

GEORGE BROWN COLLEGE



Main Entrance

St. James Campus
200 King St. E.



The George Brown College of
Applied Arts and Technology
Financial Statements
for the year ended March 31st, 2019



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



Vice President, Corporate Services

May 30, 2019

Independent Auditor's Report

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

Opinion

We have audited the financial statements of The George Brown College of Applied Arts and Technology (the "College"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets, cash flows and remeasurement gains and losses for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2019, and the results of its operations, its cash flows, and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP


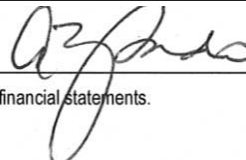
BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario
June 12, 2019

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

March 31	2019	2018
Assets		
Current		
Cash (Note 2)	\$ 178,550	\$ 121,605
Short-term investments (Notes 2 & 3)	29,046	28,223
Grants receivable	353	3,621
Accounts receivable	29,256	30,110
Inventories	1,762	2,363
Prepaid expenses	3,422	3,522
	242,389	189,444
Deposits (Note 5)	393	32,467
Investments held by George Brown College Foundation (Notes 15 & 16)	13,433	13,532
Investment in GBSP Centre Corp. (Note 4)	5,473	5,458
Capital assets (Note 5)	500,961	441,789
	\$ 762,649	\$ 682,690
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 81,562	\$ 52,642
Vacation payable	11,426	10,855
Current portion of long-term debt (Note 7)	6,963	6,023
Deferred revenue (Note 6 (a))	46,915	52,841
Deferred contributions - expenses of future periods (Note 10 (a))	18,889	17,692
	165,755	140,053
Liability for contaminated site (Note 14)	806	806
Post employment benefits and compensated absences (Note 8)	8,892	9,058
Long-term debt (Note 7)	67,175	44,743
Deferred revenue (Note 6 (b))	3,937	3,979
	80,810	58,586
Deferred contributions - capital assets (Note 10 (b))	243,181	242,851
	323,991	301,437
	489,746	441,490
Net Assets		
Operating	17	18
Post employment benefits and compensated absences (Note 8)	(8,892)	(9,058)
Vacation pay	(11,426)	(10,855)
	(20,301)	(19,895)
Unrestricted	84,710	77,800
Internally restricted (Note 11)	195,433	170,683
Investment in capital assets (Note 12)	13,177	13,177
Restricted for endowments (Note 15)	273,019	241,765
	(116)	(565)
Accumulated remeasurement losses	272,903	241,200
	\$ 762,649	\$ 682,690

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	2019	2018
Revenue		
Grants and reimbursements	\$ 145,982	\$ 138,664
Tuition and other student fees	224,575	182,273
Ancillary	33,538	31,186
Other	17,929	14,065
Amortization of deferred contributions related to capital assets	10,885	11,144
	432,909	377,332
Expenses		
Salaries and benefits	247,541	215,329
Services	38,667	34,668
Rental, utilities and maintenance	32,713	28,013
Supplies and minor equipment	23,112	18,049
Ancillary (other than salaries and benefits)	16,398	15,820
Other expenses	10,679	9,181
Scholarships, bursaries and grants	6,943	7,551
Amortization of capital assets	25,602	24,717
	401,655	353,328
Excess of revenue over expenses for the year	\$ 31,254	\$ 24,004

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, 2019				
	Invested in capital assets	Restricted for endowments	Unrestricted	Internally Restricted	Total
Balance , beginning of year	\$ 170,683	\$ 13,177	\$ (19,895)	\$ 77,800	\$ 241,765
Excess of (expenses over revenue) revenue over expenses (Note 12 (b))	(14,717)	-	45,971	-	31,254
Capital assets additions financed by college funds (Note 12 (b))	39,467	-	(39,467)	-	-
Internally imposed restrictions (Note 11)	-	-	(6,910)	6,910	-
Balance , end of year	\$ 195,433	\$ 13,177	\$ (20,301)	\$ 84,710	\$ 273,019

	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

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	2019	2018
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 31,254	\$ 24,004
Adjustments required to reconcile excess of revenue over expenses with net cash provided by operating activities		
Amortization of capital assets	25,602	24,717
Amortization of deferred contributions related to capital assets	(10,885)	(11,144)
Change in non-cash operating working capital (Note 17)	29,543	21,551
Accrual for post employment benefits and compensated absences	(166)	(485)
Change in interest in GBSP (Note 4)	(15)	31
	75,333	58,674
Investing activities		
Repayment to George Brown College Foundation	99	24
Change in of short-term investments - net	(823)	143
Change in accumulated remeasurement losses	449	(532)
Deposits	32,074	(10,286)
	31,799	(10,651)
Financing activities		
Repayment of long-term debt	(6,628)	(5,961)
Advances of long-term debt	30,000	-
	23,372	(5,961)
Capital activities		
Deferred contributions received related to capital assets	11,215	20,016
Addition of capital assets	(84,774)	(22,088)
	(73,559)	(2,072)
Increase in cash during the year	56,945	39,990
Cash, beginning of year	121,605	81,615
Cash, end of year	\$ 178,550	\$ 121,605

