

Consolidated Financial Statements of

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

Year ended March 31, 2009

Auditors' Report

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

We have audited the consolidated statement of financial position of The George Brown College of Applied Arts and Technology (the "College") as at March 31, 2009 and the consolidated statements of operations, changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these consolidated financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

May 22, 2009 (except for Note 11, which is dated June 10, 2009).

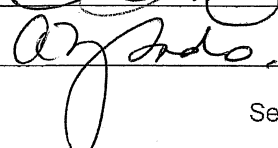
THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position
March 31, 2009, with comparative figures for 2008

	2009	2008 (Restated - Note 3(b))
Assets		
Current assets:		
Cash	\$ 84,650,088	\$ 61,112,901
Grants receivable	14,749,575	7,771,536
Accounts receivable	8,569,961	7,129,230
Inventories	3,398,248	2,977,441
Prepaid expenses	439,427	696,106
	111,807,299	79,687,214
Deposits	244,308	215,119
Long term investments (note 4)	24,166,051	22,496,105
Capital assets (note 5)	171,921,192	151,429,437
	\$ 308,138,850	\$ 253,827,875
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 34,358,247	29,162,615
Deferred revenue	23,407,900	20,800,958
Current portion of obligations under capital leases (note 9)	300,781	696,341
	58,066,928	50,659,914
Long-term liabilities:		
Sick leave benefits (note 6)	4,167,926	4,097,514
Employee future benefits (note 7)	1,235,000	1,248,000
Obligations under capital leases (note 9)	5,663	311,948
	5,408,589	5,657,462
Deferred contributions:		
Expenses of future periods (note 10(a))	4,642,276	3,480,665
Capital assets (note 10(b))	133,719,559	104,249,030
	138,361,835	107,729,695
Net assets:		
Unrestricted:		
Operating	287,874	395,460
Employee future benefits	(1,235,000)	(1,248,000)
Vacation Pay	(9,187,647)	(8,580,143)
Vested sick leave benefits	(4,051,192)	(3,980,780)
	(14,185,965)	(13,413,463)
Internally restricted (note 11)	41,200,000	34,700,000
Investment in capital assets (note 12)	71,791,720	62,756,814
Restricted for endowments (note 14)	7,495,743	5,737,453
	106,301,498	89,780,804
Commitments and contingent liabilities (note 13)		
	\$ 308,138,850	\$ 253,827,875

Approved on behalf of the Board of Governors:


Chair


President

See accompanying notes to financial statements

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
		(Restated - Notes 3(b) and 19)
Revenue : (Schedule 1)		
Grants and reimbursements	\$ 114,416,248	\$ 108,985,191
Tuition and other student fees	85,359,363	75,717,131
Ancillary	17,257,265	16,007,830
Other	13,668,261	13,265,474
Amortization of deferred contributions related to :		
Capital assets	4,968,932	4,287,523
Expenses of future periods	6,515,183	5,812,866
	<u>242,185,252</u>	<u>224,076,015</u>
Expenses :		
Salaries and benefits	138,621,311	123,700,210
Supplies and other expenses	48,482,161	46,275,568
Maintenance, utilities and municipal taxes	10,472,679	8,898,121
Ancillary	10,976,566	9,948,506
Scholarships, bursaries and grants	6,515,183	5,812,866
Amortization of capital assets	12,354,948	10,366,099
	<u>227,422,848</u>	<u>205,001,370</u>
Excess of revenue over expenses	<u>\$ 14,762,404</u>	<u>\$ 19,074,645</u>

See accompanying notes to financial statements

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2009, with comparative figures for 2008

