Consolidated Financial Statements of

THE GEORGE BROWN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year ended March 31, 2012

Tel: 905 270-7700
Fax: 905 270-7915
Toll-free: 866 248 6660
www.bdo.ca

BDO Canada **LLP**
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The George Brown College of Applied Arts and Technology, which comprise the consolidated statement of financial position as at March 31, 2012, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The George Brown College of Applied Arts and Technology as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards.

The comparative figures were audited by another firm of Chartered Accountants.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Mississauga, Ontario
June 6, 2012

THE GEORGE BROWN COLLEGE
OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position
as at March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash	$ 32,144,091	$ 45,159,296
Short term investments (Note 3)	55,387,064	80,904,453
Grants receivable	2,780,085	3,473,336
Accounts receivable (Note 15)	13,674,243	29,106,488
Receivable from George Brown College Foundation (Note 17)	12,695,407	152,229
Inventories	2,441,314	2,312,670
Prepaid expenses	636,546	879,539
	119,758,750	161,988,011
Deposits	826,994	1,215,623
Long term investments (Note 3)	20,742,253	21,589,557
Capital assets (Note 4)	328,227,573	233,020,634
	$ 469,555,570	$ 417,813,825
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 56,671,651	$ 36,042,350
Deferred revenue (Note 5)	26,319,716	25,553,454
	82,991,367	61,595,804
Long-term liabilities:		
Sick leave benefits (Note 6)	3,295,147	3,605,292
Long term loan (Note 7)	541,668	-
Employee future benefits (Note 8)	1,375,000	1,362,000
	5,211,815	4,967,292
Deferred contributions:		
Expenses of future periods (Note 11(a))	5,720,730	5,423,741
Capital assets (Note 11(b))	209,045,115	204,282,445
	214,765,845	209,706,186
Net assets:		
Unrestricted:		
Operating	185,747	383,502
Employee future benefits	(1,375,000)	(1,362,000)
Vacation pay	(10,115,121)	(9,897,627)
Vested sick leave benefits	(3,212,000)	(3,525,000)
	(14,516,374)	(14,401,125)
Internally restricted (Note 12)	46,000,000	65,000,000
Investment in capital assets (Note 13)	121,886,293	78,848,647
Restricted for endowments (Note 16)	13,216,624	12,097,021
	166,586,543	141,544,543
Commitments and contingent liabilities (Note 14)		
	$ 469,555,570	$ 417,813,825

Chair

President

See accompanying notes to the consolidated financial statements

THE GEORGE BROWN COLLEGE
OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations
Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Revenue : (Schedule 1)		
Grants and reimbursements	$ 127,806,922	$ 126,788,640
Tuition and other student fees	109,515,445	101,874,218
Ancillary	17,332,756	18,141,809
Other	13,432,471	10,855,484
Amortization of deferred contributions related to :		
Capital assets (Note 11(b))	4,582,418	4,826,863
Expenses of future periods (Note 11(a))	6,771,781	7,428,660
	279,441,793	269,915,674
Expenditures :		
Salaries and benefits	163,881,603	159,314,248
Supplies and other expenses	51,176,344	52,180,351
Ancillary	11,978,239	10,628,532
Maintenance, utilities and municipal taxes	11,111,216	11,356,905
Scholarships, bursaries and grants	6,771,781	7,428,748
Amortization of capital assets	10,600,213	10,919,220
	255,519,396	251,828,004
Excess of revenue over expenses	$ 23,922,397	$ 18,087,670

See accompanying notes to the consolidated financial statements

THE GEORGE BROWN COLLEGE
OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2012, with comparative figures for 2011

	Invested in capital assets (Note 13(a))	Restricted for endowments (Note 16)	Unrestricted	Internally restricted	2012 Total	2011 Total
Balance, beginning of year	$ 78,848,647	$ 12,097,021	$ (14,401,125)	$ 65,000,000	$ 141,544,543	$ 121,232,421
Excess of (expenses over revenue) revenue over expenses (Note 13(b))	(6,017,794)	-	29,940,191	-	23,922,397	18,087,670
Endowment contributions	-	1,119,603	-	-	1,119,603	2,224,452
Capital assets additions financed by college funds (Note 13(b))	49,055,440	-	(49,055,440)	-	-	-
Internally imposed restrictions (Note 12)	-	-	19,000,000	(19,000,000)	-	-
Balance, end of year	$ 121,886,293	$ 13,216,624	$ (14,516,374)	$ 46,000,000	$ 166,586,543	$ 141,544,543