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	2019	2018
Accumulated remeasurement losses, beginning of year	<u>\$ (565)</u>	<u>\$ (33)</u>
Unrealized gains (losses) attributable to:		
Unrestricted short-term investments	268	(578)
Amounts reclassified to the statement of operations:		
Realized losses on short-term investments	<u>181</u>	<u>46</u>
Net remeasurement gains (losses) for the year	<u>449</u>	<u>(532)</u>
Accumulated remeasurement losses, end of year	<u>\$ (116)</u>	<u>\$ (565)</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, 2019

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, 2019

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, 2019

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. 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
Computer equipment	3 years
Other equipment	5 years

Work in progress is unamortized until the construction is complete and the asset is in use.

- (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, 2019

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, 2019

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:

	2019	2018
Cash	\$ 178,550	\$ 121,605
Short-term investments (Note 3)	29,046	28,223
Total cash and investments	207,596	149,828
Less amounts related to:		
Endowments - externally restricted, not including receivables from the Foundation (Note 15)	154	154
Deferred contributions (Note 10(a))	18,889	17,692
Unspent deferred capital contributions (note 12(a))	11,791	22,511
	\$ 176,762	\$ 109,471

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 earn interest at rates ranging from 0.75% to 4.50% (2018 – 0.75% to 4.00%), and have maturities ranging from October 2019 to June 2024. As of March 31, 2019, the fair value of the bond portfolio was \$29,046 (2018 - \$28,223).

	2019	2018
Interest income	\$ 626	\$ 498
Realized capital losses	(181)	(46)
Unrealized capital gains (losses)	449	(578)

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

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

March 31, 2019

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, 2018 to March 31, 2019 has been included in these financial statements using the modified equity method. The College's 50% interest in the joint venture is summarized below:

	2019	2018
Current assets	\$ 334	\$ 434
Capital assets	5,145	5,251
Current liabilities	(423)	(476)
Deferred contributions	(5,092)	(5,258)
Net liabilities	\$ (36)	\$ (49)
Revenue	\$ 1,727	\$ 1,728
Expenses	(1,712)	(1,759)
Excess (deficiency) of revenue over expenses	\$ 15	\$ (31)
Cash flows provided by operating activities	\$ 233	\$ 126
Cash flows used in financing activities	(166)	(161)
Cash flows used in investing activities	(201)	111
Net cash (outflow) inflow	\$ (134)	\$ 76

The College's 50% equity share of the excess (deficiency) of revenue over expenses of GBSP Centre Corp. from April 1, 2018 to March 31, 2019 has been included in other expenses.

During the year, the College paid rent of \$272 (2018 - \$265) and made contributions of \$563 (2018 - \$539) 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, 2019, 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, 2019

5. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 21,459	\$ -	\$ 21,459	\$ -
Artwork	99	-	72	-
Buildings and improvements	606,129	163,853	536,595	149,338
Building under capital lease	10,110	3,502	10,110	3,296
Work in progress	5,225	-	731	-
Leasehold improvements	11,688	4,346	11,688	3,364
Computer equipment	56,849	53,532	55,060	49,926
Other equipment	93,103	78,468	84,693	72,695
	\$ 804,662	\$ 303,701	\$ 720,408	\$ 278,619
Net book value		\$ 500,961		\$ 441,789

During the year, the College finalized the purchase of 111,000 square feet in a building constructed by Daniels Corporation with a purchase price of \$45,547. Prepaid deposits of \$32,076 made in fiscal 2018 were applied against the purchase price with the remaining \$13,417 paid at the closing date, May 14, 2018. During fiscal 2019, \$22,544 was spent to fit out the space and the project was substantially complete in January 2019. As at the date of completion, a total of \$68,037 was capitalized in buildings and improvements.

In fiscal 2017, the College started a tall wood building project (The Arbour Project) to provide additional instructional space at its Waterfront Campus. The College recognized construction in progress for pre-construction design valued at \$4,062 in fiscal year 2019. The project is anticipated to be completed in fiscal year 2023.