					2009	2008
	Invested in capital assets (Note 12(a))	Restricted for endowments (Note 14)	Unrestricted	Internally Restricted	Total	Total (Restated - Note 3(b))
Balance, beginning of year						
As previously reported	\$ 61,428,007	\$ 5,737,453	\$(13,440,963)	\$ 34,700,000	\$ 88,424,497	\$ 68,273,013
Adjustment to prior year GBSP (Note 3(b))	1,328,807	-	27,500	-	1,356,307	1,091,087
As restated	62,756,814	5,737,453	(13,413,463)	34,700,000	89,780,804	69,364,100
Adjustment to reflect change in accounting policy	-	-	-	-	-	155,910
Excess of (expenses over revenue) revenue over expenses (Note 12(b))	(7,386,016)	-	22,148,420	-	14,762,404	19,074,645
Endowment contributions	-	1,758,290	-	-	1,758,290	1,186,149
Net change in investment in capital assets (Note 12(b))	16,420,922	-	(16,420,922)	-	-	-
Internally imposed restrictions (Note 11)	-	-	(6,500,000)	6,500,000	-	-
Balance, end of year	\$ 71,791,720	\$ 7,495,743	\$(14,185,965)	\$ 41,200,000	\$ 106,301,498	\$ 89,780,804

See accompanying notes to financial statements

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008 (Restated - Note 3(b))
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 14,762,404	\$ 19,074,645
Items not involving cash:		
Amortization of capital assets	12,354,948	10,366,099
Amortization of deferred contributions related to capital assets	(4,968,932)	(4,287,523)
Amortization of deferred contributions related to expenses of future periods	(6,515,183)	(5,812,866)
Change in non-cash operating working capital (Note A below)	(780,324)	(7,088)
(Decrease)/Increase in employee future benefits	(13,000)	41,000
Increase/(Decrease) in sick leave benefits	70,412	(209,222)
	<u>14,910,325</u>	<u>19,165,045</u>
Financing activities:		
Endowment contributions	1,758,290	1,186,149
Deferred contributions received related to capital assets	34,439,461	22,259,431
Deferred contributions received related to expenses of future periods	7,676,794	6,666,261
Principal payments under capital leases	(701,845)	(1,321,026)
	<u>43,172,700</u>	<u>28,790,815</u>
Investing activities:		
Purchase of capital assets	(32,846,703)	(26,734,914)
Purchase of long term investments - net	(1,669,946)	(1,222,531)
Deposits	(29,189)	(213,944)
	<u>(34,545,838)</u>	<u>(28,171,389)</u>
Increase in cash	23,537,187	19,784,471
Cash, beginning of year	61,112,901	41,328,430
Cash, end of year	<u>\$ 84,650,088</u>	<u>\$ 61,112,901</u>
Supplementary information:		
Interest paid	\$ 89,301	\$ 127,271
Non-Cash Transactions:		
Capital assets financed by capital leases	-	357,000
Adjustment to reflect change in accounting policy	-	155,910

Note A:

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

	2009	2008
Grants receivable	\$ (6,978,039)	\$ (3,164,466)
Accounts receivable	(1,440,731)	(264,672)
Inventories	(420,807)	(365,841)
Prepaid expenses	256,679	218,949
Accounts payable and accrued liabilities	5,195,632	4,124,516
Deferred revenue	2,606,942	(555,574)
	<u>\$ (780,324)</u>	<u>\$ (7,088)</u>

See accompanying notes to financial statements

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

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

1. Significant accounting policies:

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

(a) (i) Basis of accounting:

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

(ii) Student Organizations

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

(b) Revenue recognition:

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

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

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

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

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

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
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 recognized in the Consolidated Statement of Operations in the current period. "Loans and receivables" are carried at cost, net of any impairment. "Other liabilities" are carried at cost.

Management has determined that there were no embedded derivatives that were required to be accounted for separately as derivatives as at March 31, 2009.

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 customers and diverse nature of its accounts receivable.

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

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

1. Significant accounting policies (continued):

(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 estimate cost to make the sale. The inventories recognized as expense during the year were \$7,845,399 (2008 - \$7,600,992). 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) Long-term investments:

Long-term investments are comprised of a bond portfolio.

(f) Capital assets:

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

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

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

(iii) Assets under capital leases

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

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

1. Significant accounting policies (continued):

(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.

