Financial Statements of

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Years ended March 31, 2013 and 2012

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Sir Sandford Fleming
College of Applied Arts and Technology

We have audited the accompanying financial statements of Sir Sandford Fleming College of Applied Arts and Technology, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, the statement of remeasurement gains and losses for the year ended March 31, 2013, 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 audits. We conducted our audits 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 in our audits 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 Sir Sandford Fleming College of Applied Arts and Technology as at March 31, 2013, March 31, 2012 and April 1, 2011 and its results of operations, its changes in net assets and its cash flows for the years ended March 31, 2013 and March 31, 2012 and its remeasurement gains and losses for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

May 29, 2013
Toronto, Canada

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash	$ 6,297,865	$ 4,065,188	$ 4,249,015
Short-term investments (note 6)	8,635,205	5,494,143	12,035,178
MTCU receivables	4,648,928	4,891,967	4,429,357
Accounts receivable	4,532,344	6,113,310	3,541,383
Inventory and prepaid expenses	736,216	704,808	582,945
Notes receivable (note 4)	37,887	478,587	378,000
	24,888,445	21,748,003	25,215,878
Restricted investments for endowments, bursaries and other (notes 5 and 6)	8,428,393	8,140,785	7,117,418
Notes receivable (note 4)	–	65,799	890,636
Capital assets (note 7)	86,677,042	83,856,286	82,891,572
	$ 119,993,880	$ 113,810,873	$ 116,115,504

	March 31, 2013	March 31, 2012	April 1, 2011

Liabilities, Deferred Contributions and Net Assets

	March 31, 2013	March 31, 2012	April 1, 2011
Current liabilities:			
Demand loan, 2.5%	$ –	$ 15,268,000	$ –
Accounts payable and accrued liabilities	7,984,028	6,690,481	7,934,119
Accrued payroll and employee benefits	10,487,172	10,097,579	8,760,628
MTCU grants received in excess of entitlements	695,609	1,160,657	1,770,675
Deferred revenue	6,478,337	5,620,885	4,750,898
Current portion of long-term debt (note 9)	1,304,278	910,564	18,712,115
	26,949,424	39,748,166	41,928,435
Long-term debt (note 9)	15,209,159	1,983,298	966,863
Deferred derivative liability (note 9)	227,000	241,000	803,000
Post-employment benefits and compensated absences (note 10)	4,451,000	4,781,000	5,064,000
	19,887,159	7,005,298	6,833,863
Deferred contributions:			
Bursaries and other	2,189,893	1,929,064	1,480,630
Deferred capital contributions (note 8)	60,379,314	55,806,980	57,953,257
	62,569,207	57,736,044	59,433,887
Net assets:			
Invested in capital assets (note 11)	11,937,492	10,657,333	6,177,467
Internally restricted (note 17)	1,976,000	1,309,200	999,800
Unrestricted net assets:			
Operating	1,150,356	1,680,833	6,285,973
Post-employment benefits and compensated absences	(4,451,000)	(4,781,000)	(5,064,000)
Vacation pay accrual	(6,036,258)	(5,515,722)	(5,313,709)
Deferred derivative liability	–	(241,000)	(803,000)
	(9,336,902)	(8,856,889)	(4,894,736)
Accumulated remeasurement gains	(227,000)	–	–
Restricted for endowment	6,238,500	6,211,721	5,636,788
	10,588,090	9,321,365	7,919,319
Commitments (note 18)			
	$ 119,993,880	$ 113,810,873	$ 116,115,504

See accompanying notes to financial statements.

On behalf of the Board of Governors:

Chair of the Board of Governors

President

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statements of Operations

Years ended March 31, 2013 and 2012

	2013	2012
Revenue:		
MTCU grants and reimbursements	$ 49,636,536	$ 48,531,161
Student tuition	24,350,419	21,491,768
Other	15,006,144	13,964,812
Ancillary operations	4,008,261	3,862,767
Amortization of deferred capital contributions (note 8)	3,774,027	3,778,288
Adjustment to deferred derivative liability (note 9)	–	562,000
	96,775,387	92,190,796
Expenditures:		
Salaries	53,160,340	51,059,135
Benefits	11,002,490	10,278,301
Instructional support	5,643,890	5,471,509
Travel and professional development	1,198,733	1,220,845
Advertising	1,028,689	887,029
Telephone, legal and audit	1,167,106	1,046,870
Equipment maintenance	448,576	443,905
Plant and security	3,360,796	2,937,807
Rental and taxes	1,127,786	1,101,903
Utilities	2,312,618	2,228,481
Contract services and other	5,624,730	4,913,350
Bursaries	2,454,065	2,625,020
Supplementary	272,414	336,328
Interest on long-term debt	475,258	820,171
Amortization of capital assets	6,271,950	6,058,029
	95,549,441	91,428,683
Excess of revenue over expenditures	$ 1,225,946	$ 762,113

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

March 31, 2013	Invested in capital assets (note 11(a))	Internally restricted (note 17)	Restricted for endowment	Unrestricted	Accumulated remeasurement gains (losses)	Total
Net assets, beginning of year	$ 10,657,333	$ 1,309,200	$ 6,211,721	$ (8,856,889)	$ –	$ 9,321,365
Excess (deficiency) of revenue over expenditures (note 11(b))	(2,561,726)	–	–	3,787,672	–	1,225,946
Endowment contributions	–	–	26,779	–	–	26,779
Net change in investment in capital assets (note 11(b))	3,841,885	–	–	(3,841,885)	–	–
Reclassification of derivative liability on adoption of the financial instrument standard (note 3)	–	–	–	241,000	(241,000)	–
Remeasurement gains	–	–	–	–	14,000	14,000
Interfund transfers (note 17)	–	666,800	–	(666,800)	–	–
Net assets, end of year	$ 11,937,492	$ 1,976,000	$ 6,238,500	$ (9,336,902)	$ (227,000)	$ 10,588,090

