



The George Brown College of Applied Arts and Technology

Financial Statements
For the year ended March 31, 2017



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

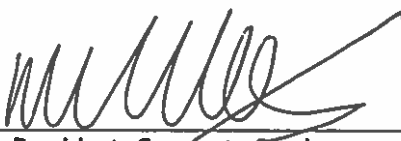
The Audit Committee is appointed by the Board of Governors and meets regularly with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging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

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



College President

June 7, 2017



Vice President, Corporate Services

Independent Auditor's Report

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

We have audited the accompanying financial statements of The George Brown College of Applied Arts and Technology, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets, cash flows and remeasurement gains and losses for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The George Brown College of Applied Arts and Technology as at March 31, 2017, and the results of its operations, cash flows, and remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

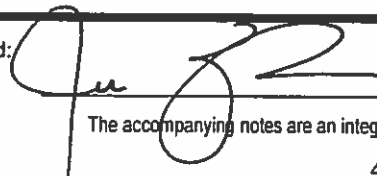
Chartered Professional Accountants, Licensed Public Accountants

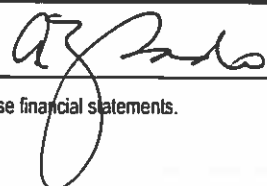
Mississauga, Ontario
June 7, 2017

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

March 31	2017	2016
Assets		
Current		
Cash (Note 2)	\$ 81,615	\$ 78,324
Short-term investments (Notes 2 & 3)	28,366	28,227
Grants receivable	446	911
Accounts receivable	29,735	19,390
Inventories	3,072	2,847
Prepaid expenses	2,748	1,647
	<u>145,982</u>	<u>131,346</u>
Deposits (Note 13 (c))	22,181	10,628
Investments held by George Brown College Foundation (Notes 15 & 16)	13,556	13,509
Investment in GBSP Centre Corp. (Note 4)	5,489	5,506
Capital assets (Note 5)	<u>444,418</u>	<u>375,444</u>
	<u>\$ 631,626</u>	<u>\$ 536,433</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 53,786	\$ 48,221
Current portion of long-term debt (Note 7)	5,961	5,072
Deferred revenue (Note 6 (a))	39,364	31,175
Deferred contributions - expenses of future periods (Note 10 (a))	<u>15,672</u>	<u>14,488</u>
	<u>114,783</u>	<u>98,956</u>
Liability for contaminated site (Note 14)	806	806
Post employment benefits and compensated absences (Note 8)	9,543	9,661
Long-term debt (Note 7)	50,766	17,096
Deferred revenue (Note 6 (b))	<u>4,021</u>	<u>-</u>
	<u>65,136</u>	<u>27,563</u>
Deferred contributions - capital assets (Note 10 (b))	<u>233,979</u>	<u>215,037</u>
	<u>299,115</u>	<u>242,600</u>
	<u>413,898</u>	<u>341,556</u>
Net Assets		
Operating	107	136
Post employment benefits and compensated absences (Note 8)	(9,543)	(9,661)
Vacation pay	<u>(11,180)</u>	<u>(10,879)</u>
	<u>(20,616)</u>	<u>(20,404)</u>
Internally restricted (Note 11)	59,500	60,000
Investment in capital assets (Note 12)	165,700	142,086
Restricted for endowments (Note 15)	<u>13,177</u>	<u>13,177</u>
	<u>217,761</u>	<u>194,859</u>
Accumulated remeasurement (losses) gains	<u>(33)</u>	<u>18</u>
	<u>217,728</u>	<u>194,877</u>
	<u>\$ 631,626</u>	<u>\$ 536,433</u>

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	2017	2016
Revenue		
Grants and reimbursements	\$ 136,566	\$ 131,669
Tuition and other student fees	175,545	161,561
Ancillary	28,613	22,735
Other	11,599	11,598
Amortization of deferred contributions related to capital assets	9,596	8,813
	361,919	336,376
Expenses		
Salaries and benefits	214,620	207,288
Services	33,473	30,695
Rental, utilities and maintenance	26,632	23,375
Supplies and minor equipment	17,846	18,263
Other expenses	11,682	8,900
Ancillary (other than salaries and benefits)	10,510	10,410
Scholarships, bursaries and grants	7,317	7,785
Amortization of capital assets	24,900	21,349
	346,980	328,065
Excess of revenue over expenses for the year	\$ 14,939	\$ 8,311