2. Changes in accounting policy:

(a) Adoption of accounting policies

(i) Section 1535 - *Capital Disclosures*

On April 1, 2008, the College adopted the requirements of the CICA Section 1535 "*Capital Disclosures*" which requires the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the organization's objectives, policies and processes for managing capital. The adoption of this new standard has not resulted in any change in how the College accounts for its transactions, but does require additional disclosure, which is presented in Note 18.

(ii) Section 3031 - *Inventories*

The College adopted the recommendations of CICA Handbook Section 3031. *Inventories* which provides guidance on the determination of cost of inventories and its subsequent recognition as an expense, and includes additional disclosure requirements. The new Section also requires the College to account for the reversal of write-downs previously recognized when there is a subsequent increase in the value of inventories. This accounting policy, which was adopted prospectively as of April 1, 2008, had no effect on the College's financial statements.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

2. Changes in accounting policy (continued):

(b) Future accounting changes:

- (i) Section 3862 - *Financial Instruments - Disclosures*
Section 3863 - *Financial Instruments - Presentation*

On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit Organizations to implement sections 3862 and 3863. Section 3862 requires the disclosure of information about: (a) the significance of financial instruments for the entity's financial position and performance and (b) the nature and extent of risks arising from the financial instruments to which the College is exposed during the period and at the date of the statement of financial position, and how the College manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives.

The College has elected to defer application of these standards and as such continues to follow the disclosure requirements of Section 3861.

- (ii) Section 4400 - *Financial Statement Presentation by Non-For-Profit Organizations*

In September 2008, the CICA issued amendments to several of the existing sections in the 4400 series - *Financial Statement Presentation by Non-For-Profit Organizations*. Changes apply to annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, the College will have to adopt the amended standards for its fiscal year beginning April 1, 2009, as applicable. The amendments include a) additional guidance in the applicability of the Section 1100, *Generally Accepted Accounting Principles*; b) removal of the requirement to report separately net assets invested in capital assets; c) requirement to disclose revenues and expenses in accordance with EIC 123, *Reporting Revenue Gross as a Principal Versus Net as an Agent*; d) requirement to include a statement of cash flows in accordance with Section 1540, *Cash Flow Statements*; e) requirement to disclose related party transactions in accordance with Section 3840, *Related Party Transactions*; and f) new disclosure requirements regarding the allocation of fundraising and general support costs.

The College does not expect these changes to significantly impact the financial statements.

- (iii) Section 1000 - *Financial Statement Concepts*

In February 2008, the CICA amended Handbook Section 1000, *Financial Statement Concepts*, to clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized the statement of financial position.

The amendments are effective for financial statements for fiscal years beginning on or after October 1, 2008. The College does not expect this change to significantly impact the financial statements.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

3. GBSP Centre Corp.:

- (a) 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, 2008 to March 31, 2009 has been included in these financial statements.

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

	2009	2008
Current assets	\$ 715,000	\$ 723,500
Capital assets	6,883,500	7,223,500
Current liabilities	686,500	787,000
Deferred contributions	6,743,500	7,132,500
Net assets	\$ 168,500	\$ 27,500
Revenue	\$ 1,276,500	\$ 1,107,000
Expenses	1,605,500	1,551,000
Deficiency of revenue over expenses	\$ (329,000)	\$ (444,000)
Cash flows provided by operating activities	\$ 49,500	\$ 417,000
Cash flows provided by investing activities	(57,000)	(92,000)
Net cash (outflow) Inflow	\$ (7,500)	\$ 325,000

(b) Correction of prior years' reporting for GBSP Centre Corp.

