

Financial Statements of

**SIR SANDFORD FLEMING  
COLLEGE OF APPLIED ARTS  
AND TECHNOLOGY**

Year ended March 31, 2015



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Governors 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 statement of financial position as at March 31, 2015, the statements of operations, changes in net assets, cash flows and remeasurement gains and losses for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



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*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, 2015, and its results of operations, its changes in net assets, its cash flows and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

May 27, 2015  
Toronto, Canada

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

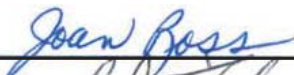
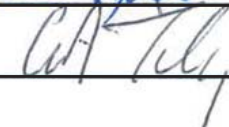
March 31, 2015, with comparative information for 2014

	2015	2014
<b>Assets</b>		
Current assets:		
Cash	\$ 7,182,058	\$ 10,488,553
Short-term investments (note 3)	6,157,055	8,638,441
Ministry of Training, Colleges and Universities receivables	4,733,827	4,563,221
Accounts receivable	4,352,241	4,328,692
Inventory and prepaid expenses	1,047,155	934,388
	<u>23,472,336</u>	<u>28,953,295</u>
Restricted investments for endowments, bursaries and other (notes 2 and 3)	9,420,483	8,945,480
Capital assets (note 4)	109,781,720	103,319,877
	<u>\$ 142,674,539</u>	<u>\$ 141,218,652</u>

	2015	2014
<b>Liabilities, Deferred Contributions and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,648,551	\$ 11,671,502
Accrued payroll and employee benefits	11,481,172	11,304,749
Ministry of Training, Colleges and Universities grants received in excess of entitlements	605,199	827,265
Deferred revenue	8,597,809	7,204,300
Current portion of long-term debt (note 6)	1,001,985	1,201,874
	<u>31,334,716</u>	<u>32,209,690</u>
Long-term debt (note 6)	13,005,300	14,007,285
Deferred derivative liability (note 6)	213,500	169,000
Post-employment benefits and compensated absences (note 7)	4,278,000	4,295,000
	<u>17,496,800</u>	<u>18,471,285</u>
Deferred contributions:		
Bursaries and other	3,025,053	2,560,174
Deferred capital contributions (note 5)	79,633,805	77,065,626
	<u>82,658,858</u>	<u>79,625,800</u>
Net assets:		
Invested in capital assets (note 8)	17,107,658	14,708,093
Internally restricted (note 14)	2,244,000	1,976,000
Unrestricted net assets:		
Operating	(3,892,468)	(1,529,475)
Post-employment benefits and compensated absences	(4,278,000)	(4,295,000)
Vacation pay accrual	(6,178,955)	(6,164,047)
	<u>(14,349,423)</u>	<u>(11,988,522)</u>
Accumulated rereasurement losses	(213,500)	(169,000)
Restricted for endowment	6,395,430	6,385,306
	<u>11,184,165</u>	<u>10,911,877</u>
Commitments (note 15)		
	<u>\$ 142,674,539</u>	<u>\$ 141,218,652</u>

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

## Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Ministry of Training, Colleges and Universities grants and reimbursements	\$ 53,028,206	\$ 51,724,991
Student tuition	28,266,517	26,918,148
Other (note 9)	14,510,939	13,971,213
Ancillary operations	5,387,485	5,121,803
Amortization of deferred capital contributions (note 5)	4,306,577	3,571,423
	<u>105,499,724</u>	<u>101,307,578</u>
Expenditures:		
Salaries	57,601,617	56,375,950
Benefits	12,410,648	11,552,043
Instructional support	7,166,355	6,027,873
Amortization of capital assets	6,429,000	5,669,138
Contract services and other	6,246,880	5,464,981
Plant and security	3,911,245	4,165,969
Utilities	2,826,190	2,853,245
Bursaries	2,066,930	2,937,395
Travel and professional development	1,350,788	1,257,104
Telephone, legal and audit	1,311,055	1,226,880
Rental and taxes	1,062,102	1,107,945
Advertising	1,027,176	1,081,786
Other	767,834	549,309
Equipment maintenance	516,041	429,166
Interest on long-term debt	499,199	544,813
	<u>105,193,060</u>	<u>101,243,597</u>
<b>Excess of revenue over expenditures</b>	<b>\$ 306,664</b>	<b>\$ 63,981</b>