See accompanying notes to the consolidated financial statements

THE GEORGE BROWN COLLEGE
OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 23,922,397	$ 18,087,670
Items not involving cash:		
Amortization of capital assets	10,600,213	10,919,220
Amortization of deferred contributions related to capital assets	(4,582,418)	(4,826,863)
Unrealized (gains)/loss on long term investments (Note 3)	(27,125)	162,263
Amortization of deferred contributions related to expenses of future periods	(6,771,781)	(7,428,660)
Change in non-cash operating working capital (Note 18)	37,527,077	(17,065,206)
Increase in employee future benefits	13,000	120,000
Decrease in sick leave benefits	(310,145)	(336,520)
	60,371,218	(368,096)
Financing activities:		
Endowment contributions	1,119,603	2,224,452
Proceeds from long-term debt (Note 7)	650,000	-
Advances to George Brown College Foundation	(12,543,178)	(152,229)
Deferred contributions received related to capital assets	9,345,088	59,971,988
Deferred contributions received related to expenses of future periods	7,068,770	9,060,246
Principal payments under capital leases	-	(5,663)
	5,640,283	71,098,794
Investing activities:		
Purchase of capital assets	(105,807,151)	(56,997,085)
Sale/(Purchase) of short term investments - net	25,544,512	(21,757,280)
Purchase of long term investments - net	847,304	-
Deposits	388,629	(917,128)
	(79,026,706)	(79,671,493)
Decrease in cash	(13,015,205)	(8,940,795)
Cash, beginning of year	45,159,296	54,100,091
Cash, end of year	$ 32,144,091	$ 45,159,296
Supplementary information:		
Interest paid	$ -	$ 2,875

See accompanying notes to the consolidated financial statements

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

1. Significant accounting policies:

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

(a) (i) Basis of accounting:

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

(ii) Student organizations

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

(b) Revenue recognition:

The College follows the deferral method of accounting for restricted contributions.

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

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

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

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

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

Restricted income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted income is recognized as revenue when earned.

Tuition fees are deferred to the extent that the related courses extend beyond the fiscal year of the College. Other operating revenues are deferred to the extent that related services provided, or goods sold, are rendered/delivered subsequent to the end of the College's fiscal year.

(c) Financial instruments:

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

Financial instrument	Category
Cash	Held-for-trading
Short term investments	Held-for-trading
Long term investments	Held-for-trading
Grants receivable	Loans and receivables
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Long term liabilities	Other financial liabilities

Held-for-trading items are carried at fair value, with changes in their fair value measured in the consolidated statement of operations in the current period. For investments, valuation is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation or other means. "Loans and receivables" are carried at amortized cost using the effective interest method, net of any impairment. "Other liabilities" are measured at amortized cost.

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

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

1. Significant accounting policies (continued):

(c) Financial instruments: (continued)

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

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

Credit, Interest and Market Risk

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

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

(d) Inventories:

Inventories other than books are valued at the lower of cost and net realizable value with cost being determined on the first-in first-out basis. Books are valued at the lower of cost and net realizable value with cost being determined using the retail inventory method, which approximates average cost. Net realizable value is the estimated selling price less the estimated cost to make the sale. The inventories recognized as expense during the year were $7,051,773 (2011 - $7,724,581). There were no write downs of inventory to net realizable value or reversals of previous write downs to net realizable value during the year.

(e) Investments:

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

1. Significant accounting policies (continued):

(f) Capital assets:

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

(ii) Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution when fair value is reasonably determinable. Otherwise contributed assets are recorded at a nominal amount. Amortization is provided on a straight-line basis over the estimated useful lives of the assets, which have been determined as follows:

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

(iii) Assets under capital leases

The College leases a building on terms which transfer substantially all the benefits and risks of ownership to the College. This lease has been accounted for as a “capital lease” as though an asset had been purchased and a liability incurred.

