Financial Statements of

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year ended March 31, 2013

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Financial Statements

Year ended March 31, 2013

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Sault College of Applied Arts and Technology, which comprise the statement of financial position as at March 31, 2013, the statements of operations, changes in net assets, cash flows and remeasurement gains and losses for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Sault College of Applied Arts and Technology as at March 31, 2013, and its results of operations, its cash flows and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Comparative information

Without modifying our opinion, we draw attention to the notes to the financial statements which describes that The Sault College of Applied Arts and Technology adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at March 31, 2012 and April 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

May 30, 2013

Sault Ste. Marie, Canada

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Statement of Financial Position

March 31, 2013, with comparative figures for March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012 (Unaudited)	April 1, 2011 (Unaudited)
Assets			
Current assets:			
Cash	$ 2,093,187	$ 2,858,405	$ 7,076,874
Investments (note 4)	15,230,169	16,991,125	18,542,882
Accounts receivable (note 3 and 17(a))	808,979	918,445	1,119,128
Grants and reimbursements receivable	3,322,920	3,732,718	3,359,650
Current portion of pledges receivable (note 7)	720,122	612,125	–
Inventory	3,841	6,212	15,112
Prepaid expenses	306,330	314,822	341,907
Sinking fund investment	–	4,049,903	–
	22,485,548	29,483,755	30,455,553
Pledges receivable (note 7)	1,286,417	1,607,846	–
Sinking fund investment	–	–	3,706,665
Capital assets (note 5)	60,025,810	51,182,868	49,915,871
	$ 83,797,775	$ 82,274,469	$ 84,078,089
Liabilities, Deferred Contributions and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$ 4,085,233	$ 2,082,528	$ 6,584,364
Accrued vacation	3,608,591	3,526,775	3,289,424
Deferred tuition fees	885,315	691,303	688,506
Payable to the Ministry of Training, Colleges and Universities	188,692	271,186	508,514
Current portion of capital mortgage	–	4,100,000	–
	8,767,831	10,671,792	11,070,808
Capital mortgage	–	–	4,100,000
Post-employment benefits and compensated absences (note 9)	2,412,000	2,577,000	2,851,000
Deferred contributions for expenses of future periods (note 6)	1,622,585	1,487,772	1,668,335
Deferred capital contributions (note 8)	51,611,426	47,324,105	44,621,491
	64,413,842	62,060,669	64,311,634
Net assets:			
Unrestricted (deficiency)	(1,624,298)	5,010,926	7,974,176
Invested in capital assets (note 11)	15,434,394	9,246,164	6,374,862
Internally restricted (note 12)	159,178	174,132	176,792
Restricted for student purposes and endowments	5,296,894	5,782,578	5,240,625
	19,266,168	20,213,800	19,766,455
Accumulated remeasurement gains	117,765	–	–
	19,383,933	20,213,800	19,766,455
Commitments (note 15) and contingencies (note 16)			
	$ 83,797,775	$ 82,274,469	$ 84,078,089

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Chair _______________ Treasurer

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012 (Unaudited)
Revenue (schedule 1):		
Grants and reimbursements	$ 34,417,190	$ 33,654,850
Tuition fees	8,631,683	8,614,285
Ancillary operations	1,132,227	1,055,698
Other	3,170,170	3,395,047
Restricted for student purposes	2,845,006	2,363,759
Amortization of deferred capital contributions (note 8)	2,310,330	2,327,342
	52,506,606	51,410,981
Expenses:		
Salaries and benefits	37,573,321	36,114,081
Instructional supplies	1,739,389	1,367,460
Contracted services	2,590,627	1,812,158
Utilities, maintenance and taxes	2,440,579	2,618,839
Interest and bank charges	172,064	453,530
Travel and professional development	431,208	377,951
Training subsidies and allowances	951,077	1,292,446
Supplies and other expenses	2,092,811	2,197,140
Restricted for student purposes	628,312	696,238
Scholarships and bursaries	1,581,318	1,097,521
Provision for (recovery of) post-employment benefits and compensated absences	(83,185)	(21,838)
Amortization of capital assets	3,063,661	3,037,138
	53,181,182	51,042,664
Excess (deficiency) of revenue over expenses before the undernoted items	(674,576)	368,317
Gain (loss) on disposal of capital asset	7,105	(517,173)
Deficiency of revenues over expenses	$ (667,471)	$ (148,856)

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Statement of Changes in Net Assets

Year ended March 31, 2013, with comparative figures for 2012

March 31, 2013	Unrestricted	Invested in Capital assets	Internally restricted	Restricted for student purposes and endowments	Total
Balance, beginning of year	$ 5,010,926	$ 9,246,164	$ 174,132	$ 5,782,578	$ 20,213,800
Adjustment on adoption of the financial instruments standard (note 2)	(113,691)	–	–	(167,700)	(281,391)
Balance, beginning of year, as restated	4,897,235	9,246,164	174,132	5,614,878	19,932,409
Excess of revenues over expenses (expenses over revenue)	(594,359)	(693,534)	(14,954)	635,376	(667,471)
Endowment contributions	–	–	–	1,230	1,230
Invested in capital assets (note 11)	(5,867,174)	5,908,856	–	(41,682)	–
Interfund transfer (note 14)	(60,000)	972,908	–	(912,908)	–
Balance, end of year	$ (1,624,298)	$15,434,394	$ 159,178	$ 5,296,894	$ 19,266,168

