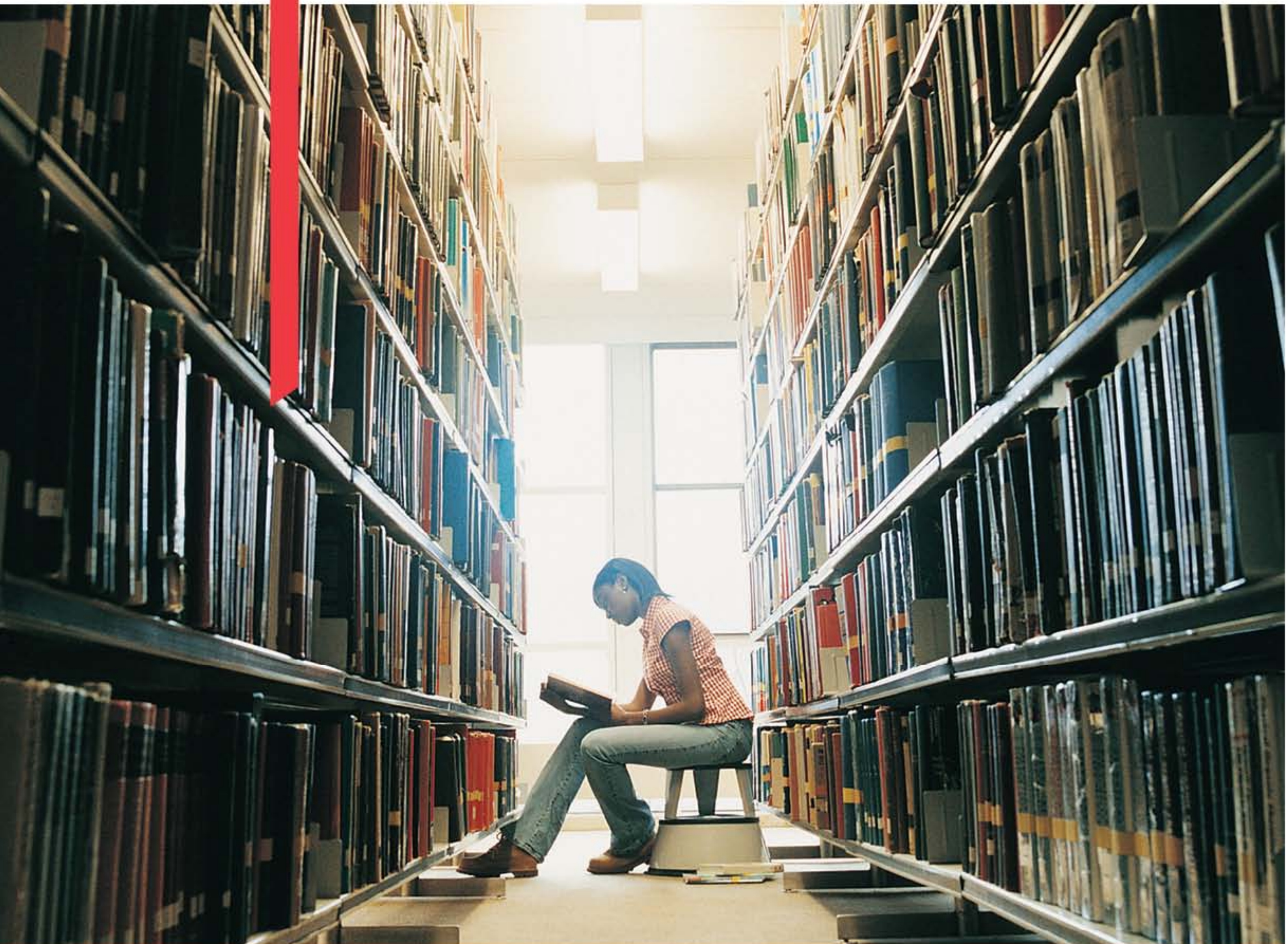

SAMPLE PSAB COLLEGE

ILLUSTRATIVE FINANCIAL STATEMENTS

For the year ended March 31, 2014

The purpose of this publication is to assist colleges in preparing their Public Sector Accounting Standards (PSAB) financial statements for the year ended March 31, 2014.

These financial statements are based on the following assumptions about the Sample PSAB College:

- *The College follows PSAB plus the 4200 series of standards applicable to government not-for-profit organizations.*
- *The College's tangible capital assets do not include any assets under capital lease.*
- *There is not a material difference between the interest income and expense and cash flows requiring separate disclosure in the statement of cash flows.*

The publication is based on standards that have been issued by the Public Sector Accounting Board (PSAB) by September 30, 2013. These sample financial statements should not be used as a substitute for referring to standards and interpretations themselves.