(g) Employee future benefits:

The College recognizes employee future benefits (health, dental, life insurance, sick leave and other retirement obligations) as they are earned during the employee’s tenure of service using the projected benefit method based on management’s best estimate of assumptions.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. The most significant items subject to management estimation are the allowance for doubtful accounts and accruals for sick leave benefits, employee future benefits and other employment related accruals. Actual results could differ from those estimates.

1. Significant accounting policies (continued):

(i) Future accounting changes:

The Accounting Standards Board ("AcSB") and Public Sector Accounting Board ("PSAB") has issued new standards for government (public sector) not-for-profit organizations ("NPOs"). For years beginning on or after January 1, 2012, government NPOs have a choice of:

1. Public Sector Accounting standards supplemented by PS 4200 – 4270 for government not-for-profit organizations; or
2. Public Sector Accounting standards

The College has chosen to follow Public Sector Accounting standards supplemented by PS 4200 – 4270 for government not-for-profit organizations. The College is currently assessing the impact of this choice jointly with the other colleges of Ontario.

2. GBSP Centre Corp.:

Pursuant to a Joint Venture Agreement dated February 12, 2004, the College has a 50% interest in GBSP Centre Corp., a joint venture corporation providing facilities for performances as well as for education and instruction in theatre, dance, music and the related arts. The joint venture has a December 31 fiscal year end. The proportional share of the joint venture from April 1, 2011 to March 31, 2012 has been included in these financial statements.

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

	2012	2011
Current assets	$ 921,140	$ 634,634
Capital assets	6,205,860	6,452,838
Current liabilities	601,741	750,257
Deferred contributions	6,343,860	6,168,993
Net assets	$ 181,399	$ 168,222
Revenue	$ 1,303,959	$ 1,298,427
Expenses	1,623,057	1,670,190
Deficiency of revenue over expenses	$ (319,098)	$ (371,763)
Cash flows provided by operating activities	$ 317,836	$ 37,328
Cash flows used in investing activities	(162)	(107,213)
Net cash inflow (outflow)	$ 317,674	$ (69,885)

3. Investments:

(i) Short term

Short term investments consist of non-redeemable investment certificates with interest rates ranging from 1.37% to 1.43% (2011 – 1.30% to 1.60%).

(ii) Long term

Long term investments, comprised of a bond portfolio, are held with the College's investment management firm. Long term investments carry interests rates ranging from 1.08% to 5.14% (2011 – 1.75% to 5.14%) and maturity dates ranging from September 15, 2013 to November 8, 2016 (2011 – May 7, 2012 to June 15, 2015). As at March 31, 2012, the fair value of the bond portfolio was $26,135,664 (2011 - $25,152,092) of which $5,393,407 (2011 - $3,562,535) has been reclassified to cash and short term investments. Investment income includes:

	2012	2011
Interest income	$ 1,769,886	$ 1,813,038
Realized capital gains (losses)	$ 72,240	$ (139,443)
Unrealized capital gains (losses)	$ 27,125	$ (162,263)

Interest income, realized and unrealized capital gains/(losses) are recorded as other revenue in the consolidated statement of operations.

4. Capital assets:

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Land	$ 2,324,224	$ -	$ 2,324,224	$ 2,324,224
Building and improvements	240,640,722	81,041,539	159,599,183	151,613,525
Construction in progress	145,002,100	-	145,002,100	59,479,153
Work in progress equipment	578,741	-	578,741	-
Leasehold improvements GBSP (Note 2)	8,063,338	1,857,500	6,205,838	6,452,838
Assets under capital leases				
Building	10,109,970	2,056,651	8,053,319	8,259,816
Equipment	43,636,398	40,223,170	3,413,228	3,626,903
Computer equipment	28,865,686	25,830,384	3,035,302	1,240,718
Automotive equipment	94,109	78,471	15,638	23,457
	$ 479,315,288	$ 151,087,714	$ 328,227,573	$ 233,020,634

5. Deferred revenue:

	2012	2011
Tuition fees	$ 20,578,141	$ 17,465,675
Unexpended grants	4,902,113	6,430,040
Other	839,462	1,657,739
	$ 26,319,716	$ 25,553,454

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 $60,982 (2011 - $80,292) relating to accumulated sick leave credits earned for pre-College service. The related benefit liability at March 31, 2012 of $3,272,982 (2011 - $3,605,292) was determined by management based on estimated future salary increases using a discount rate of 4.20 % (2011 - 4.75%).