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, 2017				
	Invested in capital assets	Restricted for endowments	Unrestricted	Internally Restricted	Total
Balance , beginning of year	\$ 142,086	\$ 13,177	\$ (20,404)	\$ 60,000	\$ 194,859
Excess of (expenses over revenue) revenue over expenses (Note 12 (b))	(15,304)	-	30,243	-	14,939
Donation from George Brown College Foundation for purchase of land (Note 16)	7,963	-	-	-	7,963
Capital assets additions financed by college funds (Note 12 (b))	30,955	-	(30,955)	-	-
Internally imposed restrictions (Note 11)	-	-	500	(500)	-
Balance , end of year	\$ 165,700	\$ 13,177	\$ (20,616)	\$ 59,500	\$ 217,761

	March 31, 2016				
	Invested in capital assets	Restricted for endowments	Unrestricted	Internally Restricted	Total
Balance, beginning of year	\$ 131,309	\$ 13,177	\$ (19,538)	\$ 61,600	\$ 186,548
Excess of (expenses over revenue) revenue over expenses (Note 12 (b))	(12,536)	-	20,847	-	8,311
Capital assets additions financed by college funds (Note 12 (b))	23,313	-	(23,313)	-	-
Internally imposed restrictions (Note 11)	-	-	1,600	(1,600)	-
Balance , end of year	\$ 142,086	\$ 13,177	\$ (20,404)	\$ 60,000	\$ 194,859

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	2017	2016
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Cash provided by (used in)

Operating activities

Excess of revenue over expenses for the year	\$ 14,939	\$ 8,311
Adjustments required to reconcile excess of revenues over expenses with net cash provided by operating activities		
Amortization of capital assets	24,900	21,349
Amortization of deferred contributions related to capital assets	(9,596)	(8,813)
Change in accumulated remeasurement losses	(51)	21
Change in non-cash operating working capital (Note 17)	7,751	(877)
Accrual for post employment benefits and compensated absences	(118)	(202)
Change in interest in GBSP (Note 4)	17	5
	37,842	19,794

Investing activities

Advances to George Brown College Foundation	(47)	(33)
Purchase of short-term investments - net	(139)	(243)
Deposits	(11,553)	(8,180)
	(11,739)	(8,456)

Financing activities

Repayment of long-term debt	(5,441)	(4,954)
Advances of long-term debt	40,000	-
	34,559	(4,954)

Capital activities

Deferred contributions received related to capital assets	28,538	9,248
Purchase of capital assets	(93,872)	(28,378)
Donation from GBC Foundation	7,963	-
	(57,371)	(19,130)

Increase (decrease) in cash during the year	3,291	(12,746)
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Cash, beginning of year	78,324	91,070
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Cash, end of year	\$ 81,615	\$ 78,324
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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	2017	2016
Accumulated remeasurement gains (losses), beginning of year	<u>\$ 18</u>	<u>\$ (3)</u>
Unrealized losses attributable to:		
Unrestricted short-term investments	(260)	(245)
Amounts reclassified to the statement of operations:		
Realized losses on short-term investments	<u>209</u>	<u>266</u>
Net remeasurement (losses) gains for the year	<u>(51)</u>	<u>21</u>
Accumulated remeasurement (losses) gains, end of year	<u>\$ (33)</u>	<u>\$ 18</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, 2017

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.

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

b) Financial instruments:

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

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

March 31, 2017

1. Significant Accounting Policies (continued)

(i) Fair value

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

They are initially recognized at 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, receivable from George Brown College Foundation, accounts payable and accrued liabilities, liability for contaminated site, 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.

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.

