

Financial Statements of

**THE SAULT COLLEGE OF APPLIED
ARTS AND TECHNOLOGY**

Year ended March 31, 2014

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Financial Statements

Year ended March 31, 2014

	Page
Independent Auditor's Report	
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Statement of Remeasurement Gains and Losses	5
Notes to Financial Statements	6 - 22
Schedule of Revenue	23



KPMG LLP
111 Elgin Street at Queen
Suite 200
PO Box 578
Sault Ste. Marie ON P6A 5M6

Telephone (705) 949-5811
Fax (705) 949-0911
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Governors of The Sault College of Applied Arts and Technology

We have audited the accompanying financial statements of The Sault College of Applied Arts and Technology, which comprise the statement of financial position as at March 31, 2014, the statements of operations, changes in net assets, cash flows and remeasurement gains and losses for the year then ended, and notes, comprising 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 our 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, we consider 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 Sault College of Applied Arts and Technology as at March 31, 2014, its results of operations, changes in net assets, cash flows and remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 29, 2014

Sault Ste. Marie, Canada

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2014, with comparative information for 2013


	2014	2013
Assets		
Current assets:		
Cash	\$ 4,573,658	\$ 2,093,187
Temporary investments (note 3)	8,774,764	15,230,169
Accounts receivable (note 2)	1,161,375	808,979
Grants and reimbursements receivable	2,592,994	3,322,920
Current portion of pledges receivable (note 6)	862,588	720,122
Inventory	3,849	3,841
Prepaid expenses	642,284	306,330
	<hr/>	<hr/>
	18,611,512	22,485,548
Pledges receivable (note 6)	658,276	1,286,417
Loan receivable (note 14)	3,000,000	—
Capital assets (note 4)	63,143,879	60,025,810
	<hr/>	<hr/>
	\$ 85,413,667	\$ 83,797,775

Liabilities, Deferred Contributions and Net Assets


Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,562,393	\$ 4,085,233
Accrued vacation	3,426,567	3,608,591
Deferred tuition fees	871,418	885,315
Payable to the Ministry of Training, Colleges and Universities	139,719	188,692
	<hr/>	<hr/>
	9,000,097	8,767,831
Post-employment benefits and compensated absences (note 8)	2,213,000	2,412,000
Deferred contributions for expenses of future periods (note 5)	1,898,928	1,622,585
Deferred capital contributions (note 7)	54,161,060	51,611,426
	<hr/>	<hr/>
	67,273,085	64,413,842
Net assets:		
Unrestricted (deficiency)	2,210,616	(1,624,298)
Invested in capital assets (note 10)	11,595,057	15,434,394
Internally restricted (note 11)	158,249	159,178
Restricted for student purposes and endowments	4,249,987	5,296,894
	<hr/>	<hr/>
	18,213,909	19,266,168
Accumulated remeasurement gains (losses)	(73,327)	117,765
	<hr/>	<hr/>
	18,140,582	19,383,933
Commitments and contingencies (note 13)		
	<hr/>	<hr/>
	\$ 85,413,667	\$ 83,797,775

See accompanying notes to financial statements.

On behalf of the Board:



Vice Chair



Treasurer

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Revenue: (Schedule)		
Grants and reimbursements	\$ 35,987,123	\$ 34,417,190
Tuition fees	9,319,240	8,631,683
Ancillary operations	1,267,833	1,132,227
Other	2,963,386	3,170,170
Restricted for student purposes	1,116,271	2,845,006
Amortization of deferred capital contributions (note 7)	2,866,091	2,310,330
	<u>53,519,944</u>	<u>52,506,606</u>
Expenses:		
Salaries and benefits	37,322,155	37,573,321
Instructional supplies	1,592,926	1,739,389
Contracted services	3,077,614	2,590,627
Utilities, maintenance and taxes	2,752,196	2,440,579
Interest and bank charges	93,185	172,064
Travel and professional development	490,099	431,208
Training subsidies and allowances	1,375,065	951,077
Supplies and other expenses	2,316,919	2,092,811
Restricted for student purposes	105,661	628,312
Scholarships and bursaries	930,701	1,581,318
Provision for (recovery of) post-employment benefits and compensated absences	(381,023)	(83,185)
Amortization of capital assets	3,829,918	3,063,661
	<u>53,505,416</u>	<u>53,181,182</u>
Excess (deficiency) of revenue over expenses before the undernoted item	14,528	(674,576)
Gain on disposal of capital asset	3,506	7,105
Excess (deficiency) of revenue over expenses	<u>\$ 18,034</u>	<u>\$ (667,471)</u>