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statements of Changes in Net Assets (continued)

Years ended March 31, 2013 and 2012

March 31, 2012	Invested in capital assets (note 11(a))	Internally restricted (note 17)	Restricted for endowment	Unrestricted (note 2)	Total
Net assets, beginning of year	$ 6,177,467	$ 999,800	$ 5,636,788	$ (4,894,736)	$ 7,919,319
Excess (deficiency) of revenue over expenditures (note 11(b))	(2,279,741)	–	–	3,041,854	762,113
Endowment contributions	–	–	574,933	–	574,933
Net change in investment in capital assets (note 11(b))	6,694,607	–	–	(6,694,607)	–
Donation of land	65,000	–	–	–	65,000
Interfund transfers (note 17)	–	309,400	–	(309,400)	–
Net assets, end of year	$ 10,657,333	$ 1,309,200	$ 6,211,721	$ (8,856,889)	$ 9,321,365

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	$ 1,225,946	$ 762,113
Items not involving cash:		
Amortization of capital assets	6,271,950	6,058,029
Amortization of deferred capital contributions	(3,774,027)	(3,778,288)
Adjustment to deferred derivative liability	–	(562,000)
Donation of land	–	65,000
Loss on disposal of capital assets	63,803	–
Donation of capital assets	(58,357)	(518,884)
	3,729,315	2,025,970
Accruals for post-employment benefits and compensated absences	(330,000)	(283,000)
Change in non-cash operating working capital:		
MTCU receivables	243,039	(462,610)
Accounts receivable	1,580,966	(2,571,927)
Inventory and prepaid expenses	(31,408)	(121,863)
Accounts payable and accrued liabilities	1,293,547	(1,243,638)
Accrued payroll and employee benefits	389,593	1,336,951
MTCU grants received in excess of entitlements	(465,048)	(610,018)
Deferred revenue	857,452	869,987
	7,267,456	(1,060,148)
Capital activities:		
Deferred capital contributions	8,346,361	1,632,011
Purchase of capital assets	(9,098,152)	(6,503,859)
	(751,791)	(4,871,848)
Financing activities:		
Deferred contributions, bursaries and other	260,829	448,434
Endowment contributions	26,779	574,933
Issuance (repayment) of demand loan	(14,921,000)	15,615,000
Issuance of long-term debt	14,921,000	–
Principal payments on long-term debt	(1,648,425)	(17,132,116)
	(1,360,817)	(493,749)

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statements of Cash Flows (continued)

Years ended March 31, 2013 and 2012

	2013	2012
Investing activities:		
Invested in short-term investments, net	(3,141,062)	6,541,035
Increase in restricted investments for endowments, bursaries and other	(287,608)	(1,023,367)
Notes receivable	506,499	724,250
	(2,922,171)	6,241,918
Increase (decrease) in cash	2,232,677	(183,827)
Cash, beginning of year	4,065,188	4,249,015
Cash, end of year	$ 6,297,865	$ 4,065,188
Supplemental cash flow information:		
Interest paid	$ 475,258	$ 820,171
Interest received	377,705	373,677

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains and Losses

Year ended March 31, 2013

Accumulated remeasurement gains and losses, beginning of year	$ –
Adjustment of swap derivatives (note 3)	(241,000)
Unrealized gain on swap derivatives (note 3)	14,000
Accumulated remeasurement gains and losses, end of year	$ (227,000)

See accompanying notes to financial statements.

Sir Sandford Fleming College of Applied Arts and Technology (the "College") was established as a corporation without share capital, as set out in the Ontario Colleges of Applied Arts and Technology Act. The Corporations Act governs the corporate affairs of the College and became effective April 1, 2003. The College is principally involved in providing post-secondary educational services. Under the Income Tax Act (Canada), the College is considered a registered charity and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements are the representation of management and have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations ("Government NPOs"), including the 4200 Series of Standards, as issued by the Public Sector Accounting Board ("PSAB").

(b) Revenue recognition:

The College follows the deferral method of accounting for contributions and other revenues. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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. Endowment contributions are recognized as direct increases to 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.

Other revenues are recognized when received or receivable and the amount can be reasonably estimated and collection is assured.

The College defers the portion of the revenue related to the delivery of programs and courses that takes place after March 31.

1. Significant accounting policies (continued):

(c) Library books:

Library book purchases are recorded as an operating expenditure at the time of purchase.

(d) 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 expenditure. Betterments which extend the estimated life of an asset are capitalized. Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2-1/2%
Site improvements	10%
Furniture and equipment	20%
Computer equipment	33-1/3%
Residence furniture	6-2/3%
Fibre optic system	5%
Enterprise Resource Planning System	14%
Leasehold improvements	Over term of lease
Sport and Wellness Centre	Over term of lease
Sports fields	5%

Construction in progress is not amortized until it is available for use.

1. Significant accounting policies (continued):

(e) 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, non-vesting sick leave and compensated absences. 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 lives of the employees.

(iv) The discount used in the determination of the above-mentioned liabilities is equal to the College's internal rate of borrowing.

(v) The cost of compensated absences is determined using management's best-estimate of the length of the compensated absences.

