



The George Brown College of Applied Arts and Technology

Financial Statements

For the year ended March 31, 2018

GEORGE BROWN

COLLEGE

The George Brown College of Applied Arts and Technology
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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 6, 2018



Vice President, Corporate Services

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, 2018, 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, 2018, 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

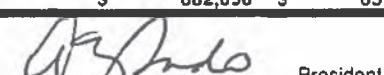
Mississauga, Ontario
June 6, 2018

The George Brown College of Applied Arts and Technology
Statement of Financial Position
(expressed in thousands of dollars)

March 31	2018	2017
Assets		
Current		
Cash (Note 2)	\$ 121,605	\$ 81,615
Short-term investments (Notes 2 & 3)	28,223	28,366
Grants receivable	3,621	446
Accounts receivable	30,110	29,735
Inventories	2,363	3,072
Prepaid expenses	3,522	2,748
	189,444	145,982
Deposits (Note 13 (c))	32,467	22,181
Investments held by George Brown College Foundation (Notes 15 & 16)	13,532	13,556
Investment in GBSP Centre Corp. (Note 4)	5,458	5,489
Capital assets (Note 5)	441,789	444,418
	\$ 682,690	\$ 631,626
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 52,642	\$ 42,606
Vacation payable	10,855	11,180
Current portion of long-term debt (Note 7)	6,023	5,961
Deferred revenue (Note 6 (a))	52,841	39,364
Deferred contributions - expenses of future periods (Note 10 (a))	17,692	15,672
	140,053	114,783
Liability for contaminated site (Note 14)	806	806
Post employment benefits and compensated absences (Note 8)	9,058	9,543
Long-term debt (Note 7)	44,743	50,766
Deferred revenue (Note 6 (b))	3,979	4,021
	58,586	65,136
Deferred contributions - capital assets (Note 10 (b))	242,851	233,979
	301,437	299,115
	441,490	413,898
Net Assets (Deficiency)		
Operating	18	107
Post employment benefits and compensated absences (Note 8)	(9,058)	(9,543)
Vacation pay	(10,855)	(11,180)
	(19,895)	(20,616)
Internally restricted (Note 11)	77,800	59,500
Investment in capital assets (Note 12)	170,683	165,700
Restricted for endowments (Note 15)	13,177	13,177
	241,765	217,761
Accumulated remeasurement losses	(565)	(33)
	241,200	217,728
	\$ 682,690	\$ 631,626

On behalf of the Board


Chair


President

The accompanying notes are an integral part of these financial statements

The George Brown College of Applied Arts and Technology

Statement of Operations

(expressed in thousands of dollars)

For the year ended March 31	2018	2017
Revenue		
Grants and reimbursements	\$ 138,664	\$ 136,566
Tuition and other student fees	182,273	175,545
Ancillary	31,186	28,613
Other	14,065	11,599
Amortization of deferred contributions related to capital assets	11,144	9,596
	377,332	361,919
Expenses		
Salaries and benefits	215,329	214,620
Services	34,668	31,838
Rental, utilities and maintenance	28,013	26,632
Supplies and minor equipment	18,049	17,846
Ancillary (other than salaries and benefits)	15,820	13,876
Other expenses	9,181	9,951
Scholarships, bursaries and grants	7,551	7,317
Amortization of capital assets	24,717	24,900
	353,328	346,980
Excess of revenue over expenses for the year	\$ 24,004	\$ 14,939

The accompanying notes are an integral part of these financial statements.

The George Brown College of Applied Arts and Technology
Statement of Changes in Net Assets
(expressed in thousands of dollars)