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO Canada LLP to discuss these matters in the context of your particular circumstances. BDO Canada LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

SAMPLE PSAB COLLEGE
Statement of Financial Position

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	**51,819,000**	$ 33,068,000
Accounts receivable (Note 18)	**16,750,000**	16,537,500
Temporary investments (Note 2)	**3,987,500**	4,300,000
Inventory	**200,000**	110,250
Prepaid expenses	**3,725,000**	3,638,250
	76,481,500	57,654,000
INTEREST IN SAMPLE PSAB CULINARY JOINT VENTURE (Note 3)	**2,700,000**	2,500,000
LONG-TERM INVESTMENTS (Note 2)	**54,750,000**	54,000,000
LONG-TERM RECEIVABLE (Note 4)	**2,300,000**	6,300,000
CONSTRUCTION IN PROGRESS (Note 5)	**12,100,000**	61,100,000
CAPITAL ASSETS (Note 6)	**215,398,500**	160,398,500
	$ 363,730,000	$ 341,952,500
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 35,000,000**	$ 37,485,000
Deferred revenue (Note 7)	**34,000,000**	33,846,750
Vacation pay	**9,200,000**	9,150,750
Bank loans (Note 8)	**2,400,000**	2,600,000
Term debt (Note 9)	**17,900,000**	18,300,000
	98,500,000	101,382,500
POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (Note 10)	**6,670,000**	6,407,500
DEFERRED CONTRIBUTIONS (Note 11)	**2,250,000**	2,100,000
DEFERRED CAPITAL CONTRIBUTIONS (Note 12)	**120,800,000**	73,500,000
DEFERRED CAPITAL CONTRIBUTIONS RELATING TO CONSTRUCTION IN PROGRESS (Note 13)	**6,000,000**	55,500,000
INTEREST RATE SWAP (Note 9)	**2,250,000**	1,900,000
	236,470,000	240,790,000
NET ASSETS		
Unrestricted		
Operating	**67,658,500**	42,499,500
Post-employment benefits and compensated absences	**(6,670,000)**	(6,407,500)
Vacation pay	**(9,200,000)**	(9,150,750)
	51,788,500	26,941,250
INVESTED IN CAPITAL ASSETS (Note 14)	**60,769,000**	60,086,250
INTERNALLY RESTRICTED (Note 15)	**900,000**	855,000
EXTERNALLY RESTRICTED (Note 16)	**13,000,000**	12,865,000
	126,457,500	100,747,500
ACCUMULATED REMEASUREMENT GAINS	**802,500**	415,000
	127,260,000	101,162,500
	$ 363,730,000	$ 341,952,500

SAMPLE PSAB COLLEGE
Statement of Operations

For the year ended		2014		2013
REVENUE				
Grants and reimbursements	$	106,000,000	$	105,600,000
Tuition revenue		102,000,000		101,300,000
Contract training		9,500,000		8,000,000
Amortization of deferred capital contributions (Note 12)		5,550,000		5,600,000
Realized gains on sale of temporary investments		50,000		42,500
Interest income		1,650,000		1,500,000
Other income		9,950,000		10,100,000
Share of income of joint venture (Note 3)		200,000		150,000
Ancillary operations		8,000,000		7,900,000
		242,900,000		240,192,500
EXPENSES				
Salaries and benefits		140,100,000		139,400,000
Operating expenses		43,200,000		42,600,000
Plant and property maintenance		10,000,000		11,100,000
Amortization of capital assets		13,000,000		13,200,000
Interest and bank charges		1,350,000		1,450,000
Bursaries and scholarships		2,900,000		2,850,000
Ancillary operations		6,775,000		6,400,000
		217,325,000		217,000,000
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	$	25,575,000	$	23,192,500

SAMPLE PSAB COLLEGE
Statement of Changes in Net Assets

	March 31, 2014				
	Unrestricted	Capital	Restricted		
		(Note 14)	Internally Restricted (Note 15)	Externally Restricted (Note 16)	Total
BALANCE, BEGINNING OF YEAR	**$ 26,941,250**	**$ 60,086,250**	**$ 855,000**	**$ 12,865,000**	**$ 100,747,500**
ENDOWMENTS RECEIVED DURING THE YEAR	**-**	**-**	**-**	**135,000**	**135,000**
INTERNALLY RESTRICTED SCHOLARSHIPS & BURSARIES	**(45,000)**	**-**	**45,000**	**-**	**-**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	**33,025,000**	**(7,450,000)**	**-**	**-**	**25,575,000**
INVESTMENT IN CAPITAL ASSETS	**(8,132,750)**	**8,132,750**	**-**	**-**	**-**
BALANCE, END OF YEAR	**$ 51,788,500**	**$ 60,769,000**	**$ 900,000**	**$ 13,000,000**	**$ 126,457,500**