1. Significant accounting policies (continued):

(f) Financial instruments:

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

(i) Fair value:

This category includes derivatives and equity instruments quoted in an active market. The College has elected to continue carrying its bond portfolio that would otherwise be classified into the amortized cost category at fair value as the College 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 statements of operations for unrestricted financial instruments. Changes in fair value on restricted assets are recognized as a liability until the criteria attached to the restriction 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 statements 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 statements of operations for unrestricted investments.

1. **Significant accounting policies (continued):**

(ii) Amortized cost:

This category includes accounts receivable, notes receivable, MTCU receivables, accounts payable and accrued liabilities, accrued payroll and employee benefits, MTCU grants received in excess of entitlements and long-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.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs 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 write down being recognized in the statements of operations.

(g) Inventory:

Inventory is values at the lower of cost on a first-in, first-out basis and replacement cost.

(h) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the financial statement dates. 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 statements of operations and the unrealized balances are reversed from the statement of measurement gains and losses.

1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenditures during the years. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Board of Governors ("Board") may undertake in the future. Significant accounting estimates include allowance for doubtful accounts, actuarial estimates of post-employment benefits and compensated absences and estimated useful lives of capital assets. Actual results could differ from those estimates.

2. First-time adoption of public sector accounting standards:

The PSAB issued new standards for Government NPOs. For years beginning on or after January 1, 2012, Government NPOs have a choice of:

- Public sector accounting standards, including PS 4200 - 4270 for Government NPOs; or

- Public sector accounting standards.

The College has chosen to follow public sector accounting standards, including PS 4200 - 4270 for Government NPOs.

2. First-time adoption of public sector accounting standards (continued):

Effective April 1, 2012, the College adopted the requirements of the new accounting framework, PSAB for Government NPOs. These are the College's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations ("PS 2125") have been applied. PS 2125 requires retroactive application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the summary of significant accounting policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for Government NPOs statement of financial position at the date of transition of April 1, 2011.

The College issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles ("GAAP") prescribed by The Canadian Institute of Chartered Accountants' ("CICA") Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for Government NPOs resulted in adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of the College. An explanation of how the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs has affected the College's financial position, operations, changes in net assets and cash flows is set out in the following notes and tables.

See note 3 for a description of the prospective application of the Public Accounting Standards PS 3450 - Financial Instruments.

2. First-time adoption of public sector accounting standards (continued):

The following exemptions and exceptions were used at the date of transition to Canadian public sector accounting standards for Government NPOs:

(a) Optional exemptions:

Actuarial gains and losses:

Pre-changeover Canadian GAAP allowed the College to only recognize actuarial gains and losses that exceeded certain prescribed amounts, the corridor approach. PSAB for Government NPOs requires the amortization of actuarial gains and losses on post-employment benefit obligations and compensated absences to be amortized over the estimated average remaining service life of employees. Retroactive application of this approach would require the College to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to PSAB for Government NPOs into a recognized portion and an unrecognized portion. The College has elected to recognize all cumulative actuarial gains and losses as the date of transition to PSAB for Government NPOs directly in net assets. Actuarial gains and losses subsequent to the date of transition to PSAB for Government NPOs are accounted for in accordance with PS 3250 - Retirement Benefits.

(b) Mandatory exceptions:

Estimates:

The estimates previously made by the College under pre-changeover Canadian GAAP were not revised for the application of PSAB for Government NPOs, except where necessary, to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the College has not used hindsight to revise estimates.

2. First-time adoption of public sector accounting standards (continued):

(c) Reconciliation of net assets and excess of revenue over expenses:

In preparing these financial statements, management has amended certain accounting policies previously applied in the pre-changeover Canadian GAAP financial statements to comply with PSAB for Government NPOs. The comparative figures for March 31, 2012 were restated to reflect these adjustments. The following reconciliations and explanatory notes provide a description of the effect of the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs on net assets and excess of revenue over expenditures:

Statement of financial position as at March 31, 2012:

	Pre-changeover Canadian GAAP	Transition adjustments: Adjustment (i)	Transition adjustments: Adjustment (ii)	Transition adjustments: Adjustment (iii)	PSAB for Government NPOs
Liabilities:					
Post-employment benefits and compensated absences:					
Vesting sick leave	$ 883,000	$ –	$ –	$ (273,000)	$ 610,000
Non-vesting sick leave	215,000	3,016,000	–	–	3,231,000
Retirement benefits	674,000	–	(42,000)	78,000	710,000
Compensated absences	230,000	–	–	–	230,000
	$ 2,002,000	$ 3,016,000	$ (42,000)	$ (195,000)	$ 4,781,000
Net assets:					
Post-employment benefits and compensated absences	$ 2,002,000	$ 3,016,000	$ (42,000)	$ (195,000)	$ 4,781,000

2. First-time adoption of public sector accounting standards (continued):

Statement of financial position as at April 1, 2011 - transition date:

	Pre-changeover Canadian GAAP	Transition adjustments Adjustment (i)	Adjustment (ii)	Adjustment (iii)	PSAB for Government NPOs
Liabilities:					
Post-employment benefits and compensated absences:					
Vesting sick leave	$ 1,039,000	$ –	$ –	$ (189,000)	$ 850,000
Non-vesting sick leave	259,000	3,137,000	–	–	3,396,000
Retirement benefits	678,000	–	(52,000)	72,000	698,000
Compensated absences	120,000	–	–	–	120,000
	$ 2,096,000	$ 3,137,000	$ (52,000)	$ (117,000)	$ 5,064,000
Net assets:					
Post-employment benefits and compensated absences	$ 2,096,000	$ 3,137,000	$ (52,000)	$ (117,000)	$ 5,064,000