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

Year ended March 31, 2014, with comparative information for 2013

March 31, 2014	Capital assets	Invested in internally restricted	Restricted for student purposes and endowments	Unrestricted	Total
Balance, beginning of year	\$ 15,434,394	\$ 159,178	\$ 5,296,894	\$ (1,624,298)	\$ 19,266,168
Excess (deficiency) of revenue over expenses	(960,321)	(929)	79,909	899,375	18,034
Endowment contributions	—	—	—	—	—
Invested in capital assets (note 10)	(2,879,016)	—	(56,523)	2,935,539	—
Transfer of Sault College Student Union Fund (note 14)	—	—	(1,070,293)	—	(1,070,293)
Balance, end of year	\$ 11,595,057	\$ 158,249	\$ 4,249,987	\$ 2,210,616	\$ 18,213,909

March 31, 2013	Capital assets	Invested in internally restricted	Restricted for student purposes and endowments	Unrestricted	Total
Balance, beginning of year	\$ 9,246,164	\$ 174,132	\$ 5,782,578	\$ 5,010,926	\$ 20,213,800
Adjustment on adoption of the financial instruments standard	—	—	(167,700)	(113,691)	(281,391)
Balance, beginning of year, as restated	9,246,164	174,132	5,614,878	4,897,235	19,932,409
Excess (deficiency) of revenue over expenses	(693,534)	(14,954)	635,376	(594,359)	(667,471)
Endowment contributions	—	—	1,230	—	1,230
Invested in capital assets (note 10)	5,908,856	—	(41,682)	(5,867,174)	—
Interfund transfer	972,908	—	(912,908)	(60,000)	—
Balance, end of year	\$ 15,434,394	\$ 159,178	\$ 5,296,894	\$ (1,624,298)	\$ 19,266,168

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flow

Years ended March 31, 2014 with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 18,034	\$ (667,471)
Items not involving cash:		
Amortization of capital assets	3,829,918	3,063,661
Amortization of deferred capital contribution	(2,866,091)	(2,310,330)
Gain on sale of capital assets	(3,506)	(7,105)
Realized loss on investments	(191,093)	(163,626)
	787,262	(84,871)
Change in non-cash operating working capital:		
Accounts receivable	(352,396)	109,466
Grants and reimbursement receivable	729,926	409,798
Inventory	(8)	2,371
Prepaid expenses	(335,954)	8,492
Accounts payable and accrued liabilities	477,160	2,002,706
Accrual for vacation pay	(182,024)	81,816
Payable to Ministry of Training Colleges and Universities	(48,973)	(82,494)
Deferred tuition fees	(13,897)	194,012
Deferred contributions related to expenses of future periods	276,343	134,812
Accrual for employee future benefits	(199,000)	(165,000)
	1,138,439	2,611,108
Capital activities:		
Purchase of capital assets	(6,947,985)	(11,906,602)
Receipt of deferred capital contributions	5,415,724	6,602,630
Proceeds on disposal of capital assets	3,506	2,125
	(1,528,755)	(5,301,847)
Financing activities:		
Endowment contributions	-	1,230
Pledges receivable	485,675	213,432
Repayment of capital mortgages	-	(4,100,000)
Transfer of Sault College Student Union Fund	(1,070,293)	-
	(584,618)	(3,885,338)
Investing activities:		
Sinking fund investment	-	4,049,903
Advance of loan receivable	(3,000,000)	-
	(3,000,000)	4,049,903
Net decrease in cash and temporary investments	(3,974,934)	(2,526,174)
Cash and temporary investments, beginning of year	17,323,356	19,849,530
Cash and temporary investments, end of year	\$ 13,348,422	\$ 17,323,356