	March 31, 2013				
	Unrestricted	Capital	Restricted		
		(Note 14)	Internally Restricted (Note 15)	Externally Restricted (Note 16)	Total
BALANCE, BEGINNING OF YEAR	$ 4,540,000	$ 57,225,000	$ 825,000	$ 12,750,000	$ 75,340,000
RECLASSIFICATION OF UNREALIZED LOSSES ON DERIVATIVE DUE TO ADOPTION OF PS 3450	2,100,000	-	-	-	2,100,000
ENDOWMENTS RECEIVED DURING THE YEAR	-	-	-	115,000	115,000
INTERNALLY RESTRICTED SCHOLARSHIPS & BURSARIES	(30,000)	-	30,000	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	30,792,500	(7,600,000)	-	-	23,192,500
INVESTMENT IN CAPITAL ASSETS	(10,461,250)	10,461,250	-	-	-
BALANCE, END OF YEAR	$ 26,941,250	$ 60,086,250	$ 855,000	$ 12,865,000	$ 100,747,500

SAMPLE PSAB COLLEGE
Statement of Cash Flows

March 31,	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses	**$ 25,575,000**	$ 23,192,500
Items not involving cash:		
Realized gains on sale of temporary investments	**(50,000)**	(42,500)
Share of income of joint venture (Note 3)	**(200,000)**	(150,000)
Amortization of capital assets	**13,000,000**	13,200,000
Amortization of deferred capital contributions	**(5,550,000)**	(5,600,000)
Deferred contributions recognized as revenue in the year	**(1,450,000)**	(1,650,000)
	31,325,000	28,950,000
Accrual for post-employment benefits and compensated absences	**262,500**	567,500
Changes in non-cash working capital items:		
Accounts receivable	**(212,500)**	(787,500)
Inventory	**(89,750)**	(5,250)
Prepaid expenses	**(86,750)**	(173,250)
Accounts payable and accrued liabilities	**(2,485,000)**	1,785,000
Accrual for vacation pay	**49,250**	435,750
Deferred revenue	**153,250**	1,611,750
	28,916,000	32,384,000
FINANCING		
Deferred contributions	**1,600,000**	1,750,000
Repayment of bank loans	**(200,000)**	(200,000)
Repayment of term debt	**(400,000)**	(400,000)
Endowment contributions	**135,000**	115,000
	1,135,000	1,265,000
CAPITAL		
Contributions received for capital purposes	**2,850,000**	4,000,000
Contributions received for construction in progress	**500,000**	600,000
Construction in progress	**(1,000,000)**	(1,700,000)
Purchase of capital assets	**(18,000,000)**	(19,628,500)
	(15,650,000)	(16,728,500)
INVESTING		
Long-term receivable	**4,000,000**	1,000,000
Purchase of temporary investments	**-**	(185,000)
Proceeds on sale of temporary investments	**350,000**	192,500
	4,350,000	1,007,500
NET CASH INFLOW	**18,751,000**	17,928,000
CASH, BEGINNING OF YEAR	**33,068,000**	15,140,000
CASH, END OF YEAR	**$ 51,819,000**	$ 33,068,000

SAMPLE PSAB COLLEGE
Statement of Remeasurement Gains and Losses

March 31,		2014		2013
Accumulated remeasurement losses at beginning of year	$	**415,000**	$	-
Adjustment upon adoption of financial instruments section		**-**		(100,000)
Unrealized gains (losses) attributable to:				
Temporary investments		**37,500**		100,000
Long-term investments		**750,000**		257,500
Derivative - interest rate swap		**(350,000)**		200,000
Amounts reclassified to the statement of operations:				
Disposition of temporary investments		**(50,000)**		(42,500)
Net remeasurement gains for the year		**387,500**		415,000
Accumulated remeasurement gains at end of year	**$**	**802,500**	$	415,000

1. SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Sample PSAB College ("the College"), established in 1967, is an Ontario college of applied arts and technology duly established pursuant to Ontario regulation 34/03 made under the Ontario Colleges of Applied Arts and Technology Act, 2002. The College is an agency of the Crown and provides postsecondary, vocationally oriented education in the areas of applied arts, business, health sciences and technology.

The College is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

Basis of presentation

The financial statements of the College 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 the Public Sector Accounting Board ("PSAB for Government NPOs").

Revenue recognition

The College follows the deferral method of accounting for contributions, which include donations and government grants. Tuition fees and contract training revenues are recognized as income to the extent that the related courses and services are provided within the fiscal year of the College.