2. First-time adoption of public sector accounting standards (continued):

Statement of operations for the year ended March 31, 2012:

	Pre-changeover Canadian GAAP	Adjustments	PSAB for Government NPOs
Expenditures:			
Salaries	$ 51,241,135	$ (182,000)	$ 51,059,135
Benefits	10,285,301	(7,000)	10,278,301
	$ 61,526,436	$ (189,000)	$ 61,337,436
Excess of revenue over expenditures	$ 573,113	$ 189,000	$ 762,113

Statement of cash flows for the year ended March 31, 2012:

The transition to PSAB for Government NPOs had no impact on total operating or financing activities on the statement of cash flows. The change in excess of revenue over expenditures for year ended March 31, 2012 has been offset by adjustments to operating activities. The transition to PSAB for Government NPOs resulted in the reclassification of cash receipts and outflows relating to the acquisition of tangible capital assets from investing activities to capital activities. The capital section of the statements of cash flows did not exist prior to the transition to PSAB for Government NPOs.

Explanations for adjustments to PSAB for Government NPOs:

(i) Non-vesting sick leave:

PSAB for Government NPOs requires the recognition of a liability for sick leave benefits that accumulate, but do not vest, which was not required under pre-changeover Canadian GAAP. As a result, the College has recognized a liability and charge to net assets, as described in the tables above.

2. First-time adoption of public sector accounting standards (continued):

(ii) Amortization of actuarial gains/losses:

As discussed in note 2, First-time Adoption of Public Sector Accounting Standards, Optional Exemptions, the College has elected to recognize actuarial gains and losses at the date of transition to PSAB for Government NPOs directly in net assets. As a result, the College has recognized a decreased liability and an increase to net assets, as described in the tables above.

(iii) Discount rate used to calculate post-employment benefits and compensated absences liabilities:

PSAB for Government NPOs requires these liabilities to be calculated with a discount rate that is equal to either the College's rate of borrowing or the rate of return on the plan assets. Pre-changeover Canadian GAAP required the discount rate to be equal to the yield on high quality corporate bonds. The College has chosen to discount these liabilities using its internal rate of borrowing. The change in the discount rate resulted in changes to the related liabilities and charges to excess of revenue over expenditures, as described in the tables above.

3. Change in accounting policy:

On April 1, 2012, the College adopted Public Accounting Standards PS 3450 ("PS 3450") - Financial Instruments and PS 2601 - Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments, including derivatives, are included in the statements of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the College's accounting policy choices (note 1). In accordance with the provisions of this new standard, as at April 1, 2012, the College reflected an increase of $241,000 to unrestricted net assets and a decrease of $241,000 to accumulated remeasurement gains (losses) due to the fair value of the College's interest rate swap derivative being reclassified to accumulated remeasurement gains (losses).

4. Notes receivable:

The notes receivable balance includes $37,887 (March 31, 2012 - $435,799; April 1, 2011 - $818,806) due from the Sir Sandford Fleming College Student Administrative Council, Peterborough Campus ("SAC"). During the year, the Student Association, Frost Campus ("SA") paid their balance in full (March 31, 2012 - $108,587; April 1, 2011 - $449,830).

The funds were utilized by SA to construct a Student Centre at the Frost Campus and by SAC for their contribution to The Peterborough Sport and Wellness Centre construction.

The notes receivable bear interest at the average interest rate earned on the College bank account of 1.25% (March 31, 2012 - 1.25%; April 1, 2011 - 1.0%). The current portions of the notes receivable are estimated by using the repayments, net of projected interest received during the year.

Total interest earned during the year is $6,727 (2012 - $15,993) and principal repayments received during the year totalled $506,499 (2012 - $724,250).

5. Restricted investments for endowments, bursaries and other:

Investments in the amount of $8,428,393 (March 31, 2012 - $8,140,785; April 1, 2011 - $7,117,418) are restricted as to use and are not available for general operations. Fair value is described in note 1.

6. 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.

March 31, 2013	Fair value	Amortized cost	Total
Cash	$ 6,297,865	$ –	$ 6,297,865
Short-term investments	8,635,205	–	8,635,205
MTCU grants and reimbursements receivable	–	4,648,928	4,648,928
Accounts receivable	–	4,532,344	4,532,344
Notes receivable	–	37,887	37,887
Restricted investments for endowments, bursaries and other	8,428,393	–	8,428,393
Accounts payable and accrued liabilities	–	(7,984,028)	(7,984,028)
Accrued payroll and employee benefits	–	(10,487,172)	(10,487,172)
MTCU grants received in excess of entitlements	–	(695,609)	(695,609)
Long-term debt	–	(16,513,437)	(16,513,437)
Deferred derivative liability	(227,000)	–	(227,000)
	$ 23,134,463	$ (26,461,087)	$ (3,326,624)

Short-term investments and restricted investments for endowment, bursaries and other consist of equity instruments in Canadian public companies, government and corporate bonds and guaranteed investment certificates.

	Level	March 31, 2013	March 31, 2012	April 1, 2011
Money market	1	$ 219,743	$ 379,238	$ 113,309
Fixed income	1	15,038,238	11,953,388	18,142,976
Canadian equity	1	1,805,617	1,302,302	560,258
Global equity	1	–	–	336,053
		$ 17,063,598	$ 13,634,928	$ 19,152,596

6. Financial instrument classification (continued):

Maturity profile of bonds held is as follows:

2013	Within 1 year	2 - 5 years	6 - 10 years	Over 10 years	Total
Carrying value	$ 136,700	$ 1,561,187	$ 1,493,278	$ 101,585	$ 3,292,750
Percentage of total	4	48	45	3	100

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 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).