Prior years' figures have been restated to reflect the correct amount of the College's presentation of its investment in GBSP Centre Corp. As a result the following changes have been made to the comparative figures:

Invested in capital assets as at April 1, 2007 was increased by	\$ 1,091,087
Unrestricted net deficit as at April 1, 2007 was decreased by	(27,500)
Changes in net assets, "excess of revenue over expenses" for the year ended March 31, 2008 was decreased by	265,220
Net increase in "invested in capital assets".	\$ 1,328,807

This restatement did not result in any change to "cash provided from operating activities" on the consolidated statement of cash flows.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

4. Long term investments:

Long term investments, comprised of a bond portfolio, are held with the College's investment management firm. As at March 31, 2009, the fair value of the long term investments was \$24,166,051 (2008 - \$22,496,105). 2009 investment income includes realized capital gains/(losses) of \$168,000 (2008 - (\$65,000)) and unrealized capital gains of \$739,000 (2008 - \$439,000).

5. Capital assets:

			2009	2008
	Cost	Accumulated amortization	Net Book value	Net Book value
				(Restated - Note 3(b))
Land	\$ 2,324,224	\$ -	\$ 2,324,224	\$ 2,324,224
Artwork	157,995	-	157,995	157,995
Building and improvements	207,626,322	64,213,245	143,413,077	117,324,145
Construction in progress	-	-	-	6,716,463
Leasehold improvements GBSP (Note 3)	7,872,500	989,000	6,883,500	7,223,500
Assets under capital leases				
Equipment	8,869,160	8,562,695	306,465	1,008,310
Building	10,109,970	1,437,164	8,672,806	8,879,302
Equipment	38,954,524	33,528,856	5,425,668	5,046,823
Computer equipment	22,746,526	18,009,069	4,737,457	2,737,672
Automotive equipment	55,015	55,015	-	11,003
	<u>\$298,716,236</u>	<u>\$126,795,044</u>	<u>\$171,921,192</u>	<u>\$151,429,437</u>

6. Sick leave benefits:

The College is liable to pay 50% of certain employees' accumulated sick leave credit on termination or retirement after ten years' service, to a maximum of six months' salary. Included in the sick leave benefits is \$84,926 (2008 - \$94,191) relating to accumulated sick leave credits earned for pre-College service. The related benefit liability at March 31, 2009 of \$4,167,926 (2008 - \$4,097,514) was determined by management based on estimated future salary increases using a discount rate of 5.50 %.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

7. Employee future benefits:

Employee future benefits include health, dental and life insurance benefits that are provided to early retirees, future retirees, and employees currently on long-term disability. The related accrued benefit liability at March 31, 2009 of \$1,235,000 (2008 - \$1,248,000) was determined by actuarial valuation update as at March 31, 2009.

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

Accrued benefits liability:

	2009	2008
Balance, beginning of year	\$ 1,248,000	\$ 1,207,000
Current service cost	22,000	18,000
Interest	48,000	34,000
Amortization of actuarial loss net of change in obligation	62,000	79,000
Benefits paid	(145,000)	(90,000)
Balance, end of year	\$ 1,235,000	\$ 1,248,000

Accrued benefit obligation reconciliation to accrued benefit liability:

	2009	2008
Accrued benefit obligation	\$ 1,358,000	\$ 1,519,000
Unamortized actuarial loss	(123,000)	(271,000)
Accrued benefit liability	\$ 1,235,000	\$ 1,248,000

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, 2009 was determined using a discount rate of 5.5%.

(b) Hospital:

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

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

7. Employee future benefits (continued):

(c) Drugs

Drug costs were assumed to increase at 10.5% per annum in 2008, grading down to 5.5% in 2020.

(d) Other Medical

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

(e) Dental Costs:

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

8. Pension plan costs:

A majority of the College's employees are enrolled in a multi-employer pension plan for employees of Ontario Colleges of Applied Arts and Technology. The plan is a defined benefits plan which specifies the amount of the retirement benefits to be received by employees based on the length of service and rates of pay. Based on the latest actuarial report as at January 1, 2007, the plan has an unfunded liability of \$586,000,000. Contributions by the College on account of current service pension costs amounted to \$8,000,000 (2008 - \$6,356,000).