Ancillary revenues including parking, bookstore, residence and other sundry revenues are recognized when products are delivered or services are provided to the student or client, the sales price is fixed and determinable, and collection is reasonably assured.

Unrestricted contributions are recognized as revenue when received or receivable.

Externally restricted contributions and restricted investment income are recognized as revenue in the year in which the related expenses are incurred.

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

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

Restricted investment income that must be maintained as an endowment is credited to net assets. Unrestricted investment income is recognized as revenue when earned.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in first-out basis.

Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the College's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.

Construction in progress is not recorded as a capital asset, or amortized until construction it 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:

Buildings & building improvements	-	20 to 40 years
Building-student residence	-	20 years
Large machinery	-	20 years
Leasehold improvements	-	5 years
Computer software	-	5 years
Furniture, equipment and computers	-	5 years

Vacation pay

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

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement and post-employment benefits and compensated absences (continued)

(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.

Interest in Joint Venture

The interest in the joint venture is accounted for using the modified equity method wherein the interest in the joint venture is equal to the College's 50% share of the net assets. No adjustment is made for the basis of accounting of the joint venture being different than PSAB for Government NPOs.

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:

Fair value

This category includes derivatives and equity instruments quoted in an active market. The College has designated its bond 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 cost 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Amortized cost

This category includes accounts receivable, long-term receivable, accounts payable and accrued liabilities, bank loans and term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value.

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.

Management estimates

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of fair value for long-term investments, allowance for doubtful accounts, amortization of capital assets and actuarial estimation of post-employment benefits and compensated absences liabilities.

2. 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.

	2014		
	Fair Value	**Amortized Cost**	**Total**
Cash	$ 51,469,000	$ -	$ 51,469,000
Accounts receivable	-	16,750,000	16,750,000
Temporary investments	3,987,500	-	3,987,500
Long-term investments	54,750,000	-	54,750,000
Long-term receivable	-	2,300,000	2,300,000
Accounts payable and accrued liab.	-	35,000,000	35,000,000
Interest rate swap	2,250,000	-	2,250,000
	$ 112,456,500	$ 54,050,000	$ 166,506,500

	2013		
	Fair Value	**Amortized Cost**	**Total**
Cash	$ 33,068,000	$ -	$ 33,068,000
Accounts receivable	-	16,537,500	16,537,500
Temporary investments	4,300,000	-	4,300,000
Long-term investments	54,000,000	-	54,000,000
Long-term receivable	-	6,300,000	6,300,000
Accounts payable and accrued liab.	-	37,485,000	37,485,000
Interest rate swap	1,900,000	-	1,900,000
	$ 93,268,000	$ 60,322,500	$ 153,590,500

Temporary investments consist of equity instruments in Canadian public companies and long-term investments consist of government of Canada bonds. Long-term investments include $13,125,000 (2013 - $12,900,000) of investments externally restricted for endowment purposes (see Note 16).

2. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

Maturity profile of bonds held is as follows:

2014	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying value	$ -	$ 12,500,000	$ 26,000,000	$ 16,250,000	$ 54,750,000
Percent of Total	0%	23%	47%	30%	

2013	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying value	$ -	$ 11,450,000	$ 25,000,000	$ 17,550,000	$ 54,000,000
Percent of Total	0%	21%	46%	33%	

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).

2014	Level 1	Level 2	Level 3	Total
Cash	**$ 51,469,000**	**$ -**	**$ -**	**$ 51,469,000**
Temporary investments	**3,987,500**	**-**	**-**	**3,987,500**
Long-term investments	**-**	**54,750,000**	**-**	**54,750,000**
Interest rate swap	**-**	**-**	**2,250,000**	**2,250,000**
Total	**$ 55,456,500**	**$ 54,750,000**	**$ 2,250,000**	**$ 112,456,500**

2013	Level 1	Level 2	Level 3	Total
Cash	**$ 33,068,000**	**$ -**	**$ -**	**$ 33,068,000**
Temporary investments	**4,300,000**	**-**	**-**	**4,300,000**
Long-term investments	**-**	**54,000,000**	**-**	**54,000,000**
Interest rate swap	**-**	**-**	**1,900,000**	**1,900,000**
Total	**$ 37,368,000**	**$ 54,000,000**	**$ 1,900,000**	**$ 93,268,000**

2. FINANCIAL INSTRUMENT CLASSIFICATION (continued)

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. For a sensitivity analysis of financial instruments recognized in Level 3, see Note 18 – Interest rate risk, as the prevailing interest rate is the most significant input into the fair value of the instrument.