6. Deferred Revenue

a) Current deferred revenue consists of:

	2019		2018	
Tuition fees	\$ 44,112	\$ 50,221		
Other	2,803	2,620		
	\$ 46,915	\$ 52,841		

b) Long-term deferred revenue:

On March 31, 2017, 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 99 years ending in 2111, which is consistent with the ground lease. The remaining deferred revenue of \$3,937 (2018 - \$3,979) 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, 2019

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.

In 2019 the College received a \$30,000 loan from the Ontario Financing Authority (OFA) for the Daniel's building. The loan, referred to as OFA 3, 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 future principal repayments are as follows:

	Waterfront OFA 1	Student Residence OFA 2	Daniel's OFA 3	Total
2020	\$ 5,337	\$ 860	\$ 766	\$ 6,963
2021	1,355	910	789	3,054
2022	-	963	819	1,782
2023	-	1,020	850	1,870
2024	-	1,079	878	1,957
Thereafter	-	33,219	25,293	58,512
	6,692	38,051	29,395	74,138
Less: current portion	5,337	860	766	6,963
	\$ 1,355	\$ 37,191	\$ 28,629	\$ 67,175

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

March 31, 2019

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.

	2019			
	Post- employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 1,958	\$ 6,592	\$ 754	\$ 9,304
Value of plan assets	(364)	-	-	(364)
Unamortized actuarial gains (losses)	101	(393)	244	(48)
Total liability	\$ 1,695	\$ 6,199	\$ 998	\$ 8,892

	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

	2019			
	Post- employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Current year benefit cost	\$ 91	\$ 338	\$ 32	\$ 461
Interest on accrued benefit obligation	5	169	22	196
Amortized actuarial (gains) losses	(15)	(24)	2	(37)
Total expense	\$ 81	\$ 483	\$ 56	\$ 620

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

	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

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

All full-time employees of the College, and any part-time employees of the College who opt to participate 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, 2019 indicated an actuarial surplus of \$2,618,300 (2018 - \$2,269,000). The College made contributions to the Plan and its associated retirement compensation arrangement of \$18,130 (2018 - \$16,299) which has been included in salaries and benefits in the statement of operations.

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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, 2019 was determined using a discount rate of 2.2% (2018 – 2.6%), while the 2019 period expense was calculated using a discount rate 2.6% (2018 – 2.0%).

(b) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.0% per annum (2018 – 4.0%). Medical premium increases were assumed to increase at 6.8% per annum in 2018 and decrease proportionately thereafter to an ultimate rate of 4.0% in 2040.

(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 2040.

(d) Dental costs

Dental costs were assumed to increase at 4.0% per annum (2018 – 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:

	2019	2018
Wage and salary escalation		
Academic	1.5% - 2.0%	1.5% - 2.0%
Support	0.5% - 1.5%	0.5% - 1.5%
Discount rate used to calculate:		
Present value of future benefits	2.2%	2.6%
2019 period expense	2.6%	2.0%

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:

2020	\$	5,686
2021		5,446
2022		5,572
2023		5,479
2024		5,447
Thereafter		<u>16,832</u>
	\$	<u>44,462</u>

Effective December 16, 2010, 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.

Effective July 30, 2001, 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.

	2019	2018
Balance, beginning of year	\$ 17,692	\$ 15,672
Contributions received	26,240	24,094
Less amount recognized as revenue	(25,043)	(22,074)
Balance, end of year	\$ 18,889	\$ 17,692

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.

	2019	2018
Balance, beginning of year	\$ 242,851	\$ 233,979
Contributions received	11,215	20,016
Less amounts amortized to revenue	(10,885)	(11,144)
Balance, end of year	\$ 243,181	\$ 242,851

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

	2019	2018
Unamortized capital contributions used:		
to purchase capital assets	\$ 225,008	\$ 213,758
to finance building under capital lease	6,382	6,582
	231,390	220,340
Unspent contributions	11,791	22,511
	\$ 243,181	\$ 242,851

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11. Internally Imposed Restrictions

The Board of Governors, effective March 31, 2019, approved the transfer of \$6,910 (2018 - \$18,300) from unrestricted funds to internally restricted funds and the following allocations in 2019 internally restricted funds. This appropriation will provide additional funding to deliver the master campus plan.