All cash, short-term investments and restricted investments for endowments, bursaries and other are classified as Level 1 financial instruments. The deferred derivative liability is classified as a Level 3 financial instrument.

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2013 and 2012. There were also no transfers in or out of Level 3. For a sensitivity analysis of financial instruments recognized in Level 3 see note 13 - Interest rate risk, as the prevailing interest rate is the most significant input into the fair value of the instrument.

7. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Land	$ 2,424,937	$ –	$ 2,424,937
Buildings	112,105,532	37,864,078	74,241,454
Site improvements	3,703,497	2,634,988	1,068,509
Furniture and equipment	20,069,924	15,702,719	4,367,205
Computer equipment	7,025,527	6,239,342	786,185
Residence furniture	1,086,301	836,768	249,533
Fibre optic system	1,560,459	658,671	901,788
Enterprise Resource Planning System	3,888,562	3,764,933	123,629
Leasehold improvements	785,708	475,816	309,892
Sport and Wellness Centre	2,470,079	384,997	2,085,082
Sports fields	118,828	–	118,828
	$ 155,239,354	$ 68,562,312	$ 86,677,042

March 31, 2012	Cost	Accumulated amortization	Net book value
Land	$ 2,424,937	$ –	$ 2,424,937
Buildings	104,547,160	35,198,459	69,348,701
Site improvements	3,726,370	2,354,852	1,371,518
Furniture and equipment	19,337,501	14,233,384	5,104,117
Computer equipment	6,754,115	5,712,384	1,041,731
Residence furniture	1,086,301	764,348	321,953
Fibre optic system	1,560,459	580,648	979,811
Enterprise Resource Planning System	3,888,562	3,208,613	679,949
Leasehold improvements	883,822	434,786	449,036
Sport and Wellness Centre	2,470,079	335,546	2,134,533
	$ 146,679,306	$ 62,823,020	$ 83,856,286

7. Capital assets (continued):

April 1, 2011	Cost	Accumulated amortization	Net book value
Land	$ 2,359,937	$ –	$ 2,359,937
Buildings	100,519,545	32,529,531	67,990,014
Site improvements	3,726,370	2,033,473	1,692,897
Furniture and equipment	17,294,459	13,366,026	3,928,433
Computer equipment	8,107,492	6,527,441	1,580,051
Residence furniture	1,086,301	691,928	394,373
Fibre optic system	1,560,459	502,626	1,057,833
Enterprise Resource Planning System	3,879,358	2,652,819	1,226,539
Leasehold improvements	789,488	311,976	477,512
Sport and Wellness Centre	2,470,079	286,096	2,183,983
	$ 141,793,488	$ 58,901,916	$ 82,891,572

The total capital asset additions purchased and donated during the year was $9,156,509 (2012 - $7,022,743). The Ministry of Training, Colleges and Universities ("MTCU") contributed $5,985,442 (2012 - $488,165), other provincial funding $134,928 (2012 - nil), the federal government $60,447 (2012 - $141,456), private companies $62,871 (2012 - $459,765), fundraising $580,422 (2012 - $666,173), Student Associations $138,941 (2012 - $98,953) and internal funds $2,193,458 (2012 - $5,168,232).

Included in buildings, sports fields and leasehold improvements is capital in progress in the amount of $8,883,417 (March 31, 2012 - $1,965,111; April 1, 2011 - $2,103,050), $118,828 (March 31, 2012 - nil; April 1, 2011 - nil) and nil (March 31, 2012 - $80,347; April 1, 2011 - nil), respectively.

8. 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 deferred capital contributions is recorded as revenue in the statements of operations. The changes in the deferred capital contributions balance are as follows:

	2013	2012
Balance, beginning of year	$ 55,806,980	$ 57,953,257
Less amounts amortized to revenue	3,774,027	3,778,288
	52,032,953	54,174,969
Contributions received for capital purposes	8,346,361	1,632,011
Balance, end of year	$ 60,379,314	$ 55,806,980

As at March 31, 2013, there was $2,153,201 (March 31, 2012 - $769,889; April 1, 2011 - $918,130) of deferred capital contributions received that were not spent.

9. Long-term debt:

	March 31, 2013	March 31, 2012	April 1, 2011
Lindsay Student Residence loan, payable $26,701 monthly, including interest at 4.514%, due June 2015, secured by specific property	$ 684,298	$ 966,862	$ 1,236,978
Less principal repayments due within one year	295,586	282,564	270,115
	388,712	684,298	966,863
Brealey Student residence loan, payable $630,940 semi-annually, including interest at 3.218%, due July 2027, secured by specific property	14,530,139	–	–
Less principal repayments due within one year	800,692	–	–
	13,729,447	–	–
Brealey Student Residence loan payable, secured by specific property	–	–	15,917,000
Less principal repayment due within one year	–	–	15,917,000
	–	–	–
The Peterborough Sport and Wellness Centre loan payable, secured by specific property	1,153,000	1,212,000	1,269,000
Less principal repayment due within one year	62,000	59,000	1,269,000
	1,091,000	1,153,000	–
Enterprise Resource Planning System loan payable, secured by specific property	146,000	715,000	1,256,000
Less principal repayment due within one year	146,000	569,000	1,256,000
	–	146,000	–
	$ 15,209,159	$ 1,983,298	$ 966,863

9. Long-term debt (continued):

The College has entered into interest rate swaps for The Peterborough Sport and Wellness Centre and the Enterprise Resource Planning System. The fair values of the interest rate swaps have been recorded as a deferred derivative liability.