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

9. Obligations under leases:

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

	Capital equipment leases	Operating leases
Year ending March 31:		
2010	\$ 359,896	\$ 1,203,901
2011	8,538	1,207,258
2012	-	1,177,656
2013	-	1,124,428
2014	-	995,853
and thereafter	-	3,820,215
Total minimum lease payments	368,434	<u>\$ 9,529,311</u>
Less amount representing interest (at an average rate of approximately 7.5%)	(61,990)	
Present value of net minimum capital lease payments	306,444	
Less current portion of obligations included under current liabilities	(300,781)	
	<u>\$5,663</u>	

Interest on capital leases amounted to \$89,000 (2008 - \$127,000).

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

During a prior year, the College entered into an agreement, as part of the Ontario Government Superbuild Program, with Ryerson Polytechnic University to lease additional premises at the Sally Horsfall Eaton Centre for a term of forty nine years, with related total capital lease payments over the lease period estimated at \$9,966,000. These capital lease payments were paid as at March 31, 2003, from Superbuild funding, fundraising and College funds. As a result, there is no related obligation under capital lease related for this facility.

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2009

10. Deferred contributions:

(a) Expenses of future periods:

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

	2009	2008
Balance, beginning of year	\$ 3,480,665	\$ 2,627,270
Less amount recognized as revenue	(6,515,183)	(5,812,866)
Add amount received related to future periods	7,676,794	6,666,261
Balance, end of year	\$ 4,642,276	\$ 3,480,665

(b) Capital assets:

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

	2009	2008
		(Note 3(b))
Balance, beginning of year	\$ 104,249,030	\$ 86,277,123
Contributions received	34,439,461	22,259,431
Less amounts amortized to revenue	(4,968,932)	(4,287,524)
Balance, end of year	\$ 133,719,559	\$ 104,249,030

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

	2009	2008
		(Note 3(b))
Unamortized capital contributions used		
to purchase capital assets	\$ 92,725,616	\$ 80,367,498
to finance building under capital lease	7,069,911	7,269,335
Unspent contributions	33,924,032	16,612,197
	\$ 133,719,559	\$ 104,249,030

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Notes to Consolidated Financial Statements

Year ended March 31, 2009

11. Internally imposed restrictions:

The Board of Governors, on June 10, 2009, approved the transfer of \$6,500,000 unrestricted funds consisting of \$1,500,000 for strategic initiatives and \$5,000,000 for capital projects. In addition during the year the Board approved the reallocation of \$24,200,000 of internally restricted funds, with \$10,000,000 being transferred to "general contingency" and \$14,200,000 to "capital projects".

Internally restricted funds are comprised of:

	2009	2008
General contingency	\$ 10,000,000	\$ -
Strategic initiatives	1,500,000	24,200,000
Capital projects	29,200,000	10,000,000
Fundraising initiatives	500,000	500,000
	\$ 41,200,000	\$ 34,700,000

12. Investment in capital assets:

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

	2009	2008
		(Restated - Note 3(b))
Capital assets	\$ 171,921,192	\$ 151,429,437
Amounts financed by:		
Deferred contributions	(99,823,028)	(87,664,334)
Capital leases	(306,444)	(1,008,289)
	\$ 71,791,720	\$ 62,756,814

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Notes to Consolidated Financial Statements

Year ended March 31, 2009

12. Investment in capital assets (continued):

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

	2009	2008
		(Restated - Note 3(b))
Deficiency of revenue over expenditures:		
Amortization of deferred contributions related to capital assets	\$ 4,968,932	\$ 4,287,523
Less amortization of capital assets	(12,354,948)	(10,366,099)
	<u>\$ (7,386,016)</u>	<u>\$ (6,078,576)</u>
Net change in investment in capital assets:		
Net purchase of capital assets	\$ 32,846,703	\$ 27,091,914
Amounts funded by:		
Deferred contributions	(17,127,626)	(9,698,247)
Capital leases liability	-	(357,000)
Repayment of capital leases	701,845	1,321,026
	<u>\$ 16,420,922</u>	<u>\$ 18,357,693</u>

13. Commitments and contingent liabilities:

(a) Litigation:

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

(b) Loan Guarantee for Casa Loma Centre:

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

(c) Letter of Credit

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

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Notes to Consolidated Financial Statements

Year ended March 31, 2009

14. Restricted for endowments:

Net assets restricted for endowments includes monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF") and the Ontario Trust for Student Support ("OTSS") matching programs to award student aid as a result of raising an equal amount of endowed donations. Included in the amount for Restricted for endowments are OSOTF trust funds in the amount of \$3,130,119 (2008 - \$3,130,119), and OTSS trust funds of \$3,951,605 (2008 - \$2,196,810).