	March 31, 2018				
	Invested in capital assets	Restricted for endowments	Unrestricted	Internally Restricted	Total
Balance , beginning of year	\$ 165,700	\$ 13,177	\$ (20,616)	\$ 59,500	\$ 217,761
Excess of (expenses over revenue) revenue over expenses (Note 12 (b))	(13,573)	-	37,577	-	24,004
Capital assets additions financed by college funds (Note 12 (b))	18,556	-	(18,556)	-	-
Internally imposed restrictions (Note 11)	-	-	(18,300)	18,300	-
Balance , end of year	\$ 170,683	\$ 13,177	\$ (19,895)	\$ 77,800	\$ 241,765
	March 31, 2017				
	Invested in capital assets	Restricted for endowments	Unrestricted	Internally Restricted	Total
Balance, beginning of year	\$ 142,086	\$ 13,177	\$ (20,404)	\$ 60,000	\$ 194,859
Excess of (expenses over revenue) revenue over expenses (Note 12 (b))	(15,304)	-	30,243	-	14,939
Donation from George Brown College Foundation for purchase of land (Note 16)	7,963	-	-	-	7,963
Capital assets additions financed by college funds (Note 12 (b))	30,955	-	(30,955)	-	-
Internally imposed restrictions (Note 11)	-	-	500	(500)	-
Balance , end of year	\$ 165,700	\$ 13,177	\$ (20,616)	\$ 59,500	\$ 217,761

The accompanying notes are an integral part of these financial statements.

The George Brown College of Applied Arts and Technology

Statement of Cash Flows

(expressed in thousands of dollars)

For the year ended March 31	2018	2017
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 24,004	\$ 14,939
Adjustments required to reconcile excess of revenue over expenses with net cash provided by operating activities		
Amortization of capital assets	24,717	24,900
Amortization of deferred contributions related to capital assets	(11,144)	(9,596)
Change in non-cash operating working capital (Note 17)	21,551	7,751
Accrual for post employment benefits and compensated absences	(485)	(118)
Change in interest in GBSP (Note 4)	31	17
	58,674	37,842
Investing activities		
Repayment (advances) to George Brown College Foundation	24	(47)
Change in of short-term investments - net	143	(139)
Change in accumulated remeasurement losses	(532)	(51)
Deposits	(10,286)	(11,553)
	(10,651)	(11,739)
Financing activities		
Repayment of long-term debt	(5,961)	(5,441)
Advances of long-term debt	-	40,000
	(5,961)	34,559
Capital activities		
Deferred contributions received related to capital assets	20,016	28,538
Purchase of capital assets	(22,088)	(93,872)
Donation from GBC Foundation	-	7,963
	(2,072)	(57,371)
Increase in cash during the year	39,990	3,291
Cash, beginning of year	81,615	78,324
Cash, end of year	\$ 121,605	\$ 81,615

The accompanying notes are an integral part of these financial statements.

The George Brown College of Applied Arts and Technology
Statement of Remeasurement Gains and Losses

(expressed in thousands of dollars)

For the year ended March 31	2018	2017
Accumulated remeasurement (losses) gains, beginning of year	<u>\$ (33)</u>	<u>\$ 18</u>
Unrealized losses attributable to:		
Unrestricted short-term investments	(578)	(260)
Amounts reclassified to the statement of operations:		
Realized losses on short-term investments	<u>46</u>	<u>209</u>
Net remeasurement losses for the year	<u>(532)</u>	<u>(51)</u>
Accumulated remeasurement losses, end of year	<u>\$ (565)</u>	<u>\$ (33)</u>

The accompanying notes are an integral part of these financial statements.

The George Brown College of Applied Arts and Technology

Notes to Financial Statements

(expressed in thousands of dollars)

March 31, 2018

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

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.

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 investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment 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.

Ancillary revenue consists mainly of bookstore revenue, daycare and student residence fees, and other ancillary revenue, which are recognized when the related services are provided or the related products are delivered.

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

The George Brown College of Applied Arts and Technology
Notes to Financial Statements
(expressed in thousands of dollars)

March 31, 2018

1. Significant Accounting Policies (continued)

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:

(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 fair value 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, investments held by George Brown College Foundation, accounts payable and accrued liabilities, and long term debt. They are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

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.