See accompanying notes to financial statements.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

						2015	2014
	Invested in capital assets (note 8(a))	Internally restricted (note 14)	Restricted for endowment	Unrestricted	Accumulated remeasurement gains (losses)	Total	Total
Net assets, beginning of year	\$ 14,708,093	\$ 1,976,000	\$ 6,385,306	\$ (11,988,522)	\$ (169,000)	\$ 10,911,877	\$ 10,588,090
Excess (deficiency) of revenue over expenditures (note 8(b))	(2,118,922)	—	—	2,425,586	—	306,664	63,981
Endowment contributions	—	—	10,124	—	—	10,124	146,806
Net change in investment in capital assets (note 8(b))	4,518,487	—	—	(4,518,487)	—	—	—
Interfund transfer	—	268,000	—	(268,000)	—	—	—
Donation of land	—	—	—	—	—	—	55,000
Remeasurement gains (losses)	—	—	—	—	(44,500)	(44,500)	58,000
Net assets, end of year	\$ 17,107,658	\$ 2,244,000	\$ 6,395,430	\$ (14,349,423)	\$ (213,500)	\$ 11,184,165	\$ 10,911,877

See accompanying notes to financial statements.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 306,664	\$ 63,981
Items not involving cash:		
Amortization of capital assets	6,429,000	5,669,138
Amortization of deferred capital contributions	(4,306,577)	(3,571,423)
Donation of land	–	55,000
Gain on disposal of capital assets	(3,501)	(13,200)
Donation of capital assets	(273,253)	(644,560)
	2,152,333	1,558,936
Accruals for post-employment benefits and compensated absences	(17,000)	(156,000)
Change in non-cash operating working capital:		
Ministry of Training, Colleges and Universities receivables	(170,606)	85,707
Accounts receivable	(23,549)	203,652
Inventory and prepaid expenses	(112,767)	(198,172)
Accounts payable and accrued liabilities	(2,022,951)	3,687,474
Accrued payroll and employee benefits	176,423	817,577
Ministry of Training, Colleges and Universities grants received in excess of entitlements	(222,066)	131,656
Deferred revenue	1,393,509	725,963
	1,153,326	6,856,793
Capital activities:		
Deferred capital contributions	6,874,756	20,257,735
Purchase of capital assets	(12,617,590)	(21,667,413)
Proceeds on disposal of capital assets	3,501	13,200
	(5,739,333)	(1,396,478)
Financing activities:		
Deferred contributions, bursaries and other	464,879	370,281
Endowment contributions	10,124	146,806
Principal payments on long-term debt	(1,201,874)	(1,304,278)
	(726,871)	(787,191)



# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows (continued)

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Investing activities:		
Invested in short-term investments, net	2,481,386	(3,236)
Increase in restricted investments for endowments, bursaries and other	(475,003)	(517,087)
Notes receivable	–	37,887
	<u>2,006,383</u>	<u>(482,436)</u>
Increase (decrease) in cash	(3,306,495)	4,190,688
Cash, beginning of year	10,488,553	6,297,865
Cash, end of year	<u>\$ 7,182,058</u>	<u>\$ 10,488,553</u>
Supplemental cash flow information:		
Interest paid	\$ 499,199	\$ 544,813
Interest received	352,949	404,895

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, 2015, with comparative information for 2014

	2015	2014
Accumulated remeasurement gains and losses, beginning of year	\$ (169,000)	\$ (227,000)
Unrealized gain (loss) on swap derivatives	(44,500)	58,000
Accumulated remeasurement gains and losses, end of year	\$ (213,500)	\$ (169,000)

See accompanying notes to financial statements.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

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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.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 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 expenditures. 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:

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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 the land lease
Sports fields	5%

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Construction in progress is not amortized until the related asset is available for use.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 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.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 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 statement 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 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 for unrestricted investments.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

### (ii) Amortized cost:

This category includes accounts receivable, Ministry of Training, Colleges and Universities ("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 statement of operations.

### (g) Inventory:

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

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

### (h) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- (i) an environmental standard exists
- (ii) contamination exceeds the environmental standard
- (iii) the organization is directly responsible or accepts responsibility for the liability
- (iv) future economic benefits will be given up, and
- (v) a reasonable estimate of the liability can be made.