	2019	2018
General contingency	\$ 18,000	\$ 18,000
Committed capital projects	66,710	59,800
	\$ 84,710	\$ 77,800

12. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2019	2018
Capital assets	\$ 500,961	\$ 441,789
Amounts financed by:		
Deferred contributions	(243,181)	(242,851)
Unspent deferred capital contributions	11,791	22,511
	(231,390)	(220,340)
Financed by long term debt	(74,138)	(50,766)
	\$ 195,433	\$ 170,683

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

	2019	2018
Deficiency of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 10,885	\$ 11,144
Less amortization of capital assets	(25,602)	(24,717)
	\$ (14,717)	\$ (13,573)
Purchase of capital assets	\$ 84,774	\$ 22,088
Amounts funded by:		
Deferred contributions	(21,935)	(9,385)
Long term debt	(23,372)	5,853
	39,467	18,556
	\$ 24,750	\$ 4,983

The George Brown College of Applied Arts and Technology
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13. Commitments and Contingent Liabilities

a) Litigation:

The College has been named as a defendant in several litigations 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 to provide the Toronto Transit Commission (TTC) a guarantee of the obligations of the Student Association pursuant to the TTC agreement.

14. Liability for Contaminated Site

The College had previously recognized a liability for contaminated site of \$806, the estimate 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 (2018 - \$3,070), and OTSS trust funds of \$9,953 (2018 - \$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, 2019 were \$24,712 (2018 - \$22,654), consisting of:

	2019	2018
Restricted endowments	\$ 15,523	\$ 14,663
Restricted capital projects	5,044	4,230
Restricted scholarships and other projects	3,144	2,448
Unrestricted	1,001	1,313
	\$ 24,712	\$ 22,654

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 \$1,250 (2018 – \$1,000) 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 \$13,433 (2018 - \$13,532) are GICs maturing on April 23, 2019 bearing interest at 2.46% (2018 - 1.80% and 1.85%). The investments held by the Foundation consists of endowment net assets of \$13,023 (2018 - \$13,023) and unspent interest income of \$410 (2018 - \$509) recorded as deferred contributions. Interest of \$319 (2018 - \$222) was earned on the investments held by the Foundation. \$418 (2018 - \$203) was used to provide scholarships to College students provided from the opening unspent interest balance plus interest earned in the current year.

During the year, the Foundation provided \$2,735 (2018 - \$1,915) to the College comprised of \$784 for various projects, \$410 for capital initiatives and \$1,541 for student scholarships and awards (2018 - \$722, \$nil and \$1,193 respectively).

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>2019</u>	<u>2018</u>
Grants receivable	\$ 3,268	\$ (3,175)
Accounts receivable	854	(375)
Inventories	601	709
Prepaid expenses	100	(774)
Accounts payable and accrued liabilities	28,920	10,036
Vacation payable	571	(325)
Deferred revenue	(5,968)	13,435
Deferred contributions - expenses of future periods	1,197	2,020
	<u>\$ 29,543</u>	<u>\$ 21,551</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, 2019 fiscal year, the College recorded wage subsidies totaling \$1,412 (2018 - \$887), Special Needs grants totaling \$210 (2018 - \$192), Special Needs One-on-One grants totaling \$35 (2018 - \$20) 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.

	2019		
	Fair Value	Amortized Cost	Total
Cash	\$ 178,550	\$ -	\$ 178,550
Short-term investments	29,046	-	29,046
Grants receivable	-	353	353
Accounts receivable	-	29,256	29,256
Investments held by George Brown College Foundation	-	13,433	13,433
Accounts payable and accrued liabilities	-	81,562	81,562
Long-term debt	-	74,138	74,138

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)

	2019			
	Level 1	Level 2	Level 3	Total
Cash	\$ 178,550	\$ -	\$ -	\$ 178,550
Short-term investments	-	29,046	-	29,046
	\$ 178,550	\$ 29,046	\$ -	\$ 207,596

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2019. 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 (2018 - \$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:

		2019					
		Total	Current	31 - 60 days	61 - 90 days	91 - 120 days	Over 121 days
Government receivables	\$ 353	\$ 4,248	\$ -	\$ -	\$ -	\$ -	
Student receivables	22,248	7,638	5,624	1,621	2,431	4,934	
Other receivables	11,627	7,183	112	37	1	399	
Gross receivables	34,228	19,069	5,736	1,658	2,432	5,333	
Less: impairment allowance	(4,619)	-	-	(462)	(924)	(3,233)	
Net receivables	\$ 29,609	\$ 19,069	\$ 5,736	\$ 1,196	\$ 1,508	\$ 2,100	
		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	

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, 2019, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of bonds of \$761.

At March 31, 2019, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of GICs (custodied by the George Brown College Foundation) of \$126.

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:

	2019		
	Within 1 year	1 - 5 years	Over 5 years
Accounts payable and accrued liabilities	\$ 81,562	\$ -	\$ -
Long-term debt	6,963	10,619	56,565
Liability for contaminated site	-	806	-
	\$ 88,525	\$ 11,425	\$ 56,565

Maturity profile of bonds held is as follows:

	2019		
	Within 1 year	1 - 5 years	Total
Carrying value	\$ 485	\$ 28,561	\$ 29,046
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.