The George Brown College of Applied Arts and Technology
Notes to Financial Statements
(expressed in thousands of dollars)

March 31, 2018

1. Significant Accounting Policies (continued)

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.

d) Investment in GBSP Centre Corp.:

The investment in the George Brown Souleppper 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.

e) Capital assets:

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

(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 to 13 years
Other 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.

f) Vacation pay:

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

The George Brown College of Applied Arts and Technology
Notes to Financial Statements
(expressed in thousands of dollars)

March 31, 2018

1. Significant Accounting Policies (continued)

g) Liability for contaminated site:

A liability for the remediation of contamination sites is recognized in the financial statements when at the financial reporting date: a) an environmental standard 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 and; e) a reasonable estimate of the amount can be made.

h) 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 equal to the College's internal rate of borrowing.

i) 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 expenses during the year. Actual results could differ from these estimates. Areas of key estimation include determination of deferred revenue, allowance for doubtful accounts, capital asset amortization, amortization of deferred capital contributions, contamination liability, and actuarial estimation of post-employment benefits and compensated absences liabilities.

The George Brown College of Applied Arts and Technology
Notes to Financial Statements
(expressed in thousands of dollars)

March 31, 2018

2. Cash and Investments

The College's cash and investments include amounts restricted for specific purposes that are not available to be spent at the College's discretion. The amounts available for operations are as follows:

	2018	2017
Cash	\$ 121,605	\$ 81,615
Short-term investments (Note 3)	28,223	28,366
Total cash and investments	149,828	109,981
Less amounts related to:		
Endowments - externally restricted, not including receivables from the Foundation (Note 15)	154	154
Deferred contributions (Note 10(a))	17,692	15,672
Unspent deferred capital contributions (note 12(a))	22,511	11,880
	\$ 109,471	\$ 82,275

3. Short-term Investments

Investments are comprised of a fixed income investment portfolio and are held with the College's investment custodian. Short-term investments carry current yields, ranging from 0.75% to 4.00% (2017 – 0.75% to 2.40%). As of March 31, 2018, the fair value of the bond portfolio was \$28,223 (2017 - \$28,366).

	2018	2017
Interest income	\$ 498	\$ 470
Realized capital losses	(46)	(209)
Unrealized capital losses	(578)	(260)

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

The George Brown College of Applied Arts and Technology
Notes to Financial Statements
(expressed in thousands of dollars)

March 31, 2018

4. 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, 2017 to March 31, 2018 has been included in these financial statements using the modified equity method. The College's 50% interest in the joint venture is summarized below:

	2018	2017
Current assets	\$ 434	\$ 383
Capital assets	5,251	5,367
Current liabilities	(476)	(367)
Deferred contributions	(5,258)	(5,419)
Net liabilities	\$ (49)	\$ (36)
Revenue	\$ 1,728	\$ 1,661
Expenses	(1,759)	(1,678)
Deficiency of revenue over expenses	\$ (31)	\$ (17)
Cash flows provided by (used in) operating activities	\$ 126	\$ (53)
Cash flows used in financing activities	(161)	(128)
Cash flows used in investing activities	111	(15)
Net cash (outflow) / inflow	\$ 76	\$ (196)

The College's 50% equity share of the deficiency of revenue over expenses of GBSP Centre Corp. from April 1, 2017 to March 31, 2018 has been included in other expenses.

During the year, the College paid rent of \$265 (2017 - \$264) and made contributions of \$539 (2017 - \$554) to the joint venture which were included in rental, utilities and maintenance, and services expenses, respectively.

The joint venture is a not-for-profit organization, and follows the recommendations of CPA 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 NPO's and the Joint Venture under Part III of the CPA 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, 2018, there were no accounting policy differences that would have resulted in an adjustment to amounts or disclosures in these financial statements.

The George Brown College of Applied Arts and Technology
Notes to Financial Statements
(expressed in thousands of dollars)

March 31, 2018

5. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 21,459	\$ -	\$ 21,459	\$ -
Artwork	72	-	72	-
Buildings and improvements	536,595	149,338	523,600	136,543
Building under capital lease	10,110	3,296	10,110	3,089
Construction in progress	667	-	3,831	-
Work in progress equipment	64	-	232	-
Leasehold improvements	11,688	3,364	11,339	2,383
Computer equipment	55,060	49,926	49,977	44,534
Other equipment	84,693	72,695	77,814	67,467
	\$ 720,408	\$ 278,619	\$ 698,434	\$ 254,016
Net book value		\$ 441,789		\$ 444,418

Subsequent to year end, the College finalized the purchase of a building, with a purchase price of \$45,547. Prepaid deposits of \$32,076 were applied against the purchase price with the remaining \$13,471 paid on the closing date, May 14, 2018.