The George Brown College of Applied Arts and Technology

Notes to Financial Statements

(expressed in thousands of dollars)

March 31, 2017

1. Significant Accounting Policies (continued)

d) Investment in GBSP Centre Corp.:

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

e) Capital assets:

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

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

Buildings and improvements	40 years
Building under capital lease	49 years
Leasehold improvements	10 to 13 years
Other equipment	5 years
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.

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, 2017

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.

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

March 31, 2017

1. Significant Accounting Policies (continued)

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 expenditures during the year. Actual results could differ from these estimates. Areas of key estimation include determination of fair value for short term investments, deferred revenue, allowance for doubtful accounts, capital asset amortization, amortization of deferred capital contributions, and actuarial estimation of post-employment benefits and compensated absences liabilities.

j) Public sector salary disclosure act:

The Public Sector Salary Disclosure Act, 1996 (the "Act") requires the disclosure of salaries and benefits of employees in the public sector who are paid a salary of \$100 or more in a year. The College complies with this Act by providing the information to the Ministry of Advanced Education and Skills Development (MAESD) for disclosure on the public website.

The George Brown College of Applied Arts and Technology

Notes to Financial Statements

(expressed in thousands of dollars)

March 31, 2017

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:

	<u>2017</u>	<u>2016</u>
Cash	\$ 81,615	\$ 78,324
Short-term investments (Note 3)	28,366	28,227
Total cash and investments	109,981	106,551
Less amounts related to:		
Endowments - externally restricted, not including receivables from the Foundation (Note 15)	154	154
Deferred contributions (Note 10(a))	15,672	14,488
Unspent deferred capital contributions (note 12(a))	11,880	3,630
	\$ 82,275	\$ 88,279

3. Short-term Investments

Investments are comprised of a bond portfolio and are held with the College's investment management firm. Short-term investments carry current yields, ranging from 0.75% to 2.40% (2016 – 1.69% to 2.93%). As of March 31, 2017, the fair value of the bond portfolio was \$28,366 (2016 - \$28,227).

	<u>2017</u>	<u>2016</u>
Interest income	\$ 470	\$ 559
Realized capital losses	(209)	(266)
Net remeasurement (losses) gains	(51)	21

Interest income and realized capital losses are recorded as other revenue and other expenses, respectively, in the statement of operations. Unrealized capital (losses) gains 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, 2017

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, 2016 to March 31, 2017 has been included in these financial statements using the modified equity method. The College's 50% interest in the joint venture is summarized below:

	<u>2017</u>	<u>2016</u>
Current assets	\$ 383	\$ 559
Capital assets	5,367	5,518
Current liabilities	(367)	(847)
Deferred contributions	(5,419)	(5,249)
Net liabilities	<u>\$ (36)</u>	<u>\$ (19)</u>
Revenue	\$ 1,661	\$ 1,687
Expenses	(1,678)	(1,692)
Deficiency of revenue over expenses	<u>\$ (17)</u>	<u>\$ (5)</u>
Cash flows provided by (used in) operating activities	\$ (53)	\$ 196
Cash flows used in financing activities	(128)	(209)
Cash flows used in investing activities	(15)	(10)
Net cash (outflow) / inflow	<u>\$ (196)</u>	<u>\$ (23)</u>

The College's 50% equity share of the deficiency of revenue over expenses of GBSP Centre Corp. from April 1, 2016 to March 31, 2017 has been included in other expenses.

During the year, the College paid rent of \$264 (2016 - \$255) and made contributions of \$544 (2016 - \$553) 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 CICA Handbook Part III – Accounting Standards for Not-for-Profit Organizations. As such, there are differences between the accounting policies of the College under PSAB for Government NPO's and the Joint Venture under Part III of the CICA Handbook. Under the modified equity approach, the College makes no adjustment to the amounts disclosed or recognized in its financial statements for these differences. For the year ended March 31, 2017, 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, 2017

5. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 21,459	\$ -	\$ 21,459	\$ 2,324
Artwork	72	-	72	72
Building and improvements	523,600	136,543	387,057	340,432
Building under capital lease	10,110	3,089	7,021	7,227
Construction in progress	3,831	-	3,831	7,040
Work in progress equipment	232	-	232	1,025
Leasehold improvements	11,339	2,383	8,956	2,143
Computer equipment	49,977	44,534	5,443	4,829
Other equipment	77,814	67,467	10,347	10,352
	\$ 698,434	\$ 254,016	\$ 444,418	\$ 375,444