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains and Losses

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Accumulated remeasurement gains, beginning of the year	\$ 117,765	\$ -
Adjustment on adoption of the financial instruments standard	-	281,391
Unrealized gains (losses) attributable to:		
Temporary investments	(73,327)	117,765
Realized gains, reclassified to the statement of operations:		
Temporary investments		
Designated fair value	(117,765)	(281,391)
Net remeasurement gains (losses) for the year	(191,092)	(163,626)
Accumulated remeasurement gains (losses), end of the year	\$ (73,327)	\$ 117,765

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2014

The Sault College of Applied Arts and Technology ("Sault College") is a provincial community college offering educational programs and upgrading to the accessing communities. Sault College is considered a Non-profit Schedule III Agency of the Ontario provincial government. The College is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

(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. Grant amounts relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Grants approved but not received at the end of an accounting period are accrued.

Tuition fees and contract training revenues is recognized on the basis of teaching days incurred during the fiscal year.

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

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at rates corresponding to those of the related capital assets.

Contributions for student purposes and the interest thereon are recognized as direct increases in net assets restricted for student purposes.

Sales and services revenue is recognized at the point of sale.

(b) Inventory:

Inventory is valued at the lower of cost and net realizable value.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

Construction in progress is recorded as a capital asset but not amortized until construction is put into service.

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated to be as follows:

	Years
Buildings	40
Site improvements	10
Equipment	5
Major equipment	10
Vehicles	5
Furniture and fixtures	5
Computer equipment	5
Aircraft	10

(d) Vacation pay:

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

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

1. Significant accounting policies (continued):

(e) Retirement and post-employment benefits and compensated absences:

The College is a member of the Colleges of Applied Arts and Technology Pension Plan, which is a multi-employer, defined benefit plan.

The College also provides defined retirement and other post-employment benefits and compensated absences to certain employee groups. These benefits include health and dental, vesting sick leave and non-vesting sick leave. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method pro-rated on service. The most recent actuarial valuation of the benefit plans for funding purposes was as of January 1, 2014. 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 discounts 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 used in the determinations of the above-mentioned liabilities is equal to the College's internal rate of borrowing.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

1. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

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.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

1. Significant accounting policies (continued):

(g) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the statement of operations and the unrealized balances are reversed from the statement of measurement gains and losses.

(h) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Accounts receivable:

	2014	2013
Student Tuition Fees	\$ 291,095	\$ 329,875
Federal other	184,046	260,756
Other	809,787	426,902
	1,284,928	1,017,533
Less allowance for doubtful accounts	123,553	208,554
	\$ 1,161,375	\$ 808,979

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

3. Investments:

	Level	2014	2013
Assets at designated fair value			
Government bonds	2	\$ 1,485,160	\$ 2,942,909
Equity instruments, quoted in an active market			
Shares	1	5,526,478	10,923,696
Mutual funds	1	1,355,594	1,295,998
Cash		407,532	67,566
		<u>\$ 8,774,764</u>	<u>\$ 15,230,169</u>

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2014 and 2013. There were also no transfers in or out of Level 3.

Government Bonds have interest rates from 1.900% to 9.376% (2013 - 1.50% to 8.10%) and mature between 2015 and 2037.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

4. Capital assets:

March 31, 2014	Cost	Accumulated amortization	Net book value
Land	\$ 680,817	\$ —	\$ 680,817
Buildings	83,595,887	27,616,792	55,979,095
Site improvements	4,113,375	1,854,708	2,258,667
Equipment	12,451,108	9,779,766	2,671,342
Vehicles	379,865	315,408	64,457
Furniture and fixtures	1,220,627	875,190	345,437
Computer equipment	12,968,256	12,273,077	695,179
Aircraft	3,650,422	3,201,537	448,885
Construction in progress	—	—	—
	\$ 119,060,357	\$ 55,916,478	\$ 63,143,879