7. Long term loan:

During the year, the College received a $650,000 loan from the City of Toronto for the purposes of retrofitting and upgrading existing facilities to increase energy efficiency. The loan is unsecured, interest free and is repayable in equal, quarterly installments of $27,083. $108,332 of principal owing within one year is included in accounts payable and accrued liabilities.

The future principal repayments are as follows:

Year ending March 31:	
2013	$ 108,332
2014	108,332
2015	108,332
2016	108,332
2017	108,332
and thereafter	108,340
	$ 650,000

8. 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, 2012 of $1,375,000 (2011 - $1,362,000) was determined by actuarial valuation update as at March 1, 2012.

8. Employee future benefits (continued):

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

Accrued benefits liability:

	2012	2011
Balance, beginning of year	$ 1,362,000	$ 1,242,000
Current service cost	23,000	(23,000)
Interest	22,000	24,000
Amortization of actuarial loss net of change in obligation	56,000	212,000
Benefits paid	(88,000)	(93,000)
Balance, end of year	$ 1,375,000	$ 1,362,000

Accrued benefit obligation reconciliation to accrued benefit liability:

Accrued benefit obligation	$ 1,531,000	$ 1,502,000
Unamortized actuarial loss	(156,000)	(140,000)
Accrued benefit liability	$ 1,375,000	$ 1,362,000

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, 2012 was determined using a discount rate of 4.20%.

(b) Hospital

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

(c) Drugs

Drug costs were assumed to increase at 10.5% per annum in 2011, grading down to 4.5 % in 2026.

(d) Other medical & vision/hearing care

Other medical & vision/hearing care costs were assumed to increase at 4.5% per annum.

(e) Dental costs

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

9. Pension plan costs:

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

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filled with pension regulators as at January 1, 2012 indicated an actuarial surplus of $154 million, The College made contributions to the Plan and its associated retirement compensation arrangement of $11,504,000 (2011 - $11,381,000) which has been included in the statement of operations.

10. Obligations under leases:

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

	Operating leases
Year ending March 31:	
2013	4,586,658
2014	4,163,732
2015	3,981,108
2016	4,039,821
2017	4,081,801
and thereafter	20,925,622
Total minimum lease payments	$ 41,778,742

During the 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. Total rental payments for the initial construction and occupancy period of 2009 to 2013 is $607,334, escalating to an annual payment of $587,145 in 2014 with a 3% annual increase for the first rental period ending 2031. Rental payments for each period after 2031 will be reset based on the then FMV of the land, based on its unimproved value and its intended educational use and tied to the CPI.

Effective December 21, 2003, the College entered into a lease agreement in connection with its joint venture (Note 2) to lease certain facilities for an initial term of twenty (20) years, with an option to extend the lease for five (5) successive terms of twenty years each. During the period from the lease commencement date to August 31, 2014, annual lease payments under this agreement are $155,000 per annum for "grade level facilities" and $2 per square foot for "above grade premises". Rent escalation is tied to CPI and is provided for during the period September 1, 2014 to February 29, 2024.

10. Obligations under leases (continued):

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

11. 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.

	2012	2011
Balance, beginning of year	$ 5,423,741	$ 3,792,155
Contributions received	7,068,770	9,060,246
Less amount recognized as revenue	(6,771,781)	(7,428,660)
Balance, end of year	$ 5,720,730	$ 5,423,741

(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.

