32) and Special Needs grants totaling $208 (2014 - $176) Infant/Toddler Transition Grant $23 (2014 - nil) from the City of Toronto.

($ amounts are in thousands)

19. FINANCIAL INSTRUMENT CLASSIFICATION

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	2015		
	Fair Value	Amortized Cost	Total
Cash	$ 91,070	$ -	$ 91,070
Short term investments	27,984	-	27,984
Grants receivable	-	1,041	1,041
Accounts receivable	-	15,076	15,076
Receivable from George Brown College Foundation	-	13,476	13,476
Accounts payable and accrued liabilities	-	49,277	49,277
Current portion of long-term loan	-	4,954	4,954
Long-term loan	-	22,168	22,168

Short-term investments consist of fixed rate instruments of both federal and provincial governments and Canadian public companies.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

- **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2015			
	Level 1	Level 2	Level 3	Total
Cash	$ 91,070	$ -	$ -	$ 91,070
Short-term investments	-	27,984	-	27,984
Total	$ 91,070	$ 27,984	$ -	$ 119,054

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2015. There were also no transfers in or out of Level 3.

($ amounts are in thousands)

20. FINANCIAL INSTRUMENT RISK MANAGEMENT

Credit risk

Credit risk is the risk of financial loss to the College if a debtor fails to make payments of interest and principal when due. The College is exposed to this risk relating to its cash, investments, grants receivable, accounts receivable, and receivable from George Brown College Foundation. The College holds its cash accounts with a federally regulated chartered bank who is insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up to $100 (2014 - $100).

The College's investment policy operates within the constraints of the investment guidelines issued by the MTCU and puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management during the year. The guidelines permit the College's funds to be invested in bonds issued by the Government of Canada, a Canadian province or a Canadian municipality having a rating of A or better, or corporate investments having a rating of AAA (high) or better.

Accounts receivable is primarily due from students, government, and other large corporations. Credit risk is mitigated by the highly diversified nature of the student population.

The College measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the College's historical experience regarding collections. The amounts outstanding at year end were as follows:

			Past Due			
	Total	Current	31 - 60 days	61 - 90 days	91 - 120 days	Over 121 days
Government receivable	$ 1,041	$ 1,041				
Student receivable	7,455	1,969	451	1,009	987	3,039
Other receivable	11,640	10,230	182	164	627	437
Gross receivable	20,136	13,240	633	1,173	1,614	3,476
Less: impairment allowances	(4,019)			(402)	(805)	(2,812)
Net receivable	$ 16,117	$ 13,240	$ 633	$ 771	$ 809	$ 664

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The College's investment policy operates within the constraints of the investment guidelines issued by the MTCU. The policy's application is monitored by management, the investment managers and the board of governors. Diversification techniques are utilized to minimize risk.

($ amounts are in thousands)

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

The Policy limits the investment in any one corporate issuer to a maximum of 10% of the College's total fixed income bonds.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Currency risk

Currency risk relates to the College operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange rates when adverse changes in foreign currency rates occur. The College does not have any material transactions or financial instruments denominated in foreign currencies.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The College is exposed to this risk through its interest bearing investments.

At March 31, 2015, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of bonds of $660.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

Liquidity risk is the risk that the College will not be able to meet all cash outflow obligations as they come due. The College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. The follow table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

Maturity profile of bonds held is as follows:

	2015				
	Within 1 year	Within 2-5 years	Within 6-10 years	Over 10 years	Total
Carrying value	$ 4,649	$ 23,335	$ -	$ -	$ 27,984
Percent of Total	17%	83%	0%	0%	100%

Accounts payable and accrued liabilities mature within one year.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's method of presentation.