March 31, 2013	Cost	Accumulated amortization	Net book value
Land	\$ 680,817	\$ —	\$ 680,817
Buildings	68,602,261	25,648,102	42,954,159
Site improvements	3,768,136	1,504,200	2,263,936
Equipment	10,257,385	8,941,890	1,315,495
Vehicles	333,233	272,753	60,480
Furniture and fixtures	1,129,652	703,746	425,906
Computer equipment	12,835,581	12,071,404	764,177
Aircraft	3,546,308	3,137,600	408,708
Construction in progress	11,152,132	—	11,152,132
	\$ 112,305,505	\$ 52,279,695	\$ 60,025,810

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

5. Deferred contributions for expenses of future periods:

Deferred contribution consists of the following:

	2014	2013
Balance, beginning of year	\$ 1,622,585	\$ 1,487,773
Additional contributions received	4,987,057	3,438,756
Amounts taken into revenue	(4,710,714)	(3,303,944)
Balance, end of year	\$ 1,898,928	\$ 1,622,585

6. Pledges receivable:

	2014	2013
Inspiring Growth Capital Campaign pledges	\$ 1,520,864	\$ 2,006,539
Current portion of pledges receivable	862,588	720,122
Non-current portion of pledges receivable	\$ 658,276	\$ 1,286,417

All pledges received during the year or receivable at year end are recorded as deferred contribution related to capital assets.

Aggregate maturities of pledges receivable for each of the five years subsequent to March 31, 2014 are as follows:

2015	\$ 862,588
2016	353,689
2017	296,345
2018	6,849
2019	894

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

7. Deferred capital contributions:

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

	2014	2013
Unamortized capital contributions used to purchase assets	\$ 53,391,284	\$ 46,430,372
Unspent contributions	769,776	1,680,528
Unspent Inspiring Growth Capital Campaign	–	3,500,526
	<u>\$ 54,161,060</u>	<u>\$ 51,611,426</u>

Deferred capital contributions represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2014	2013
Balance, beginning of year	\$ 51,611,426	\$ 47,324,105
Additional contributions received	5,396,983	5,956,893
Inspiring Growth Capital Campaign	18,742	640,758
Less amounts amortized to revenue	(2,866,091)	(2,310,330)
Balance, end of year	<u>\$ 54,161,060</u>	<u>\$ 51,611,426</u>

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

8. Employee future benefits:

The employee benefit and other liabilities, reported on the statement of financial position, are made up of the following:

	2014	2013
Post-employment benefits	\$ 576,000	\$ 612,000
Non-vesting sick leave	1,388,000	1,445,000
Vesting sick leave	249,000	355,000
	<u>\$ 2,213,000</u>	<u>\$ 2,412,000</u>

Information about the Organization's benefit plans is as follows:

	2014	2013
Accrued benefit obligation	\$ 2,222,000	\$ 2,525,000
Fair value of plan assets	(74,000)	(70,000)
Funded status – plan deficit	2,148,000	2,455,000
Unamortized actuarial gain (loss)	65,000	(43,000)
Employee future benefit liability	<u>\$ 2,213,000</u>	<u>\$ 2,412,000</u>
Current service cost	\$ 115,000	\$ 108,000
Interest on accrued benefit obligation	49,000	51,000
Experienced losses	2,000	24,000
Benefit payments	(369,000)	(362,000)
Amortization of actuarial loss	8,000	14,000
Employee future benefit expense (recovery)	<u>\$ (195,000)</u>	<u>\$ (165,000)</u>

The unamortized actuarial loss is amortized over the expected average remaining service life

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 related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

8. Employee future benefits (continued):

The major actuarial assumptions employed for the valuations are as follows:

(i) Discount rate

The present value as at March 31, 2014 of the future benefits was determined using a discount rate of 2.70% (2013 - 2.10%).

(ii) Drug costs

Drug costs were assumed to increase at a rate of 9.0% for 2014 (2013 - 9.5%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034.

(iii) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.0% per annum in 2014 (2013 - 4.5%).