### (i) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the statement of operations and the unrealized balances are reversed from the statement of remeasurement gains and losses.

### (j) Capital donations:

The College records in-kind capital donations if a charitable tax receipt for income taxes is issued. Other in-kind donations are not recorded in the financial statements.



# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

### (k) 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 date of the financial statements and the reported amounts of revenue and expenditures during the year. 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, liability for contaminated sites and estimated useful lives of capital assets. Actual results could differ from those estimates.

### (l) Adoption of new accounting policy:

The College adopted PSAB Standard PS 3260 Liability for Contaminated Sites effective April 1, 2014. Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. The College adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

## 2. Restricted investments for endowments, bursaries and other:

Investments in the amount of \$9,420,483 (2014 - \$8,945,480) are restricted as to use and are not available for general operations. Fair value is described in note 1.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

### 3. 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:

2015	Fair value	Amortized cost	Total
Cash	\$ 7,182,058	\$ –	\$ 7,182,058
Short-term investments	6,157,055	–	6,157,055
MTCU receivables	–	4,733,827	4,733,827
Accounts receivable	–	4,352,241	4,352,241
Restricted investments for endowments, bursaries and other	9,420,483	–	9,420,483
Accounts payable and accrued liabilities	–	(9,648,551)	(9,648,551)
Accrued payroll and employee benefits	–	(11,481,172)	(11,481,172)
MTCU grants received in excess of entitlements	–	(605,199)	(605,199)
Long-term debt	–	(14,007,285)	(14,007,285)
Deferred derivative liability	(213,500)	–	(213,500)
	\$ 22,546,096	\$ (26,656,139)	\$ (4,110,043)

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

### 3. Financial instrument classification (continued):

2014	Fair value	Amortized cost	Total
Cash	\$ 10,488,553	\$ –	\$ 10,488,553
Short-term investments	8,638,441	–	8,638,441
MTCU receivables	–	4,563,221	4,563,221
Accounts receivable	–	4,328,692	4,328,692
Restricted investments for endowments, bursaries and other	8,945,480	–	8,945,480
Accounts payable and accrued liabilities	–	(11,671,502)	(11,671,502)
Accrued payroll and employee benefits	–	(11,304,749)	(11,304,749)
MTCU grants received in excess of entitlements	–	(827,265)	(827,265)
Long-term debt	–	(15,209,159)	(15,209,159)
Deferred derivative liability	(169,000)	–	(169,000)
	\$ 27,903,474	\$ (30,120,762)	\$ (2,217,288)

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	2015	2014
Money market	1	\$ 169,132	\$ 283,116
Fixed income	1	13,239,082	15,009,643
Canadian equity	1	2,169,324	2,291,162
		\$ 15,577,538	\$ 17,583,921

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

### 3. Financial instrument classification (continued):

Maturity profile of bonds held is as follows:

2015	Within 1 year	2 - 5 years	6 - 10 years	Over 10 years	Total
Carrying value	\$ 246,954	\$ 1,182,377	\$ 770,003	\$ –	\$ 2,199,334
Percentage of total	11	54	35	–	100

2014	Within 1 year	2 - 5 years	6 - 10 years	Over 10 years	Total
Carrying value	\$ 62,486	\$ 1,001,424	\$ 1,294,564	\$ –	\$ 2,358,474
Percentage of total	3	42	55	–	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).

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

### 3. Financial instrument classification (continued):

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, 2015 and 2014. There were also no transfers in or out of Level 3. For a sensitivity analysis of financial instruments recognized in Level 3 see note 10 - interest rate risk, as the prevailing interest rate is the most significant input into the fair value of the instrument.