6. Deferred Revenue

a) Current deferred revenue consists of:

	2017	2016
Tuition fees	\$ 36,974	\$ 30,014
Other	2,390	1,161
	\$ 39,364	\$ 31,175

b) Long-term deferred revenue:

During the year, the College sold its purchased interest in a parking garage for proceeds of \$4,064. The proceeds will be recognized in the statement of operations over the term of the agreement which is consistent with the ground lease, as such, the amount 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, 2017

7. Long-term Debt

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

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

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

The future principal repayments are as follows:

	City of Toronto		OFA 1		OFA 2		Total
2018	\$	108	\$	5,085	\$	768	\$ 5,961
2019		-		5,210		813	6,023
2020		-		5,337		860	6,197
2021		-		1,355		910	2,265
2022		-		-		963	963
Thereafter		-		-		35,318	35,318
		108		16,987		39,632	56,727
Less: current portion		108		5,085		768	5,961
	\$	-	\$	11,902	\$	38,864	\$ 50,766

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

March 31, 2017

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.

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

	2016			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 2,017	\$ 4,188	\$ 938	\$ 7,143
Value of plan assets	(372)	-	-	(372)
Unamortized actuarial gains	225	2,172	493	2,890
Total liability	\$ 1,870	\$ 6,360	\$ 1,431	\$ 9,661

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

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

March 31, 2017

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

	2016			
	Post- employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Current year benefit cost	\$ 31	\$ 276	\$ 41	\$ 348
Interest on accrued benefit obligation	2	70	16	88
Amortized actuarial (gains) / losses	(9)	(89)	72	(26)
Total expense	\$ 24	\$ 257	\$ 129	\$ 410

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

Full-time employees of the College are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), which is a multi-employer jointly-sponsored defined benefit plan for eligible employees of public colleges and other employers in Ontario. Other than regular full-time employees may elect to join the Plan on or any time after their date of hire. 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, 2017 indicated an actuarial surplus of \$1,600,000 (2016 - \$1,200,000). The College made contributions to the Plan and its associated retirement compensation arrangement of \$16,340 (2016 - \$15,696) 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, 2017 was determined using a discount rate of 2.00% (2016 – 1.70%), while the 2017 period expense was calculated using a discount rate 1.70% (2016 – 1.60%).

(b) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.00% per annum (2016 – 4.00%). Medical premium increases were assumed to increase at 7.50% per annum in 2014 and decrease proportionately thereafter to an ultimate rate of 4.00% in 2034 (i.e. 6.98% in 2017).

(c) Drug costs

Drug costs increases were assumed to increase at a rate of 9.00% per annum in 2014 and decrease proportionately thereafter to an ultimate rate of 4.00% in 2034 (i.e. 8.25% in 2017).

(d) Dental costs

Dental costs were assumed to increase at 4.00% per annum (2016 – 4.00%).

Compensated absences

Vesting Sick Leave

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

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

(a) Discount rate

The present value as at March 31, 2017 of the future benefits were determined using a discount rate of 2.00% (2016 – 1.70%), while the 2017 period expense was calculated using a discount rate of 1.70% (2016 – 1.60%).

(b) Wage and salary escalation rates

Academic full-time and academic partial load salaries were assumed to increase at a rate between 1.5% to 1.8% per annum.

Support staff full-time salaries were assumed to increase at a rate between 0.5% to 1.5% per annum.

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 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 and equipment under various operating leases, until 2109. Future minimum annual lease payments are as follows:

2018	\$	6,025
2019		5,775
2020		5,394
2021		5,227
2022		5,353
Thereafter		<u>24,596</u>
	\$	<u>52,370</u>

In a prior year, the College entered into a 100 year land lease agreement with the City of Toronto in connection with constructing a new Centre for the Health Sciences. This agreement which expires in 2109 has an initial rental period of 23 years at which point the rent will be reset based on the then FMV 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.