Medical premium increases were assumed to increase at 7.50% per annum in 2014 (2013 - 7.25%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034.

(iv) Dental costs

Dental costs were assumed to increase at 4.0% per annum for fiscal 2014.

Compensated Absences

(i) 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

(ii) 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 SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

9. Pension Plan:

Substantially all of the employees of the College are members of the Colleges of Applied Arts and Technology ("CAAT") Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all employees of the participating members of the CAAT. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the highest five consecutive years prior to retirement, termination or death. 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.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension asset and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2014 indicated an actuarial surplus of \$525 million.

Under these arrangements, the College makes contributions equal to those of the employees. Contributions made by the College during the year amounted to approximately \$3,110,578 (2013 - \$2,977,098).

10. Investment in capital assets:

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

	2014	2013
Cash	\$ 805,084	\$ 4,496,005
Investments	2,739	2,739
Grants receivable	283,551	514,727
Pledges receivable	1,520,864	2,006,539
Capital assets	63,143,879	60,025,810
	65,756,117	67,045,820
Less amounts finance by:		
Deferred capital contributions	54,161,060	51,611,426
	\$ 11,595,057	\$ 15,434,394

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

10. Investment in capital assets (continued):

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

	2014	2013
Excess of revenues over expenses:		
Amortization of deferred capital contributions	\$ 2,866,091	\$ 2,310,330
Amortization of capital assets	(3,829,918)	(3,063,661)
Investment income	—	52,692
Gain (loss) on disposal of capital assets	3,506	7,105
	<u>\$ (960,321)</u>	<u>\$ (693,534)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 6,947,985	\$ 11,906,602
Amounts funded by:		
Deferred capital contributions	(6,307,733)	(5,997,746)
Deferred capital campaign contributions	(3,519,268)	—
	<u>\$ (2,879,016)</u>	<u>\$ 5,908,856</u>

11. Internally restricted net assets:

By resolution of the Board of Governors, accumulated appropriations from unrestricted net assets balance at March 31, 2014 have been made to the Joint Employment Stability Reserve Fund in the amount of \$ 158,249 (2013 - \$159,178).

12. Externally restricted net assets:

Externally restricted net assets include restricted donations received by the College where the endowment principal is required to be maintained intact. The investment income generated from these endowments must be used in accordance with the various purposes established by donors. The College ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Investment income on externally restricted endowments that was disbursed during the year has been recorded in the statement of operations since this income is available for disbursement as scholarships and bursaries and the donors' conditions have been met.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

13. Commitments and Contingencies:

- (a) The College is involved with pending litigation and claims which arise in the normal course of operations. In the opinion of the administration, a liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the College. Losses, if any, arising from these matters will be accounted for in the year in which they are resolved.
- (b) Under the terms of an agreement with the Ministry of Training, College and Universities, the Ministry provided a grant in the amount of \$1,410,925 for the implementation of a College-partnered and integrated ERP system. The College may be required to repay a portion of the grant if certain future conditions contained in the agreement are not met. At March 31, 2014, the College has complied with the terms and conditions of the agreement.

14. Transfer of Sault College Student Union Fund:

On April 30, 2013, the Sault College Student Union (SCSU) was incorporated as a self governing body for the benefit of students of the College. Prior to incorporation, the College held funds in trust for student purposes in the Restricted for Student Purposes Fund. The College has transferred \$1,070,293, representing the balance of the student funds held in trust at April 1, 2013, out of the Restricted for Student Purposes Fund. The College continues to collect revenues on behalf of the SCSU and advances funds to SCSU on as needed basis until the SCSU has established an operating agreement. At March 31, 2014, \$1,231,835 is owing to SCSU and recorded in accounts payable and accrued liabilities.

The Sault College Student Union committed to a contribution totalling \$3,927,000 towards the construction of the College's Health and Wellness building. SCSU has contributed \$927,000 in the prior year and the College has loaned the remaining \$3,000,000 to SCSU relating to this commitment. The loan has been guaranteed through the collection of the Student Building Trust Fund ancillary fee. The terms and condition of the loan agreement and repayment provisions over a period of time are in the process of being finalized.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

15. Financial Instrument Risk Management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The College is exposed to credit risk with respect to the accounts receivable, cash and temporary investments.