6. Deferred Revenue

a) Current deferred revenue consists of:

	2018		2017	
Tuition fees	\$ 50,221	\$	36,974	\$
Other	2,620	-	2,390	-
	\$ 52,841	\$	39,364	\$

b) Long-term deferred revenue:

In the previous year, the College assigned its interest in a parking garage for total compensation of \$4,064. The amount is being recognized in the statement of operations over the term of the agreement which is consistent with the ground lease. The remaining deferred revenue of \$3,979 (2017 - \$4,021) has been classified as long-term.

The George Brown College of Applied Arts and Technology
Notes to Financial Statements
(expressed in thousands of dollars)

March 31, 2018

7. Long-term Debt

In 2014, the College received a \$35,000 loan from the Ontario Financing Authority (OFA) for the construction costs and acquisition of furniture and equipment for the Waterfront Campus. The loan, referred to as OFA 1, is for a 7 year term, is unsecured, at an interest rate of 2.423% and is repayable in equal, quarterly installments of \$1,363.

In 2017, the College received a \$40,000 loan from the Ontario Financing Authority (OFA) for the new student residence. The loan, referred to as OFA 2, is for a 25 year term, is unsecured, at an interest rate of 5.75% and is repayable in equal, semi-annual installments of \$1,518.

The future principal repayments are as follows:

	OFA 1	OFA 2	Total
2019	\$ 5,210	\$ 813	\$ 6,023
2020	5,337	860	6,197
2021	1,355	910	2,265
2022	-	963	963
2023	-	1,020	1,020
Thereafter	-	34,298	34,298
	11,902	38,864	50,766
Less: current portion	5,210	813	6,023
	\$ 6,692	\$ 38,051	\$ 44,743

Subsequent to year-end, the College financed the purchase of the building, described in Note 5, through a loan from the Ontario Financing Authority (OFA) for \$30,000. The loan is for a 25 year term, is unsecured, at an interest rate of 3.77% and is repayable in equal, monthly installments of \$155.

The George Brown College of Applied Arts and Technology
Notes to Financial Statements
(expressed in thousands of dollars)

March 31, 2018

8. 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.

	2018			
	Post- employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 1,937	\$ 6,439	\$ 947	\$ 9,323
Value of plan assets	(435)	-	-	(435)
Unamortized actuarial gains (losses)	126	(169)	213	170
Total liability	\$ 1,628	\$ 6,270	\$ 1,160	\$ 9,058

	2017			
	Post- employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 1,917	\$ 6,718	\$ 1,219	\$ 9,854
Value of plan assets	(279)	-	-	(279)
Unamortized actuarial gains (losses)	171	(343)	140	(32)
Total liability	\$ 1,809	\$ 6,375	\$ 1,359	\$ 9,543

	2018			
	Post- employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Current year benefit cost (recovery)	\$ (155)	\$ 348	\$ 33	\$ 226
Interest on accrued benefit obligation	3	125	22	150
Amortized actuarial (gains) / losses	(16)	(5)	96	75
Total expense (recovery)	\$ (168)	\$ 468	\$ 151	\$ 451

The George Brown College of Applied Arts and Technology
Notes to Financial Statements
(expressed in thousands of dollars)

March 31, 2018

8. Post-Employment Benefits and Compensated Absences (continued)

	2017			
	Post- employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Current year benefit cost (recovery)	\$ (31)	\$ 361	\$ 74	\$ 404
Interest on accrued benefit obligation	3	96	27	126
Amortized actuarial (gains) / losses	(15)	(120)	143	8
Total expense (recovery)	\$ (43)	\$ 337	\$ 244	\$ 538

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

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 other employers in Ontario. The College makes contributions to the Plan equal to those of the employees. Contribution 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. The most recent actuarial valuation filed with pension regulators as at January 1, 2018 indicated an actuarial surplus of \$2,269,000 (2017 - \$1,600,000). The College made contributions to the Plan and its associated retirement compensation arrangement of \$16,299 (2017 - \$16,340) which has been included in salaries and benefits in the statement of operations.