In a prior year, the College entered into an agreement, as part of the Ontario Government Superbuild Program, with Ryerson Polytechnic University to lease additional premises at the Sally Horsfall Eaton Centre for a term of forty nine years, with related total capital lease payments over the lease period estimated at \$9,966. The premises are disclosed as "Building under capital lease" in Note 5. These capital lease payments were paid as at March 31, 2003, from Superbuild funding, fundraising and College funds. As a result, there is no related obligation under capital lease related to this facility.

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10. Deferred Contributions

a) Expenses of future periods:

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

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 14,488	\$ 13,451
Contributions received	24,597	23,649
Less amount recognized as revenue	<u>(23,413)</u>	<u>(22,612)</u>
Balance, end of year	<u>\$ 15,672</u>	<u>\$ 14,488</u>

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.

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 215,037	\$ 214,602
Contributions received	28,538	9,248
Less amounts amortized to revenue	<u>(9,596)</u>	<u>(8,813)</u>
Balance, end of year	<u>\$ 233,979</u>	<u>\$ 215,037</u>

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

	<u>2017</u>	<u>2016</u>
Unamortized capital contributions used:		
to purchase capital assets	\$ 215,318	\$ 204,427
to finance building under capital lease	6,781	6,980
Unspent contributions	<u>11,880</u>	<u>3,630</u>
	<u>\$ 233,979</u>	<u>\$ 215,037</u>

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11. Internally Imposed Restrictions

The Board of Governors, effective March 31st, 2017, approved the transfer of \$500 (2016 - \$1,600) from internally restricted funds to unrestricted funds, and the following allocations in 2017 internally restricted funds.

	<u>2017</u>	<u>2016</u>
General contingency	\$ 18,000	\$ 18,000
Capital projects	41,500	42,000
	<u>\$ 59,500</u>	<u>\$ 60,000</u>

12. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	<u>2017</u>	<u>2016</u>
Capital assets	\$ 444,418	\$ 375,444
Amounts financed by:		
Deferred contributions	(233,979)	(215,037)
Unspent deferred capital contributions	11,880	3,630
Financed by long term debt	(56,619)	(21,951)
	<u>\$ 165,700</u>	<u>\$ 142,086</u>

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

	<u>2017</u>	<u>2016</u>
Deficiency of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 9,596	\$ 8,813
Less amortization of capital assets	(24,900)	(21,349)
	<u>\$ (15,304)</u>	<u>\$ (12,536)</u>
Purchase of capital assets	\$ 93,872	\$ 28,378
Amounts funded by:		
Deferred contributions	(20,286)	(9,911)
Long term debt	(34,668)	4,846
	<u>38,918</u>	<u>23,313</u>
	<u>\$ 23,614</u>	<u>\$ 10,777</u>

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

b) Letter of credit:

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

c) Purchase commitments:

In 2016, the College signed an agreement with a developer to purchase real property for \$41,000 for the purposes of academic and office space. The College has made deposits totaling \$21,753 with the remainder becoming payable in the 2018 fiscal year.

14. Liability for Contaminated Site

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

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15. Net Assets Restricted for Endowments

Net assets restricted for endowments includes monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF") and the Ontario Trust for Student Support ("OTSS") matching programs to award student aid as a result of raising an equal amount of endowed donations. Included in the amount restricted for endowments are OSOTF trust funds in the amount of \$3,070 (2016 - \$3,070), and OTSS trust funds of \$9,953 (2016 - \$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, 2017 were \$20,958 (2016 - \$25,993), consisting of:

	<u>2017</u>	<u>2016</u>
Restricted endowments	\$ 13,804	\$ 11,980
Restricted capital projects	3,172	10,119
Restricted scholarships and other projects	2,254	2,337
Unrestricted	<u>1,728</u>	<u>1,557</u>
	<u>\$ 20,958</u>	<u>\$ 25,993</u>

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 \$1,450 (2016 - \$1,700) 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 \$13,521 are included in a GIC maturing on October 20, 2017 bearing interest at 1.53%. The investments held by the Foundation consist of endowment net assets of \$13,023 and unspent interest income of \$533 recorded as deferred contributions. Interest of \$208 (2016 - \$189) was earned on the investments held by the Foundation. Of this amount, \$196 (2016 - \$148) was used to provide scholarships to College students and the remaining amount of \$12 (2016 - \$41) has been included in deferred contributions – expenses of future periods.