The College assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the College at March 31, 2014 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the income statement. The balance of the allowance for doubtful accounts at March 31, 2014 is \$123,553 (2013 - \$208,554).

As at March 31, 2014, \$99,736 (2013 - \$26,612) of trade accounts receivable were past due greater than 90 days, but not impaired.

The maximum exposure to credit risk is outlined in Note 2.

There have been no significant changes to the credit risk exposure from 2013.

(b) Liquidity risk:

Liquidity risk is the risk that the College will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The College manages its liquidity risk by monitoring its operating requirements. The College prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2013.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

15. Financial Instrument Risk Management (continued):

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the College's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(i) Foreign exchange risk:

The College is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the College makes purchases denominated in U.S. dollars. The College does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2013. The College does not have any material transactions during the year or financial instruments denominated in foreign currencies at year end.

There have been no significant changes to the foreign exchange risk exposure from 2013.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the College to cash flow interest rate risk. The College is exposed to this risk through to its interest bearing investments.

The College's investments, including bonds and debentures, are disclosed in note 3.

There has been no change to the interest rate risk exposure from 2013.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2014

16. Endowment funds:

The following information outlines the activity of the Ontario Student Opportunity Trust Fund 1 (OSOTF I), the Ontario Student Opportunity Trust Fund II (OSOTF II) and Ontario Trust for Student Support Fund (OTSS) matching program. These amounts are reflected in the net assets restricted for student purposes.

Schedule of changes in Endowment Fund balances

Year ended March 31

	OSOTF I	OSOTF II	OTSS	2014 Total	2013 Total
Balance, beginning of year	\$ 664,172	\$ 331,340	\$ 2,346,515	\$ 3,342,027	\$ 3,340,797
Cash donations received					
from other sources	-	-	-	-	1,230
OTSS funds received					
from MTCU	-	-	-	-	-
OTSS funds receivable					
from MTCU	-	-	-	-	-
Balance, end of year	\$ 664,172	\$ 331,340	\$ 2,346,515	\$ 3,342,027	\$ 3,342,027

Schedule of changes in expendable funds available for awards

Year ended March 31

	OSOTF I	OSOTF II	OTSS	2014 Total	2013 Total
Balance, beginning of year	\$ 172,202	\$ 14,317	\$ 63,107	\$ 249,626	\$ 160,085
Investment income (loss),					
net of expenses	81,423	3,624	(11,267)	73,780	219,506
Bursaries awarded	(51,805)	(9,000)	(119,850)	(180,655)	(210,325)
Balance, end of year	\$ 201,820	\$ 8,941	\$ (68,010)	\$ 142,751	\$ 169,266
Bursaries awarded #	126	9	171	306	433

The bursaries awarded under OTSS comprise of 94 to OSAP recipients totalling \$62,400 and 77 to non-OSAP recipients totalling \$57,450.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Revenue

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Grants and reimbursements:		
Operating grants	\$ 14,376,650	\$ 14,444,680
Special purpose grants	15,024,884	11,914,626
Apprentice training	1,247,878	1,501,330
Ontario training strategies	3,565,051	3,021,389
Other	1,772,660	3,535,165
	<u>35,987,123</u>	<u>34,417,190</u>
Tuition fees:		
Full-time post-secondary	7,194,813	6,548,556
Other	2,124,427	2,083,127
	<u>9,319,240</u>	<u>8,631,683</u>
Ancillary operations	1,267,833	1,132,227
Miscellaneous:		
Contract educational services	306,138	338,187
Sale of course products and services	383,830	376,496
Other	2,273,418	2,455,487
	<u>2,963,386</u>	<u>3,170,170</u>
Restricted for student purposes	1,116,271	2,845,006
Amortization of deferred capital contributions	2,866,091	2,310,330
	<u>\$ 53,519,944</u>	<u>\$ 52,506,606</u>