3. INTEREST IN SAMPLE PSAB JOINT VENTURE

On April 1, 2010, the College entered into a Memorandum of Understanding with the University of Sample, known as the Sample PSAB Culinary Joint Venture. The purpose of the Joint Venture is to provide the College and the University the opportunity to train students in hands-on culinary arts. The Joint Venture operates a restaurant with the space and employees being shared between the College and the University.

The following is the College's 50% share of the components of the financial statements of the Joint Venture:

		2014		2013
Total assets	**$**	**5,500,000**	$	5,250,000
Total liabilities		**2,800,000**		2,750,000
Net assets	**$**	**2,700,000**	$	2,500,000
Revenue	**$**	**1,200,000**	$	1,100,000
Expenses		**1,000,000**		950,000
Excess of revenue over expenses for the year	**$**	**200,000**	$	150,000
Cash provided by operating activities	**$**	**225,000**	$	250,000
Cash used in investing activities		**(65,000)**		(75,000)
Cash used in financing activities		**(15,000)**		(25,000)
Net cash flows	**$**	**145,000**	$	150,000

The Joint Venture is a not-for-profit organization, and as such 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 NPOs 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. These differences include:

(a) The employees of the joint venture are entitled to sick leave that accumulates, but does not vest. Under Part III of the CICA Handbook, no liability is recognized for non-vesting leave and as such, no such liability or expense has been provided for.

4. LONG TERM RECEIVABLE

The College has financed the building of the New Campus Student Centre on behalf of the Sample PSAB College Student Association Inc. ("SPCSAI"). This receivable bears interest at prime minus 25 bps. This receivable is to be repaid through the collection of an annual student centre-building levy, which is collected from all full-time and part-time students and bears interest at 3% per annum.

The College has also agreed to finance the building of the Health Centre on behalf of the SPCSAI. The total cost will be repaid through the collection of an annual levy, which is collected from all full-time and part-time students.

	2014	2013
Note receivable - Student Centre	**$ 1,900,000**	$ 2,000,000
Note receivable - Health Centre	**4,300,000**	8,200,000
Less current portion estimate included in accounts receivable	**(3,900,000)**	(3,900,000)
	$ 2,300,000	$ 6,300,000

5. CONSTRUCTION IN PROGRESS

Construction in progress represents costs incurred to date on the construction of a new academic facility, of which approximately $12,100,000 has been spent to date. Once construction has been completed on the academic facility, the total cost will be reclassified to capital assets and amortization will commence. The construction in progress in the prior year of $61,100,000 related to a new health centre and library, which were completed during the year and therefore transferred to capital assets.

6. CAPITAL ASSETS

	2014		
	Cost	**Accumulated Amortization**	**Net Book Value**
Land	**$ 5,000,000**	**$ -**	**$ 5,000,000**
Buildings & improvements	**237,550,000**	**69,000,000**	**168,550,000**
Building - Student			**-**
Residence	**14,200,000**	**5,000,000**	**9,200,000**
Leasehold improvements	**350,000**	**200,000**	**150,000**
Site improvements	**600,000**	**100,000**	**500,000**
Furniture, equipment			**-**
and computers	**122,998,500**	**108,500,000**	**14,498,500**
Computer software	**18,000,000**	**13,500,000**	**4,500,000**
Large machinery	**16,000,000**	**3,000,000**	**13,000,000**
	$ 414,698,500	**$ 199,300,000**	**$ 215,398,500**

	2013		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 5,000,000	$ -	$ 5,000,000
Buildings & improvements	177,550,000	63,750,000	113,800,000
Building - Student			
Residence	13,900,000	3,190,000	10,710,000
Leasehold improvements	250,000	150,000	100,000
Site improvements	500,000	75,000	425,000
Furniture, equipment			
and computers	115,463,500	105,000,000	10,463,500
Computer software	17,000,000	10,100,000	6,900,000
Large machinery	15,000,000	2,000,000	13,000,000
	$ 344,663,500	$ 184,265,000	$ 160,398,500

7. DEFERRED REVENUE

	2014	2013
Advanced tuition fees	**$ 31,000,000**	$ 30,835,000
Other	**3,000,000**	3,011,750
	$ 34,000,000	$ 33,846,750

8. BANK LOANS

The College has a $7,000,000 operating line of credit during the months of October through April and a $12,000,000 operating line of credit during the months of May through September. No amount has been drawn upon this operating line of credit as at March 31, 2014. The College has $2,200,000 (2013 - $2,100,000) in letters of credit outstanding as of March 31, 2014. In addition, the College has an unused demand instalment loan facility of $2,145,000. The bank loan outstanding at year-end is as follows:

	2014	2013
Demand loan bearing interest at prime minus 25bps, repayable in monthly instalments of $16,667 excluding interest through 2027. This loan is secured by a general security agreement on all assets of the Student Association	**$ 2,400,000**	$ 2,600,000