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, 2009, the Foundation provided \$863,000 (2008 - \$209,000) directly to the College to support various projects, capital initiatives and award funds held by the College. In addition, the Foundation distributed \$60,800 (2008 - \$78,000) to the College's students through bursaries/scholarships.

The Foundation's primary goal is to raise funds for the College's capital initiatives and programs and for student awards. The College provided the Foundation with financial support during the year ended March 31, 2009 of \$357,000 (2008- \$447,000) for operations and \$391,000 (2008 - \$793,000) for fundraising projects and expenses.

Included in accounts receivable is an amount of \$2,900 (2008 - \$46,000) receivable from the Foundation.

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

(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.

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Notes to Consolidated Financial Statements

Year ended March 31, 2009

16. Guarantees:

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

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

17. City of Toronto daycare subsidies:

During the March 31, 2009 fiscal year, the College recorded wage subsidies totaling \$477,143 (2008 - \$451,028), wage improvement subsidies totaling \$31,401 (2008 - \$33,755) and Special Needs grants totaling \$139,210 (2008 - \$80,711), from the City of Toronto.

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Notes to Consolidated Financial Statements

Year ended March 31, 2009

18. Capital Management:

The College considers its net assets, capital leases 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, 2009 of approximately \$106,301,000 (2008 - \$89,780,000) which are presented in the statement of financial position as net assets.

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

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

A further portion represents financial resources which are subject to external restrictions. The College manages an endowment fund of approximately \$7,496,000 (2008 - \$5,737,000) with conditions stipulated in contribution agreements concerning the use of the funds and related income. 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.

Capital leases

The College capital management program also utilizes equipment financing which is comprised principally of capital lease borrowing arrangements described in Note 9.

Deferred capital contributions

Capital grants and capital donations are treated as deferred capital contributions and amortized over the life of the related capital assets. At March 31, 2009, the College was in compliance with all restrictions applicable to these funding sources.

19. 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.

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Schedule 1 - Consolidated Analysis of Revenue

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008 (Restated - Notes 3(b) and 19)
Grants and reimbursements :		
General Purpose Operating	\$ 70,139,104	\$ 67,520,095
Enrolment Growth	12,158,524	8,175,789
Quality Improvement Fund	9,065,490	9,937,381
Special Purpose	5,999,041	5,585,626
Apprenticeship	4,707,692	4,537,983
Collaborative Nursing	3,961,966	3,617,304
Special Projects Grants	3,833,976	4,854,444
Literacy Basic Skills	2,877,866	2,987,192
Other grants and reimbursements	1,672,589	1,769,377
	114,416,248	108,985,191
Tuition and other student fees :		
Full-time	65,144,238	57,122,890
Part-time	14,608,965	13,418,380
Tuition short	4,693,294	4,402,761
Apprenticeship	912,866	773,100
	85,359,363	75,717,131
Ancillary :		
Bookstore sales	9,744,138	9,346,532
Daycare	6,443,177	5,381,644
Other ancillary	1,069,950	1,279,654
	17,257,265	16,007,830
Other :		
Special projects	5,017,287	4,228,248
Investment income	2,865,994	3,272,822
Miscellaneous	5,784,980	5,764,404
	13,668,261	13,265,474
Amortization of deferred contributions :		
Capital assets	4,968,932	4,287,523
Expenses of future periods	6,515,183	5,812,866
	11,484,115	10,100,389
	\$ 242,185,252	\$ 224,076,015