### 4. Capital assets:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,479,937	\$ –	\$ 2,479,937	\$ 2,479,937
Buildings	136,699,461	43,585,046	93,114,415	87,754,908
Site improvements	4,893,483	3,214,034	1,679,449	1,400,911
Furniture and equipment	24,190,786	18,961,698	5,229,088	4,691,001
Computer equipment	7,800,425	6,091,610	1,708,815	1,182,764
Residence furniture	1,086,301	981,608	104,693	177,113
Fibre optic system	1,560,459	814,717	745,742	823,765
Enterprise Resource Planning System	4,000,138	3,884,688	115,450	5,785
Leasehold improvements	654,285	546,690	107,595	203,631
Sport and Wellness Centre	2,470,079	483,898	1,986,181	2,035,632
Sports fields	2,711,111	200,756	2,510,355	2,564,430
	<b>\$ 188,546,465</b>	<b>\$ 78,764,745</b>	<b>\$ 109,781,720</b>	<b>\$ 103,319,877</b>

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 4. Capital assets (continued):

The total capital asset additions purchased and donated during the year was \$12,890,843 (2014 - \$22,311,973). MTCU contributed \$8,101,866 (2014 - \$13,296,462), other provincial funding \$71,683 (2014 - \$644,351), the federal government \$138,222 (2014 - \$656,100), municipal governments \$445,711 (2014 - nil), private companies \$273,253 (2014 - \$746,295), fundraising \$446,135 (2014 - \$719,911), Student Associations \$93,859 (2014 - \$2,684,818) and internal funds \$3,320,114 (2014 - \$3,564,036).

Included in buildings, site improvements and Enterprise Resource Planning System is capital in progress in the amount of \$162,758 (2014 - \$23,799,479), \$96,820 (2014 - nil) and \$81,086 (2014 - nil), respectively.

## 5. 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 statement of operations. The changes in the deferred capital contributions balance are as follows:

	2015	2014
Balance, beginning of year	\$ 77,065,626	\$ 60,379,314
Less amounts amortized to revenue	4,306,577	3,571,423
	72,759,049	56,807,891
Contributions received for capital purposes	6,874,756	20,257,735
Balance, end of year	\$ 79,633,805	\$ 77,065,626

As at March 31, 2015, there was \$967,028 (2014 - \$3,663,001) of deferred capital contributions received that were not spent.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 6. Long-term debt:

	2015	2014
Lindsay Student Residence loan, payable \$26,701 monthly, including interest at 4.514%, due June 2015, secured by specific property	\$ 79,503	\$ 388,712
Less principal repayments due within one year	79,503	309,209
	—	79,503
Brealey Student residence loan, payable \$630,940 semi-annually, including interest at 3.218%, due July 2027, secured by specific property	12,902,782	13,729,447
Less principal repayments due within one year	853,482	826,665
	12,049,300	12,902,782
The Peterborough Sport and Wellness Centre loan payable, secured by specific property	1,025,000	1,091,000
Less principal repayments due within one year	69,000	66,000
	956,000	1,025,000
	\$ 13,005,300	\$ 14,007,285

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 6. Long-term debt (continued):

The College has entered into an interest swap for The Peterborough Sport and Wellness Centre. The fair value of the interest rate swap has been recorded as a deferred derivative liability.

The fair value of the interest rate swap has been determined using Level 3 of the fair value hierarchy. The fair value of the interest rate swap 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 the swap liability is \$213,500 (2014 - \$169,000).

The principal repayments due on long-term debt in the next five years and thereafter are as follows:

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2016	\$ 1,001,985
2017	954,167
2018	985,751
2019	1,020,263
2020	1,054,731
Thereafter	8,990,388
	<hr/>
	\$ 14,007,285

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# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 7. 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:

					2015	2014
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Compensated absences	Total liability	Total liability
Accrued employee future benefits obligations	\$ 813,000	\$ 2,283,000	\$ 316,000	\$ 256,000	\$ 3,668,000	\$ 3,416,000
Value of plan assets	(140,000)	—	—	—	(140,000)	(110,000)
Unamortized actuarial gains	78,000	614,000	58,000	—	750,000	989,000
	\$ 751,000	\$ 2,897,000	\$ 374,000	\$ 256,000	\$ 4,278,000	\$ 4,295,000

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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

					2015	2014
	Post- employment benefits	Non-vesting sick leave	Vesting sick leave	Compensated absences	Total expense	Total expense
Current year benefit costs	\$ 76,000	\$ 130,000	\$ 11,000	\$ 256,000	\$ 473,000	\$ 347,000
Interest on accrued benefit obligation	2,000	59,000	9,000	–	70,000	73,000
Amortized actuarial gains (losses)	(8,000)	(64,000)	19,000	–	(53,000)	9,000
	\$ 70,000	\$ 125,000	\$ 39,000	\$ 256,000	\$ 490,000	\$ 429,000

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 7. 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:

### (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, 2015 indicated an actuarial surplus of \$773,000,000. In 2015, the College's contributions amounted to \$5,846,076 (2014 - \$5,299,404) to the Plan, which has been included in the statement of operations.