The fair value of the interest rate swaps has been determined using Level 3 of the fair value hierarchy. The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The Peterborough Sport and Wellness Centre swap has a notional value of $1,500,000, whereby that portion of the loan payable is fixed at 5.49%, inclusive of the stamping fee. Principal repayments are due quarterly with the swap agreement expiring on June 13, 2026. The fair value of this swap liability is $225,700 (March 31, 2012 - $222,500; April 1, 2011 - $125,456).

The Enterprise Resource Planning System swap has a notional value of $3,500,000, whereby that portion of the loan payable is fixed at 5.35%, inclusive of the stamping fee. Principal repayments are due quarterly with the swap agreement expiring on June 13, 2013. The fair value of this swap liability is $1,300 (March 31, 2012 - $18,500; April 1, 2011 - $46,544).

In 2012, the College entered into a demand loan, at an interest rate of bank prime minus 0.5%. No specific security has been pledged for the demand loan. In 2013, the full amount has been repaid (March 31, 2012 - $15,268,000; April 1, 2011 - nil).

The principal repayments due in the next five years and thereafter are as follows:

2014	$ 1,304,278
2015	1,201,874
2016	1,001,985
2017	954,167
2018	985,751
Thereafter	11,065,382
	$ 16,513,437

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:

March 31, 2013	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Compensated absences	Total liability
Accrued employee future benefits obligations	$ 881,000	$ 3,141,000	$ 474,000	$ 120,000	$ 4,616,000
Value of plan assets	(109,000)	–	–	–	(109,000)
Unamortized actuarial gains (losses)	(25,000)	(34,000)	3,000	–	(56,000)
	$ 747,000	$ 3,107,000	$ 477,000	$ 120,000	$ 4,451,000

March 31, 2012	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Compensated absences	Total liability
Accrued employee future benefits obligations	$ 843,000	3,389,000	$ 623,000	$ 230,000	$ 5,085,000
Value of plan assets	(118,000)	–	–	–	(118,000)
Unamortized actuarial losses	(15,000)	(158,000)	(13,000)	–	(186,000)
	$ 710,000	$ 3,231,000	$ 610,000	$ 230,000	$ 4,781,000

2013	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Compensated absences	Total liability
Current year benefit costs	$ 68,000	$ 175,000	$ 25,000	$ 120,000	$ 388,000
Interest on accrued benefit obligation	5,000	76,000	13,000	–	94,000
Amortized actuarial gains	2,000	16,000	5,000	–	23,000
	$ 75,000	$ 267,000	$ 43,000	$ 120,000	$ 505,000

10. Post-employment benefits and compensated absences liability (continued):

2012	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Compensated absences	Total liability
Current year benefit costs	$ 49,000	$ 158,000	$ 24,000	$ 230,000	$ 461,000
Interest on accrued benefit obligation	7,000	102,000	22,000	–	131,000
	$ 56,000	$ 260,000	$ 46,000	$ 230,000	$ 592,000

Above amounts exclude pension contributions to the Colleges of Applied Arts and Technology pension plan, a multi-employer plan, described below:

(a) Retirement benefits:

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 the Colleges of Applied Arts and Technology and related employers in Ontario. The College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long-term viability of the Plan.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2013 indicated an actuarial surplus of $347,000,000. In 2013, the College's contributions amounted to $5,014,216 (2012 - $4,530,523) to the Plan, which has been included in the statements of operations.

The College made contributions to the Retirement Compensation Arrangement ("RCA") equal to those of the qualifying employees to December 31, 2012. Beginning January 1, 2013, the College contributions were triple the employee contributions. In 2013, the College's contributions to RCA amounted to $39,365 (2012 - $27,048), and has been included in the statements of operations.

10. Post-employment benefits and compensated absences liability (continued):

(b) 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:

(i) Discount rate:

The present value as at March 31, 2013, of the future benefits was determined using a discount rate of 2.10% (2012 - 2.25%).

(ii) Drug costs:

Drug costs were assumed to increase at a 10.5% rate for 2013 (2012 - 10.5%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2026 for fiscal 2013 (2012 - 4.5%).

(iii) Hospital and other medical:

Hospital and other medical costs were assumed to increase at 4.0% per annum (2012 - 4.5%).

Medical premium increases were assumed to increase at 8.0% per annum in 2013 (2012 - 8.0%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2026 for the fiscal 2013 (2012 - 4.5%).

(iv) Dental costs:

Dental costs were assumed to increase at 4.0% per annum in 2013 (2012 - 4.5%).

10. Post-employment benefits and compensated absences liability (continued):

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

	2013	2012
Wage and salary escalation	0.00% - 2.00%	1.75% - 2.00%
Discount rate	2.10%	2.25%

10. Post-employment benefits and compensated absences liability (continued):

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 38.7% and nil to 18.8 days, respectively for age groups ranging from 20 and under to 65 and over in bands of five years.