	2012	2011
Balance, beginning of year	$ 204,282,445	$ 149,137,320
Contributions received	9,345,088	59,971,988
Less amounts amortized to revenue	(4,582,418)	(4,826,863)
Balance, end of year	$ 209,045,115	$ 204,282,445

11. Deferred contributions (continued):

(b) Capital assets (continued):

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

	2012	2011
Unamortized capital contributions used		
to purchase capital assets	$ 199,869,642	$ 147,500,924
to finance building under capital lease	6,471,638	6,671,063
Unspent contributions	2,703,835	50,110,458
	$ 209,045,115	$ 204,282,445

12. Internally imposed restrictions:

The Board of Governors, on June 6, 2012, approved the transfer of $19,000,000 from internally restricted funds to unrestricted funds, and the following allocations in 2012 internally restricted funds.

	2012	2011
General contingency	$ 14,000,000	$ 13,000,000
Strategic initiatives	2,000,000	2,000,000
Capital projects	30,000,000	50,000,000
	$ 46,000,000	$ 65,000,000

13. Investment in capital assets:

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

	2012	2011
Capital assets	$ 328,227,573	$ 233,020,634
Amounts financed by:		
Deferred contributions	(206,341,280)	(154,171,987)
	$ 121,886,293	$ 78,848,647

13. Invested in capital assets (continued):

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

	2012	2011
Deficiency of revenue over expenditures:		
Amortization of deferred contributions related to capital assets	$ 4,582,418	$ 4,826,863
Less amortization of capital assets	(10,600,212)	(10,919,220)
	$ (6,017,794)	$ (6,092,357)
Net change in investment in capital assets:		
Purchase of capital assets	$ 105,807,151	$ 56,997,085
Amounts funded by:		
Deferred contributions	(56,751,711)	(45,264,733)
Repayment of capital leases	-	5,663
	$ 49,055,440	$ 11,738,015

14. Commitments and contingent liabilities:

(a) Litigation:

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

(b) Loan Guarantee for Casa Loma Centre:

The College has guaranteed a non-revolving term credit facility of $3.6 million for the Student Association of George Brown College to finance construction of a 24,000 square foot Student Centre. This loan obligation has been assumed by the Student Association.

(c) Letter of credit:

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

14. Commitments and contingent liabilities (continued):

(d) Construction contracts:

The College has entered into contracts for the design and construction work in the amount of approximately $143 million relating to a new campus approved under the Provincial Capital Support and the Canada-Ontario Knowledge Infrastructure Programs. As at March 31, 2012 progress billings in the amount of $138 million have been recorded in the account.

(e) Purchase commitments:

The College has entered into an agreement to purchase real property for the purposes of establishing a student residence for $40 million. The College has made a deposit of $400,000 relating the project and must make a second deposit of $1.6 million on January 2, 2014 with the remainder becoming payable within 30 days of substantial completion of retrofit work done to renovate the property for the College's purposes. Upon substantial completion of the retrofit work, the ownership of the property will transfer to the College. The current estimate of substantial completion is March 15, 2016.

15. Waterfront Campus development:

During the prior year, the College signed a 100 year land lease agreement with the City of Toronto at the East Bayfront. The College has also entered into an agreement with Waterfront Toronto in connection with constructing a new campus on the City-owned land, consisting of a 380,000 square feet Centre for the Health Sciences and cost sharing of a below-grade garage. As of March 31st, 2012, $18.88 million has been received from Waterfront Toronto for their share of the garage construction and an additional progress billing of $1,760,284 is included in accounts receivable.

16. 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 for endowments are OSOTF trust funds in the amount of $ 3,069,864 (2011 - $3,069,864), and OTSS trust funds of $ 9,943,402 (2011 - $8,797,799).

---

17. 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, 2012, the Foundation provided $ 816,800 (2011 - $357,248) directly to the College comprising of $588,608 for various projects, $ nil for capital initiatives and $228,192 for student scholarships and awards (2011 - $27,716, $123,545 and $205,987 respectively).

The Foundation’s primary goal is to raise funds for the College’s capital initiatives and programs and for student awards. The College provided the Foundation with financial support during the year ended March 31, 2012 of $1,003,889 (2011 - $476,780) for operations and $1,739,229 (2011 - $610,200) for fundraising projects and expenses.