The George Brown College of Applied Arts and Technology
Notes to Financial Statements
(expressed in thousands of dollars)

March 31, 2018

8. Post-Employment Benefits and Compensated Absences (continued)

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 provides 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.

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, 2018 was determined using a discount rate of 2.6% (2017 – 2.0%), while the 2018 period expense was calculated using a discount rate 2.0% (2017 – 1.7%).

(b) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.0% per annum (2017 – 4.0%). Medical premium increases were assumed to increase at 6.8% per annum in 2014 and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034.

(c) Drug costs

Drug costs increases were assumed to increase at a rate of 8.0% per annum in 2018 and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034.

(d) Dental costs

Dental costs were assumed to increase at 4.0% per annum (2017 – 4.0%).

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.

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8. Post-Employment Benefits and Compensated Absences (continued)

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 assumptions used in the valuation of vesting and non-vesting sick leaves are the College's best estimates of expected rates of:

	2018	2017
Wage and salary escalation		
Academic	1.5% - 2.0%	1.5% - 1.8%
Support	0.5% - 1.5%	0.5% - 1.5%
Discount rate used to calculate:		
Present value of future benefits	2.6%	2.0%
2018 period expense	2.0%	1.7%

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 23.7% and 0 to 48 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

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9. Obligations Under Leases

The College is committed to lease payments for its leased premises under various operating leases, until 2109. Future minimum annual lease payments are as follows:

2019	\$	5,939
2020		5,612
2021		5,446
2022		5,572
2023		5,497
Thereafter		<u>19,171</u>
	\$	<u>47,237</u>

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 fair market value of the land, its unimproved value and its intended educational use and tied to the CPI. The rental commitment for the 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 4) 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. Annual lease payments under this agreement are \$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. The above lease agreement is superseded by an annual licensing agreement which commits the College to estimated annual payments of \$260 for the use of the facilities. In the event of the cancellation of the licensing agreement, the lease agreement becomes enforceable.

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. The premises are disclosed as "Building under capital lease" in Note 5. 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.

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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.

	2018	2017
Balance, beginning of year	\$ 15,672	\$ 14,488
Contributions received	24,094	24,597
Less amount recognized as revenue	(22,074)	(23,413)
Balance, end of year	\$ 17,692	\$ 15,672

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.

	2018	2017
Balance, beginning of year	\$ 233,979	\$ 215,037
Contributions received	20,016	28,538
Less amounts amortized to revenue	(11,144)	(9,596)
Balance, end of year	\$ 242,851	\$ 233,979

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

	2018	2017
Unamortized capital contributions used:		
to purchase capital assets	\$ 213,758	\$ 215,318
to finance building under capital lease	6,582	6,781
	220,340	222,099
Unspent contributions	22,511	11,880
	\$ 242,851	\$ 233,979

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11. Internally Imposed Restrictions

The Board of Governors, effective March 31, 2018, approved the transfer of \$18,300 (2017 - \$(500)) from unrestricted funds to internally restricted funds and the following allocations in 2018 internally restricted funds. This appropriation will provide additional funding to deliver the master campus plan.

	2018	2017
General contingency	\$ 18,000	\$ 18,000
Committed capital projects	59,800	41,500
	\$ 77,800	\$ 59,500

12. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2018	2017
Capital assets	\$ 441,789	\$ 444,418
Amounts financed by:		
Deferred contributions	(242,851)	(233,979)
Unspent deferred capital contributions	22,511	11,880
	(220,340)	(222,099)
Financed by long term debt	(50,766)	(56,619)
	\$ 170,683	\$ 165,700