During the year, the Foundation granted \$11,530 (2016 - \$2,120) to the College comprised of \$705 for various projects, \$9,000 for capital initiatives and \$1,825 for student scholarships and awards (2016 - \$225, \$750 and \$1,145 respectively). Included in the amount for capital initiatives is \$7,963 that was used to purchase land.

Included in accounts receivable is an amount of \$218 (2016 - \$Nil) receivable from the Foundation. The receivable is non-interest bearing and due on demand.

b) Student Association Centre:

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

17. Statement of Cash Flows

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

	2017	2016
Grants receivable	\$ 465	\$ 130
Accounts receivable	(10,345)	(4,314)
Inventories	(227)	(272)
Prepaid expenses	(1,101)	(134)
Accounts payable and accrued liabilities	5,565	(1,056)
Deferred revenue	12,210	3,732
Deferred contributions - expenses of future periods	1,184	1,037
	\$ 7,751	\$ (877)

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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 maximum amount of any potential future payment cannot be reasonably estimated.

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

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

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

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

19. City of Toronto Daycare Subsidies

During the March 31, 2017 fiscal year, the College recorded wage subsidies totaling \$536 (2016 - \$379), wage improvement subsidies totaling \$20 (2016 - \$28) and Special Needs grants totaling \$233 (2016 - \$177), Special Needs One-on-One grants \$20 (2016 - \$12) and Infant/Toddler Transition Grant \$6 (2016 - \$Nil) 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.

	2017		
	Fair Value	Amortized Cost	Total
Cash	\$ 81,615	\$ -	\$ 81,615
Short-term investments	28,366	-	28,366
Grants receivable	-	446	446
Accounts receivable	-	29,735	29,735
Receivable from George Brown College Foundation	-	13,556	13,556
Accounts payable and accrued liabilities	-	53,786	53,786
Liability for contaminated site	-	806	806
Long-term debt	-	56,727	56,727

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)

	2017			
	Level 1	Level 2	Level 3	Total
Cash	\$ 81,615	\$ -	\$ -	\$ 81,615
Short-term investments	-	28,366	-	28,366
	<u>\$ 81,615</u>	<u>\$ 28,366</u>	<u>\$ -</u>	<u>\$ 109,981</u>

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2017. 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 receivable from George Brown College Foundation. The College holds its cash accounts with a federally regulated chartered bank who is insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up to \$100 (2016 - \$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.

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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:

	2017					
	Total	Current	31 - 60 days	61 - 90 days	91 - 120 days	Over 121 days
Government receivables	\$ 446	\$ 446	\$ -	\$ -	\$ -	\$ -
Student receivables	17,501	6,678	1,552	1,650	2,187	5,434
Other receivables	16,578	15,995	43	41	20	479
Gross receivables	34,525	23,119	1,595	1,691	2,207	5,913
Less: impairment allowance	(4,344)	-	-	(434)	(869)	(3,041)
Net receivables	\$ 30,181	\$ 23,119	\$ 1,595	\$ 1,257	\$ 1,338	\$ 2,872

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

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.

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21. Financial Instrument Risk Management (continued)

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, 2017, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of bonds of \$350.

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

Liquidity risk

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

	2017		
	Within 1 year	1 - 5 years	Over 5 years
Accounts payable and accrued liabilities	\$ 53,786	\$ -	\$ -
Long-term debt	5,961	16,468	34,298
Liability for contaminated site	-	806	-
	\$ 59,747	\$ 17,274	\$ 34,298

Maturity profile of bonds held is as follows:

	2017		
	Within 1 year	1 - 5 years	Total
Carrying value	\$ 6,183	\$ 22,183	\$ 28,366
Percentage of total	22%	78%	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.