The scheduled principal amounts payable within the next five years and thereafter are as follows:

2015	$ 200,000
2016	200,000
2017	200,000
2018	200,000
2019	200,000
Thereafter	1,400,000
Total	$ 2,400,000

9. LENDING FACILITIES

The College has partially financed the building of the Student Residence through an unsecured non-revolving bank loan, repayable in monthly installments of $90,900 principal and interest at the rate of prime plus 3%. The bank loan is due on demand and has therefore been classified as current. The College has fixed its interest rate at 6.82% through an interest rate swap for the term of the loan. The interest rate includes a credit spread of 0.35%. The interest rate swap is a derivative financial instrument. It has effectively locked in a fixed rate through 2026.

The fair value of the interest rate swap (in favour of the bank) of $2,250,000 (2013 - $1,900,000) is recorded in the statement of financial position with the fluctuations being recorded in the statement of remeasurement gains and losses.

The scheduled principal amounts payable within the next five years and thereafter are as follows:

2015	$	443,262
2016		472,807
2017		504,321
2018		537,936
2019		553,451
Thereafter		15,388,223
Total	$	17,900,000

10. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY

The following tables outline the components of the College's post-employment benefits and compensated absences liabilities and the related expenses.

	2014			
	Post-employment Benefits	**Non-vesting sick leave**	**Vesting sick leave**	**Total liability**
Accrued employee future benefits obligations	**$ 2,250,000**	**$ 4,600,000**	**$ 600,000**	**$ 7,450,000**
Value of plan assets	**(175,000)**	**-**	**-**	**(175,000)**
Unamortized actuarial losses	**(225,000)**	**(195,000)**	**(185,000)**	**(605,000)**
Total liability	**$ 1,850,000**	**$ 4,405,000**	**$ 415,000**	**$ 6,670,000**

10. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY (continued)

	2013			
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 2,155,400	$ 4,485,300	$ 559,300	$ 7,200,000
Value of plan assets	(150,000)	-	-	(150,000)
Unamortized actuarial losses	(245,000)	(200,000)	(197,500)	(642,500)
Total liability	$ 1,760,400	$ 4,285,300	$ 361,800	$ 6,407,500

	2014			
	Post-employment Benefits	**Non-vesting sick leave**	**Vesting sick leave**	**Total expense**
Current year benefit cost	**$ 245,000**	**$ 825,000**	**$ 115,000**	**$ 1,185,000**
Interest on accrued benefit obligation	**66,000**	**175,000**	**51,000**	**292,000**
Amortized actuarial losses	**20,000**	**10,000**	**5,000**	**35,000**
Total expense	**$ 331,000**	**$ 1,010,000**	**$ 171,000**	**$ 1,512,000**

	2013			
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$ 235,000	$ 800,000	$ 100,000	$ 1,135,000
Interest on accrued benefit obligation	64,000	168,000	50,000	282,000
Amortized actuarial losses	21,400	17,300	16,800	55,500
Total expense	$ 320,400	$ 985,300	$ 166,800	$ 1,472,500

10. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY (continued)

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

A majority of the College's employees are participants in the defined benefit contributory retirement pension plan of the Colleges of Applied Arts and Technology. The plan is a mutli-employer plan and therefore the College's contributions are accounted for as if the plan were a defined contribution plan with the College's contributions being expensed in the period they come due. Any unfunded liability is to be paid directly by the Ministry of Training, Colleges and Universities. Contributions by the College on account of current service pension costs amounted to $8,300,000 (2013 - $8,250,000) and contributions by employees amounted to $7,750,000 (2013 - $7,650,000). The most recent actuarial valuation filed with pension regulators as at January 1, 2013 indicated an actuarial surplus of $160 million.

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 major actuarial assumptions employed for the valuations are as follows:

a) *Discount rate*

The present value as at March 31, 2014 of the future benefits was determined using a discount rate of 4% (2013 – 4%).

b) *Drug Costs*

Drug costs were assumed to increase at a 11.0% rate for 2014 (2013 – 10.5%) and decrease proportionately thereafter to an ultimate rate of 4.75% in 2026 for fiscal 2014 (2013 – 4.5%).

c) *Hospital and other medical*

Hospital and other medical costs were assumed to increase at 4.5% per annum (2013 – 4.5%).

Medical premium increases were assumed to increase at 8.25% per annum in 2014 (2013 – 8.0%) and decrease proportionately thereafter to an ultimate rate of 4.75% in 2026 for fiscal 2014 (2013 – 4.5%).

d) *Dental costs*

Dental costs were assumed to increase at 7.5% per annum in 2014 (2013 - 7.5%) and decrease proportionately thereafter to an ultimate rate of 4.75% in 2023 for the fiscal 2014 benefits cost (2013 – 4.50%).

10. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY (continued)

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.

Non-Vesting Sick Leave

The College allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that the employees' illness or injury exceeds the current year's allocation of days. Sick days are paid out at the salary in effect at the time of usage. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

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

	2014	2013
Wage and salary escalation		
Academic	**2.00%**	**1.75%**
Support	**1.65%**	**1.45%**
Discount rate	**3.85%**	**4.00%**

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 38.4% and 0 to 18.9 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

11. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted funding that has been received and relates to a subsequent year. Changes in the contributions deferred to future periods are as follows:

	2014	2013
Balance, beginning of year	**$ 2,100,000**	$ 2,000,000
Less amounts recognized as revenue in the year	**(1,450,000)**	(1,650,000)
Add amounts received during the year	**1,600,000**	1,750,000
Balance, end of year	**$ 2,250,000**	$ 2,100,000

11. DEFERRED CONTRIBUTIONS (continued)

Deferred contributions are comprised of:

	2014	2013
Scholarships and bursaries	**$ 1,700,000**	$ 1,600,000
Endowment interest funds	**150,000**	100,000
Joint employment stability reserve	**400,000**	400,000
	$ 2,250,000	$ 2,100,000

12. DEFERRED CAPITAL CONTRIBUTIONS

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. The changes in the deferred capital contributions balances are as follows:

	2014	2013
Balance, beginning of year	**$ 73,500,000**	$ 74,000,000
Less amortization of deferred capital contributions	**(5,550,000)**	(5,600,000)
Add transfers for construction in progress	**50,000,000**	1,100,000
Add contributions received for capital purposes	**2,850,000**	4,000,000
Balance, end of year	**$ 120,800,000**	$ 73,500,000

As at March 31, 2014 there were $1,000,000 (2013 - $1,000,000) of deferred capital contributions received which were not spent.

13. DEFERRED CAPITAL CONTRIBUTIONS RELATING TO CONSTRUCTION IN PROGRESS

Deferred capital contributions relating to construction in progress represents the amount of grants and other restricted funding received for the Library and the Athletic and Wellness Centre construction projects in progress.

	2014	2013
Balance, beginning of year	**$ 55,500,000**	$ 56,000,000
Less amounts transferred to assets in the year	**(50,000,000)**	(1,100,000)
Add contributions received for capital purposes	**500,000**	600,000
Balance, end of year	**$ 6,000,000**	$ 55,500,000

14. INVESTMENT IN CAPITAL ASSETS

A. Investment in capital assets represents the following:

	2014	2013
Capital assets	**$ 215,398,500**	$ 160,398,500
Construction in progress (Note 5)	**12,100,000**	61,100,000
	227,498,500	221,498,500
Less amounts financed by:		
Accounts payable	**23,029,500**	15,112,250
Term debt (Note 9)	**17,900,000**	18,300,000
Deferred capital contributions (Note 12)	**119,800,000**	72,500,000
Deferred capital contributions - construction (Note 13)	**6,000,000**	55,500,000
Balance, end of year	**$ 60,769,000**	$ 60,086,250

B. Change in net assets invested in capital assets is calculated as follows:

	2014	2013
Deficiency of revenues over expenditures:		
Amortization of deferred capital contributions related to capital assets	**$ 5,550,000**	$ 5,600,000
Amortization of capital assets	**(13,000,000)**	(13,200,000)
	(7,450,000)	(7,600,000)
Net change in investment in capital assets:		
Purchase of capital assets and transfers from construction in progress	**19,000,000**	21,328,500
Amounts funded by deferred capital contributions	**(5,100,000)**	(5,100,000)
Amounts funded by accounts payable	**(6,167,250)**	(6,167,250)
Repayment of term debt	**400,000**	400,000
	8,132,750	10,461,250
	$ 682,750	$ 2,861,250

15. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets represents money set aside by College senior management for an international student endowment fund. A commitment has been made by College senior management to contribute 1% of international education tuition fees to this endowment fund. As at March 31, 2014, internally restricted endowments were $900,000 (2013 - $855,000).

16. 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 unspent portion of investment income is recorded in deferred contributions. Investment income on endowed assets recognized and deferred was $115,000 and $77,500 respectively (2013 - $125,000 and $75,000).

Externally restricted endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund. Under this program, the government matches funds raised by the College. The purpose of the program is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend College.

17. COMMITMENTS

The College is committed to estimated minimum annual payments under operating lease agreements over the next two years as follows:

	Equipment and services
2015	**$ 1,200,000**
2016	**1,400,000**

18. 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, debt holdings in its investment portfolio, long-term receivable and accounts receivable. The College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up $300,000 (2013 - $300,000).