The College makes contributions to the Retirement Compensation Arrangement ("RCA") triple the qualifying employee contributions. In 2015, the College's contributions to RCA amounted to \$82,627 (2014 - \$85,752), and has been included in the statement of operations.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 7. 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, 2015, of the future benefits was determined using a discount rate of 1.60% (2014 - 2.70%).

#### (ii) Drug costs:

Drug costs were assumed to increase at a 9.0% rate for 2015 (2014 - 9.0%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034 for fiscal 2015 (2014 - 4.0% in 2034).

#### (iii) Hospital and other medical:

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

Medical premium increases were assumed to increase at 7.5% per annum in 2015 (2014 - 7.5%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034 for fiscal 2015 (2014 - 4.0% in 2034).

#### (iv) Dental costs:

Dental costs were assumed to increase at 4.0% per annum in 2015 (2014 - 4.0%).

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 7. 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:

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	2015	2014
Wage and salary escalation	0.50% - 1.50%	0.00% - 1.75%
Discount rate	1.60%	2.70%

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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 24.0% and nil to 44.3 days, respectively, for age groups ranging from 20 and under to 65 and over in bands of five years.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 8. Net assets invested in capital assets:

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

	2015	2014
Capital assets, at cost (note 4)	\$ 188,546,465	\$ 176,023,152
Accumulated amortization (note 4)	(78,764,745)	(72,703,275)
Long-term debt:		
Long-term portion (note 6)	(13,005,300)	(14,007,285)
Current portion (note 6)	(1,001,985)	(1,201,874)
Deferred contributions related to capital assets (note 5)	(78,666,777)	(73,402,625)
<b>Balance, end of year</b>	<b>\$ 17,107,658</b>	<b>\$ 14,708,093</b>

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

	2015	2014
Excess (deficiency) of revenue over expenditures:		
Amortization of deferred capital contributions	\$ 4,306,577	\$ 3,571,423
Amortization of capital assets	(6,429,000)	(5,669,138)
Gain on disposal of capital assets	3,501	13,200
	<b>\$ (2,118,922)</b>	<b>\$ (2,084,515)</b>
Net change in investment in capital assets:		
Donated and purchased capital assets	\$ 12,890,843	\$ 22,256,973
Amounts funded by deferred capital contributions	(9,570,729)	(18,747,935)
Repayment of debt	1,201,874	1,304,278
Proceeds on disposal	(3,501)	(13,200)
	<b>\$ 4,518,487</b>	<b>\$ 4,800,116</b>

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 9. Investment income:

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

	2015	2014
Unrestricted resources	\$ 166,922	\$ 171,728
Endowment funds	186,027	233,167
	<u>\$ 352,949</u>	<u>\$ 404,895</u>

## 10. Financial instrument and risk management:

### (a) 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 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 to \$200,000 (2014 - \$200,000).

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, 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 as 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.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 10. Financial instrument and risk management (continued):

The maximum exposure to investment credit risk is outlined in note 3.

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, 2015 is the carrying value of these assets.

	2015	2014
MTCU receivables	\$ 4,733,827	\$ 4,563,221
Student receivables	372,072	444,076
Other receivables	4,120,169	4,043,616
	<u>9,226,068</u>	<u>9,050,913</u>
Less allowance for doubtful accounts	140,000	159,000
	<u>\$ 9,086,068</u>	<u>\$ 8,891,913</u>

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.



# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 10. Financial instrument and risk management (continued):

### (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.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 10. 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 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 6). 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 1.25% to 4.27% (2014 - 1.67% to 4.27%) with maturities ranging from April 8, 2015 to September 8, 2023 (2013 - April 30, 2014 to September 8, 2023).

At March 31, 2015, 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 \$45,000 and \$66,000, respectively. The College's long-term debt, as described in note 6, 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.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 10. 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, 2015, 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 \$216,900 (2014 - \$229,100).