11. Net assets invested in capital assets:

(a) Net assets invested in capital assets represent the following:

	2013	2012
Capital assets, at cost (note 7)	$ 155,239,354	$ 146,679,306
Accumulated amortization (note 7)	(68,562,312)	(62,823,020)
Long-term debt:		
Long-term portion (note 9)	(15,209,159)	(1,983,298)
Current portion (note 9)	(1,304,278)	(910,564)
Demand loan	–	(15,268,000)
Deferred contributions related to capital assets (note 8)	(58,226,113)	(55,037,091)
Balance, end of year	$ 11,937,492	$ 10,657,333

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

	2013	2012
Excess (deficiency) of revenue over expenditures:		
Amortization of deferred capital contributions	$ 3,774,027	$ 3,778,288
Amortization of capital assets	(6,271,950)	(6,058,029)
Loss on disposal of capital assets	(63,803)	–
	$ (2,561,726)	$ (2,279,741)

11. Net assets invested in capital assets (continued):

	2013	2012
Net change in investment in capital assets:		
Donated and purchased capital assets	$ 9,156,509	$ 6,957,743
Amounts funded by deferred capital contributions	(6,963,049)	(1,780,252)
Repayment (issuance) of demand loan	14,921,000	(15,615,000)
Repayment of debt	1,648,425	17,132,116
Issuance of long-term debt	(14,921,000)	–
	$ 3,841,885	$ 6,694,607

12. Investment income:

Investment income earned and recorded as other revenue in the statements of operations is calculated as follows:

	2013	2012
Unrestricted resources	$ 163,277	$ 183,887
Endowment funds	174,428	189,790
	$ 337,705	$ 373,677

13. Financial instrument and risk management:

(a) Credit risk:

Credit risk is the risk of financial loss to the College if a debtor falls 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, notes 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 $200,000 (2012 - $200,000).

13. Financial instrument and risk management (continued):

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, issuer type, bond quality, aggregate issuer, corporate sector 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 government bonds, bank listed schedule I or II or a branch in Canada of an authorized foreign bank under the Bank Act. Externally restricted and endowment funds, which are generally money and donations for scholarships and bursaries, can be invested in corporate bonds with a credit rating of A(R-1) or better. All other College funds are restricted to corporate bonds with a rating of AAA.

The maximum exposure to investment credit risk is outlined in note 6.

Student receivables 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 maximum exposure to credit risk of the College at March 31, 2013 is the carrying value of these assets.

	March 31, 2013	March 31, 2012	April 1, 2011
MTCU receivables	$ 4,648,928	$ 4,891,967	$ 4,429,357
Student receivables	415,422	498,969	407,740
Other receivables	4,281,922	5,814,341	3,308,643
	9,346,272	11,205,277	8,145,740
Less allowance for doubtful accounts	165,000	200,000	175,000
	$ 9,181,272	$ 11,005,277	$ 7,970,740

13. Financial instrument and risk management (continued):

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.

(b) 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. Diversification techniques are utilized to minimize risk. The Policy sets limits and the maximum amount allowable per investment grade non-government fixed income issue at the greater of 15% of the total portfolio or 20% of the fixed income portfolio.

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.

(i) 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 exchange rates when adverse changes in foreign currency rates occur. The College does not have any material transactions or financial instruments denominated in foreign currencies.

The College held U.S. equities in their investment portfolio during the 2011/12 fiscal year. The College investment policy was revised and approved by the Board on January 25, 2012. The revised Investment Policy Statement excluded foreign equities from the asset mix.

13. Financial instrument and risk management (continued):

(ii) 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, demand bank loans and long-term debt.

The College mitigates interest rate risk on its long-term debt through a derivative financial instrument that exchanges the variable rate inherent in the long-term debt for a fixed rate (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 1.67% to 5.35% (March 31, 2012 - 2.0% to 7.4%; April 1, 2011 - 1.0% to 7.7%) with maturities ranging from June 3, 2013 to January 15, 2027 (March 31, 2012 - April 9, 2012 to January 15, 2027; April 1, 2011 - April 7, 2011 to January 15, 2027).

At March 31, 2013, 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 $149,205 and $85,000, respectively. A 1% fluctuation in interest rates would have an estimated impact on interest income related to the College's notes receivable of $5,400 (March 31, 2012 - $12,800; April 1, 2011 - $16,600). The College's long-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 interest rate risk or policies, procedures and methods used to measure the risk.

13. Financial instrument and risk management (continued):

(iii) 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, 2013, 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 $180,600 (March 31, 2012 - $130,200; April 1, 2011 - $90,000).

There has been an increase in the exposure to risk with the Endowment Investment Policy Statement revision approved January 25, 2012, where the equities increased from a target asset mix of 17.5% to 30% of the total portfolio.

(c) 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 follow table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

	Within 6 months	6 months to 1 year	1 - 5 years	Greater than 5 years
Accounts payable and accrued liabilities	$ 5,172,118	$ 2,176,241	$ 635,670	$ –
Accrued payroll and employee benefits	10,462,172	25,000	–	–
Long-term debt	720,279	583,999	4,143,777	11,065,382

13. Financial instrument and risk management (continued):

Derivative financial liabilities mature, as described in note 9.

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

14. Ontario Student Opportunity Trust Funds:

Net assets restricted for endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund Phase 1 and Phase 2 ("OSOTF") matching program to award student aid as a result of raising an equal amount of endowed donations.