The College's investment policy operates within the constraints of the investment guidelines issued by the MTCU 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 on a monthly basis. 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 A (R-1) or better.

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

18. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit risk (continued)

Accounts receivable and long-term receivable are ultimately due from students. Credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population.

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:

As at March 31, 2014				*Past Due*		
	Total	**Current**	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**91 - 120 days**
Government receivables	**$ 900,000**	**$ 850,000**	**$ -**	**$ -**	**$ -**	**$ -**
Student receivables	**15,825,000**	**13,687,500**	**250,000**	**100,000**	**537,500**	**1,250,000**
Other receivables	**1,125,000**	**1,000,000**	**-**	**-**	**-**	**125,000**
Gross receivables	**17,850,000**	**15,537,500**	**250,000**	**100,000**	**537,500**	**1,375,000**
Less: impairment allowances	**(1,100,000)**	**-**	**-**	**-**	**-**	**(1,100,000)**
Net receivables	**$ 16,750,000**	**$ 15,537,500**	**$ 250,000**	**$ 100,000**	**$ 537,500**	**$ 275,000**

As at March 31, 2013				*Past Due*		
	Total	**Current**	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**91 - 120 days**
Government receivables	$ 850,000	$ 850,000	$ -	$ -	$ -	$ -
Student receivables	15,587,500	13,450,000	250,000	100,000	537,500	1,250,000
Other receivables	1,100,000	1,000,000	-	-	-	100,000
Gross receivables	17,537,500	15,300,000	250,000	100,000	537,500	1,350,000
Less: impairment allowances	(1,000,000)	-	-	-	-	(1,000,000)
Net receivables	$ 16,537,500	$ 15,300,000	$ 250,000	$ 100,000	$ 537,500	$ 350,000

The majority of amounts of other receivables aged greater than 90 days relate to amounts owed to the College for corporate training. The College has made formal payment arrangements with the customers and have received installment payments. The College does not believe these balances are impaired, therefore no impairment allowance has been recognized. Student receivables not impaired are collectible based on the College's assessment and past experience regarding collection rates.

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.

18. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The College's investment policy operates within the constraints of the investment guidelines issued by the MTCU. The policy's application is monitored by management, the investment managers and the board of governors. Diversification techniques are utilized to minimize risk. The policy limits the investment in any one corporate issuer to a maximum of 10% of the College's total fixed income bonds.

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

Currency risk

Currency risk relates to the College operating in different currencies and converting non-Canadian earnings at different points in time at different foreign College levels when adverse changes in foreign currency College rates occur. The College does not have any material transactions or financial instruments denominated in foreign currencies. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The College is exposed to this risk through its interest bearing investments, bank loans and term debt.

The College mitigates interest rate risk on its term debt through a derivative financial instrument that exchanges the variable rate inherent in the term debt for a fixed rate (see Note 9). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

The College's bond portfolio has interest rates ranging from 0.6% to 3.75% (2013 – 0.5% to 3.5%) with maturities ranging from April 9, 2016 to July 1, 2028 (2013 - April 5, 2015 to June 30, 2024).

At March 31, 2014, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of bonds and the interest rate swap of $825,000 and $215,000 respectively (2013 - $850,000 and $225,000). A 1% fluctuation in interest rates would have an estimated impact on interest expense related to the College's bank loans of $22,000 (2013 - $27,000) and a $63,500 (2013 - $68,000) impact on interest income related to the College's long-term receivable. The College's term debt as described in Note 9 would not be impacted as the inherent variable rate of the debt has been fixed with the use of the aforementioned derivative interest rate swap.

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.

18. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The College is exposed to this risk through its equity holdings within its investment portfolio. At March 31, 2014, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the College's equities of $433,750 (2013 - $430,000).

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 contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

	2014			
	Within 6 months	**6 months to 1 year**	**1 - 5 years**	**> 5 years**
Accounts payable	$ 35,000,000	$ -	$ -	$ -
Bank loans	100,002	100,002	800,016	1,399,980
Term debt	221,631	221,631	2,068,515	15,388,223
	$ 35,321,633	$ 321,633	$ 2,868,531	$ 16,788,203

	2013			
	Within 6 months	6 months to 1 year	1 - 5 years	> 5 years
Accounts payable	$ 37,485,000	$ -	$ -	$ -
Bank loans	100,000	100,000	800,016	1,599,984
Term debt	545,400	545,400	4,363,200	12,846,000
	$ 38,130,400	$ 645,400	$ 5,163,216	$ 14,445,984

Derivative financial liabilities mature as described in Note 9.

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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