During the year, the College transferred $12,145,777 in cash representing endowment principal. Pursuant to an agreement between the College and the Foundation, the Foundation is to hold the endowment funds in a custodial capacity with all investment income attributable to the endowment being owed to the College. The Foundation holds cash received by the College for government endowment matching programs as described in Note 16. Any funds held by the Foundation on behalf of the College are held in accounts separate from other assets of the Foundation.

Included in accounts receivable is an amount of $ 12,695,407 (2011 - $152,229) receivable from the Foundation.

Included in accounts payable is an amount of $685,780 (2011 - $ nil) payable to the Foundation.

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

(b) Student Association Centre:

Pursuant to an agreement dated in 2001, the College leases a portion of its facilities to the student body for use as a student centre. The agreement is for a term of 49 years with nominal rental to be paid at $1.00 per year.

18. Consolidated statement of cash flows

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

	2012	2011
Grants receivable	$ 693,251	$ 4,535,803
Accounts receivable	15,432,246	(20,091,223)
Inventories	(128,644)	146,683
Prepaid expenses	242,993	(490,227)
Accounts payable and accrued liabilities	20,520,969	(851,198)
Deferred revenue	766,262	(315,044)
	$ 37,527,077	$ (17,065,206)

19. Guarantees:

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

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

(b) Indemnity has been provided to all directors and or officers of the College for various items including, but not limited to, all costs to settle suits or actions due to association with the College, subject to certain restrictions. The College has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the College. The maximum amount of any potential future payment cannot be reasonably estimated.

(c) In the normal course of business, the College has entered into agreements that include indemnities in favour of third parties, such as student work placement agreements. These indemnification agreements may require the College to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

19. Guarantees (continued):

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.

20. City of Toronto daycare subsidies:

During the March 31, 2012 fiscal year, the College recorded wage subsidies totaling $475,864 (2011 - $475,864), wage improvement subsidies totaling $31,912 (2011 - $31,912) and Special Needs grants totaling $152,909 (2011 - $145,817) from the City of Toronto.

21. Capital management:

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

Net assets:

The College operations are reliant on revenues generated annually. The College has accumulated net assets to March 31, 2012 of approximately $166,586,743 (2011 - $141,544,543) 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 12.

A further portion represents financial resources which are subject to external restrictions. The College manages an endowment fund of approximately $13,216,624 (2011 - $12,097,021) with conditions stipulated in contribution agreements concerning the use of the funds and related income. Management believes that the College has complied with the requirements of these restricted funds.

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

Deferred capital contributions:

Capital grants and capital donations are treated as deferred capital contributions and amortized over the life of the related capital assets. Management believes that as at March 31, 2012, the College was in compliance with all restrictions applicable to these funding sources.

22. Comparative figures:

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

THE GEORGE BROWN COLLEGE
OF APPLIED ARTS AND TECHNOLOGY

Schedule 1 - Consolidated Analysis of Revenue

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Grants and reimbursements :		
General Purpose Operating	$ 85,424,601	$ 85,258,602
Enrolment Growth	12,868,584	10,443,344
Students With Disabilities	4,463,447	4,013,237
Apprenticeship	3,923,745	4,017,565
Collaborative Nursing	4,195,103	4,337,080
Literacy Basic Skills	3,372,594	3,857,707
Second Career	2,908,145	3,466,496
Other grants and reimbursements	10,650,703	11,394,609
	127,806,922	126,788,640
Tuition and other student fees :		
Full-time - Domestic	59,890,590	56,403,043
Part-time - Domestic	15,986,215	16,382,786
International	31,886,866	27,509,477
Other	1,751,774	1,578,912
	109,515,445	101,874,218
Ancillary :		
Bookstore sales	9,040,359	9,605,014
Daycare	6,387,622	6,525,806
Other ancillary	1,904,775	2,010,989
	17,332,756	18,141,809
Other :		
Special projects	1,646,967	1,606,475
Miscellaneous	11,785,504	9,249,009
	13,432,471	10,855,484
Amortization of deferred contributions :		
Capital assets	4,582,418	4,826,863
Expenses of future periods	6,771,781	7,428,660
	11,354,199	12,255,523
	$ 279,441,793	$ 269,915,674