The College has recorded the following amounts under the OSOTF programs:

(a) OSOTF - Phase 1:

Schedule of changes in endowment fund balance:

	2013	2012
Fund balance, beginning of year	$ 1,418,200	$ 1,418,097
Preservation of capital	36	103
Fund balance, end of year	$ 1,418,236	$ 1,418,200

14. Ontario Student Opportunity Trust Funds (continued):

Schedule of changes in expendable funds available for awards:

	2013		2012	
	Market	Cost	Market	Cost
Balance, beginning of year	$ 259,166	$ 165,276	$ 247,216	$ 164,910
Opening balance adjustment	–	93,890	–	–
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	109,532	49,685	74,875	63,291
Bursaries awarded (2013 - 74; 2012 - 81)	(55,075)	(55,075)	(62,925)	(62,925)
Balance, end of year	$ 313,623	$ 253,776	$ 259,166	$ 165,276

(b) OSOTF - Phase 2:

Schedule of changes in endowment fund balance:

	2013	2012
Fund balance, beginning of year	$ 473,306	$ 473,262
Preservation of capital	71	44
Fund balance, end of year	$ 473,377	$ 473,306

14. Ontario Student Opportunity Trust Funds (continued):

Schedule of changes in expendable funds available for awards:

	2013		2012	
	Market	Cost	Market	Cost
Balance, beginning of year	$ 55,526	$ 35,692	$ 60,332	$ 45,282
Opening balance adjustment	–	19,834	–	–
Realized investment income, net of direct investment- related expenses and preservation of capital contributions	28,506	14,108	15,544	10,760
Bursaries awarded (2013 - 10; 2012 - 17)	(10,798)	(10,798)	(20,350)	(20,350)
Balance, end of year	$ 73,234	$ 58,836	$ 55,526	$ 35,692

15. Ontario Trust for Student Support:

Net assets restricted for endowments include monies provided by the Government of Ontario from the Ontario Trust for Student Support ("OTSS") matching program to award student aid.

15. Ontario Trust for Student Support (continued):

Schedule of donations received during the year:

	2013	2012
Cash donations matched	$ –	$ 226,996

Schedule of changes in endowment fund balances during the year:

	2013	2012
Fund balance, beginning of year	$ 3,812,967	$ 3,238,452
Eligible cash donations received in compliance with the November 2005 Program Guidelines and Reporting Requirements	–	226,996
Matching funds received/receivable from MTCU in 2010/11	–	347,509
Preservation of capital	18	10
Fund balance, end of year	$ 3,812,985	$ 3,812,967

Schedule of changes in expendable funds available for awards:

	2013		2012	
	Market	Cost	Market	Cost
Balance, beginning of year	$ 232,024	$ 149,489	$ 177,666	$ 104,381
Opening balance adjustment	–	82,535	–	–
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	240,651	113,285	143,448	134,198
Bursaries awarded (2013 - 144; 2012 - 122)	(102,885)	(102,885)	(89,090)	(89,090)
Balance, end of year	$ 369,790	$ 242,424	$ 232,024	$ 149,489

16. Fleming College Foundation:

Fleming College Foundation (the "Foundation") was established to raise funds for the use of the College. The Foundation was incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act (Canada).

As defined by CICA PSAB accounting recommendations for NPOs, the College controls the Foundation operations, in that they have common board members controlling both entities. The majority of fundraising has been carried out by the College since April 1, 2011.

The Foundation's financial statements have not been consolidated in the College's financial statements. Separate financial statements of the Foundation are available upon request.

Financial summaries of the Foundation as at and for the year ended March 31 are as follows:

	2013	2012
Financial position		
Total assets	$ 65,085	$ 70,947
Total liabilities	5,405	6,163
Fund balances	$ 59,680	$ 64,784
Results of operations		
Total revenue	$ 17,873	$ 19,669
Total expenses and bursaries	5,405	5,358
Transfers to Fleming College	17,572	84,527
Excess of expenditures over revenue	$ (5,104)	$ (70,216)

The net resources of the Foundation amount to $59,680 (2012 - $64,784), of which $55,138 (2012 - $55,000) is restricted.

17. Internally restricted net assets:

	March 31, 2013	March 31, 2012	April 1, 2011
Residence and other direct student services	$ 1,976,000	$ 1,309,200	$ 999,800

Internally restricted net assets represent funds restricted by Board motion. Board approval is required for expenditures. On May 29, 2013, the Board approved a transfer of $666,800 from unrestricted to internally restricted net assets for the purpose of residence and other direct student services.

18. Commitments:

(a) The College is committed to the following operating lease payments in each of the following years:

2014	$ 658,250
2015	338,655
2016	284,802
2017	62,434
2018	–

(b) The College is constructing the Kawartha Trades and Technology Centre ("KTTC"), an addition to the Sutherland Campus. During the year, the College entered into an agreement with a construction company at a total cost of $21,997,211 and incurred costs of $6,120,333, resulting in a balance remaining at March 31, 2013 of $15,876,878. In the prior fiscal year, the College entered into an agreement for architectural services for KTTC at a total cost of $568,755 and as of March 31, 2013, the College has spent $144,774. The commitment remaining at March 31, 2013 for architectural services is $423,981. KTTC is expected to be substantially complete by April 2014 and the majority will be funded by MTCU.

18. Commitments (continued):

The College is renovating the Centre for Alternative Wastewater Treatment ("CAWT") lab at the Frost campus. The College has entered into an agreement for architectural services at a total cost of $174,763. The College has spent $108,601 in this fiscal year, resulting in a commitment at March 31, 2013 of $66,162. As well, an agreement was entered into with a construction company at a total cost of $792,741. The College has not yet incurred any costs related to the construction; therefore, the commitment at March 31, 2013 remains at $792,741. The renovation of the CAWT facility is expected to be completed during the 2014 fiscal year and 40% will be funded by each of the federal and provincial governments.

The College entered into an agreement during the year totalling $262,255 to purchase software, servers and consulting support related to the transition of the College core IT Infrastructure. During the year, the College spent $86,546, resulting in a commitment at March 31, 2013 of $175,709. The transition is expected to be completed during the 2014 fiscal year.