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

	2018	2017
Deficiency of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 11,144	\$ 9,596
Less amortization of capital assets	(24,717)	(24,900)
	\$ (13,573)	\$ (15,304)
Purchase of capital assets	\$ 22,088	\$ 93,872
Amounts funded by:		
Deferred contributions	(9,385)	(20,286)
Long term debt	5,853	(34,668)
	18,556	38,918
	\$ 4,983	\$ 23,614

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13. Commitments and Contingent Liabilities

a) Litigation:

The College has been named as a defendant in certain litigation alleging actual and punitive damages. The College has made a provision management believes will be sufficient based on the amount of the claims, however management is not able to determine the final outcome of these claims. Settlement, if any, will be accounted for during the period of resolution.

b) 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.

c) Purchase commitments:

In 2016, the College signed an agreement with a developer to purchase real property for \$41,000 for the purposes of academic and office space. The College has made deposits totaling \$32,467 with the remainder becoming payable in the 2019 fiscal year.

14. Liability for Contaminated Site

The College had previously recognized a liability for contaminated site of \$806, which has remained unchanged. The liability for remediation resulted from petroleum impacts in soil and ground water in the vicinity of a basement boiler room. The estimate of the liability was determined by a third party based on the fair value of the cost of the remediation work required.

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15. Net Assets Restricted for Endowments

Net assets restricted for endowments includes monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF") and the Ontario Trust for Student Support ("OTSS") matching programs to award student aid as a result of raising an equal amount of endowed donations. Included in the amount restricted primarily for endowments are OSOTF trust funds in the amount of \$3,070 (2017 - \$3,070), and OTSS trust funds of \$9,953 (2017 - \$9,953). These amounts are included in the investments held by the George Brown College Foundation (Note 16 (a)).

16. Related Party Transactions

a) Related entity:

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

Total net assets of the Foundation as at March 31, 2018 were \$22,654 (2017 - \$20,958), consisting of:

	2018	2017
Restricted endowments	\$ 14,663	\$ 13,804
Restricted capital projects	4,230	3,172
Restricted scholarships and other projects	2,448	2,254
Unrestricted	1,313	1,728
	\$ 22,654	\$ 20,958

The College and the Foundation entered into a memorandum of understanding dated March 9, 2011 that outlines services provided between the College and the Foundation. During the year, the College paid the Foundation \$1,000 (2017 - \$1,450) for services rendered by the Foundation to raise and administer funds in support of the College. The Foundation utilized office space owned by the College that is provided rent free, and the College provides certain administrative services to the Foundation without charge.

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16. Related Party Transactions (continued)

The memorandum also provides that the Foundation may invest the College's endowment funds in a custodial capacity. The investments held by the Foundation of \$13,532 are included in GICs maturing on April 23, 2018 bearing interest at 1.80% and 1.85%. The investments held by the Foundation consist of endowment net assets of \$13,023 and unspent interest income of \$509 (2017 - \$497) recorded as deferred contributions. Interest of \$222 (2017 - \$208) was earned on the investments held by the Foundation. Of this amount, \$203 (2017 - \$196) was used to provide scholarships to College students and the remaining amount of \$19 (2017 - \$12) has been included in deferred contributions – expenses of future periods.

During the year, the Foundation granted \$1,915 (2017 - \$11,530) to the College comprised of \$722 for various projects, \$nil for capital initiatives and \$1,193 for student scholarships and awards (2017 - \$705, \$9,000 and \$1,825 respectively).

Included in accounts receivable is an amount of \$nil (2017 - \$218) receivable from the Foundation. The receivable is non-interest bearing, unsecured, and 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.

17. 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:

	<u>2018</u>	<u>2017</u>
Grants receivable	\$ (3,175)	\$ 465
Accounts receivable	(375)	(10,345)
Inventories	709	(227)
Prepaid expenses	(774)	(1,101)
Accounts payable and accrued liabilities	10,036	5,264
Vacation payable	(325)	301
Deferred revenue	13,435	12,210
Deferred contributions - expenses of future periods	2,020	1,184
	<u>\$ 21,551</u>	<u>\$ 7,751</u>

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18. Guarantees

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

a) The College has provided indemnities under lease agreements for the use of various operating facilities and license agreements. 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 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 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 amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the College from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, the College has not made any significant payments under such or similar indemnification agreements and therefore no amount has been recorded in the statement of financial position with respect to these agreements.