### (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 following 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	\$ 7,480,204	\$ 2,168,347	\$ —	\$ —
Accrued payroll and employee benefits	10,865,172	25,000	—	—
Long-term debt	536,838	465,147	4,014,912	8,990,388

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 10. Financial instrument and risk management (continued):

Derivative financial liabilities mature as described in note 6.

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.

## 11. 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:

	2015	2014
Fund balance, beginning of year	\$ 1,418,273	\$ 1,418,236
Preservation of capital	38	37
Fund balance, end of year	\$ 1,418,311	\$ 1,418,273

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 11. Ontario Student Opportunity Trust Funds (continued):

Schedule of changes in expendable funds available for awards:

	2015		2014	
	Market	Cost	Market	Cost
Balance, beginning of year	\$ 336,283	\$ 246,460	\$ 313,623	\$ 253,776
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	42,315	44,274	83,840	53,864
Bursaries awarded (2015 -73; 2014 - 79)	(57,835)	(57,835)	(61,180)	(61,180)
Balance, end of year	\$ 320,763	\$ 232,899	\$ 336,283	\$ 246,460

### (b) OSOTF - Phase 2:

Schedule of changes in endowment fund balance:

	2015	2014
Fund balance, beginning of year	\$ 473,449	\$ 473,377
Preservation of capital	74	72
Fund balance, end of year	\$ 473,523	\$ 473,449

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 11. Ontario Student Opportunity Trust Funds (continued):

Schedule of changes in expendable funds available for awards:

	2015		2014	
	Market	Cost	Market	Cost
Balance, beginning of year	\$ 85,250	\$ 62,282	\$ 73,234	\$ 58,836
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	12,983	12,922	27,586	19,016
Bursaries awarded (2015 - 10; 2014 - 13)	(15,720)	(15,720)	(15,570)	(15,570)
Balance, end of year	\$ 82,513	\$ 59,484	\$ 85,250	\$ 62,282

## 12. 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 matching program to award student aid.

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 12. Ontario Trust for Student Support (continued):

Schedule of changes in endowment fund balances during the year:

	2015	2014
Fund balance, beginning of year	\$ 3,813,001	\$ 3,812,985
Preservation of capital	15	16
<b>Fund balance, end of year</b>	<b>\$ 3,813,016</b>	<b>\$ 3,813,001</b>

Schedule of changes in expendable funds available for awards:

	2015		2014	
	Market	Cost	Market	Cost
Balance, beginning of year	\$ 474,952	\$ 257,196	\$ 369,790	\$ 242,424
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	106,057	114,101	235,309	144,919
Bursaries awarded (2015 -142; 2014 - 178)	(105,397)	(105,397)	(130,147)	(130,147)
<b>Balance, end of year</b>	<b>\$ 475,612</b>	<b>\$ 265,900</b>	<b>\$ 474,952</b>	<b>\$ 257,196</b>

# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 13. 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 Ontario Corporations Act and is a registered charity under the Income Tax Act (Canada).

As defined by Chartered Professional Accountants of Canada PSAB accounting recommendations for Government 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:

	2015	2014
<b>Financial position</b>		
Total assets	\$ 5,405	\$ 5,457
Total liabilities	5,405	5,457
Fund balances	\$ –	\$ –
<b>Results of operations</b>		
Total revenue	\$ 23,138	\$ 13,456
Total expenses	5,353	5,457
Transfers to Fleming College	17,785	67,679
Excess of expenditures over revenue	\$ –	\$ (59,680)

The net resources of the Foundation amount to nil (2014 - nil).



# SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 14. Internally restricted net assets:

	2015	2014
Residence and other direct student services	\$ 2,234,000	\$ 1,976,000
Sportfield Capital Reserve Fund	10,000	–

Internally restricted net assets represent funds restricted by Board motion for the purpose of residence and other direct student services, as well as, capital repairs and improvements to the sports field complex. Board approval is required for expenditures.

On May 27, 2015, the Board approved a transfer of \$268,000 from unrestricted to internally restricted net assets, \$258,000 for the purpose of residence and other direct services and \$10,000 for capital repairs and improvements to the sports field complex.

## 15. Commitments:

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

2016	\$ 360,304
2017	89,837

## 16. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.