19. City of Toronto Daycare Subsidies

During the March 31, 2018 fiscal year, the College recorded wage subsidies totaling \$887 (2017 - \$536), wage improvement subsidies totaling \$Nil (2017 - \$20), Special Needs grants totaling \$192 (2017 - \$233), Special Needs One-on-One grants totaling \$20 (2017 - \$20) and Infant/Toddler Transition Grant totaling \$Nil (2017 - \$6) from the City of Toronto.

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20. 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.

	2018		
	Fair Value	Amortized Cost	Total
Cash	\$ 121,605	\$ -	\$ 121,605
Short-term investments	28,223	-	28,223
Grants receivable	-	3,621	3,621
Accounts receivable	-	30,110	30,110
Investments held by George Brown College Foundation	-	13,532	13,532
Accounts payable and accrued liabilities	-	52,642	52,642
Long-term debt	-	50,766	50,766

Short-term investments consist of federal and provincial government and Canadian public company debt instruments.

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).

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20. Financial Instrument Classification (continued)

	2018			
	Level 1	Level 2	Level 3	Total
Cash	\$ 121,605	\$ -	\$ -	\$ 121,605
Short-term investments	-	28,223	-	28,223
	\$ 121,605	\$ 28,223	\$ -	\$ 149,828

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2018. There were also no transfers in or out of Level 3.

21. 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 investments held by 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 (2017 - \$100).

The College's investment policy operates within the constraints of the investment guidelines issued by the MAESD 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 corporations. Credit risk is mitigated by the highly diversified nature of the student population and other customers. Government receivables are mitigated by the governmental nature of the funding source.

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21. Financial Instrument Risk Management (continued)

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:

	2018					
	Total	Current	31 - 60 days	61 - 90 days	91 - 120 days	Over 121 days
Government receivables	\$ 3,621	\$ 3,621	\$ -	\$ -	\$ -	\$ -
Student receivables	22,798	9,329	2,355	2,101	2,958	6,055
Other receivables	11,799	9,622	717	546	556	358
Gross receivables	38,218	22,572	3,072	2,647	3,514	6,413
Less: impairment allowance	(4,487)	-	-	(449)	(897)	(3,141)
Net receivables	\$ 33,731	\$ 22,572	\$ 3,072	\$ 2,198	\$ 2,617	\$ 3,272
	2017					
	Total	Current	31 - 60 days	61 - 90 days	91 - 120 days	Over 121 days
Government receivables	\$ 446	\$ 446	\$ -	\$ -	\$ -	\$ -
Student receivables	17,501	6,678	1,552	1,650	2,187	5,434
Other receivables	16,578	15,995	43	41	20	479
Gross receivables	34,525	23,119	1,595	1,691	2,207	5,913
Less: impairment allowance	(4,344)	-	-	(434)	(869)	(3,041)
Net receivables	\$ 30,181	\$ 23,119	\$ 1,595	\$ 1,257	\$ 1,338	\$ 2,872

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.

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21. Financial Instrument Risk Management (continued)

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 MAESD. The policy's application is monitored by management, the investment managers and the Board of Governors. Diversification techniques are utilized to minimize risk.

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 College levels when adverse changes in foreign currency College 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, 2018, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of bonds of \$718.

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.

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21. Financial Instrument Risk Management (continued)

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 following table sets out the expected maturities, representing undiscounted cash-flows of financial liabilities:

	2018		
	Within 1 year	1 - 5 years	Over 5 years
Accounts payable and accrued liabilities	\$ 52,642	\$ -	\$ -
Long-term debt	6,023	11,524	33,219
Liability for contaminated site	-	806	-
	\$ 58,665	\$ 12,330	\$ 33,219

Maturity profile of bonds held is as follows:

	2018		
	Within 1 year	1 - 5 years	Total
Carrying value	\$ 3,251	\$ 24,972	\$ 28,223
Percentage of total	12%	88%	100%

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.