March 31, 2012 (Unaudited)	Unrestricted	Invested in Capital assets	Internally restricted	Restricted for student purposes and endowments	Total
Balance, beginning of year (note 19)	$ 7,974,176	$ 6,374,862	$ 176,792	$ 5,240,625	$ 19,766,455
Excess of revenues over expenses (expenses over revenue) (note 19)	167,536	(883,732)	(2,660)	570,000	(148,856)
Change in unrealized investment income	113,691	–	–	167,700	281,391
Endowment contributions	–	–	–	261,810	261,810
Invested in capital assets (note 11)	(3,184,477)	3,230,724	–	(46,247)	–
Capital donation	–	53,000	–	–	53,000
Interfund transfer (note 14)	(60,000)	471,310	–	(411,310)	–
Balance, end of year	$ 5,010,926	$ 9,246,164	$ 174,132	$ 5,782,578	$ 20,213,800

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Years ended March 31, 2013 with comparative figures for 2012

	2013	2012
		(Unaudited)
Cash provided by (used in):		
Operating activities:		
Deficiency of revenues over expenses	$ (667,471)	$ (148,856)
Items not involving cash:		
Amortization of capital assets	3,063,661	3,037,138
Amortization of deferred capital contribution	(2,310,330)	(2,327,342)
Loss (gain) on sale of investments	(7,105)	517,173
Change in non-cash operating working capital:		
Accounts receivable	109,466	200,683
Grants and reimbursement receivable	409,798	(373,068)
Inventory	2,371	8,900
Prepaid expenses	8,492	27,085
Accounts payable and accrued liabilities	2,002,706	(4,501,837)
Accrual for vacation pay	81,816	237,351
Payable to Ministry of Training Colleges and Universities	(82,494)	(237,328)
Deferred tuition fees	194,012	2,797
Deferred contributions related to expenses of future periods	134,812	(180,562)
Accrual for employee future benefits	(165,000)	(274,000)
	2,774,734	(4,011,866)
Capital activities:		
Purchase of capital assets	(11,906,602)	(4,979,454)
Receipt of deferred capital contributions	6,602,630	5,240,536
Proceeds on disposal of capital assets	2,125	566
	(5,301,847)	261,648
Financing activities:		
Endowment contributions	1,230	261,810
Pledges receivable	213,432	(2,219,971)
Repayment of capital mortgages	(4,100,000)	–
	(3,885,338)	(1,958,161)
Investing activities:		
Sinking fund investment	4,049,903	(343,238)
Realized gain (loss) on investments	(163,626)	281,391
	3,886,277	(61,847)
Net decrease in cash and temporary investments	(2,526,174)	(5,770,226)
Cash and temporary investments, beginning of year	19,849,530	25,619,756
Cash and temporary investments, end of year	$ 17,323,356	$ 19,849,530

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statements of Remeasurement Gains and Losses

Year ended March 31, 2013

		2013
Accumulated remeasurement gains, beginning of the year		
Adjustment on adoption of the financial instruments standard (note 2)	$	281,391
Unrealized gains attributable to:		
Temporary investments		117,765
Realized gains, reclassified to the statement of operations:		
Temporary investments		
Designated fair value		(281,391)
Net remeasurement gains for the year		(163,626)
Accumulated remeasurement gains, end of the year	$	117,765

See accompanying notes to financial statements.

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

On April 1, 2012, the College adopted Canadian Public Sector Accounting Standards. The College has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in Public Sector Accounting Standards, the College has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards.

A summary of transitional adjustments recorded to net assets and excess of revenue over expenditures is provided in note 19.

1. Significant accounting policies:

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

(a) Revenue recognition:

The College follows the deferral method of accounting for contributions which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grant amounts relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Grants approved but not received at the end of an accounting period are accrued.

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

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

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

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

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

1. Significant accounting policies (continued):

(b) Inventory:

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

(c) Capital assets:

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

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

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

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

(d) Vacation pay:

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

1. Significant accounting policies (continued):

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

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

The College also provides defined retirement and other post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, vesting sick leave and non-vesting sick leave. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method pro-rated on service. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 1, 2011 and the next required valuation will be as of March 1, 2014. The College has adopted the following policies with respect to accounting for these employee benefits:

(i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discounts rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.

(ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.

(iii) The cost of vesting and non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.

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

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

(f) Financial instruments:

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

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

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

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

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

Long-term debt is recorded at cost.

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

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

1. Significant accounting policies (continued):

(g) Foreign currency:

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

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

(h) Use of estimates:

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

2. Change in accounting policy:

On April 1, 2012, the College adopted Public Accounting Standards *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.

In addition, on April 1, 2012, the College early adopted an amendment to *PS 3450 - Financial Instruments* that would otherwise be effective for year-ends beginning on or after March 1, 2013. The amendment provides guidance on the classification of investment income on externally restricted assets.

Under PS 3450, all financial instruments, including derivatives, are included on the statement 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 (see Note 1 - Significant Accounting Policies).

In accordance with the provisions of this new standard, the College reflected the following adjustments at April 1, 2012:

- A decrease of $281,391 to unrestricted net assets and an increase of $281,391 to accumulated remeasurement gains due to the unrealized gain of the College's investments previously classified as held-to-maturity or available for sale being reclassified to accumulated remeasurement gains.

3. Accounts receivable:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited)	(Unaudited)
Student Tuition Fees	$ 329,875	$ 329,207	$ 193,318
Federal other	260,756	192,622	403,107
Other	426,902	587,435	619,172
	1,017,533	1,109,264	1,215,597
Less allowance for doubtful accounts	208,554	190,819	96,469
	$ 808,979	$ 918,445	$ 1,119,128

4. Investments:

	Level	March 31, 2013	March 31, 2012	April 1, 2011
			(Unaudited)	(Unaudited)
Assets at designated fair value				
Government bonds	2	$ 2,942,909	$ 6,116,781	$ 8,782,225
Equity instruments, quoted in an active market				
Shares	1	10,923,696	8,681,146	7,778,283
Mutual funds	1	1,295,998	1,554,309	1,536,009
Cash		67,566	638,889	446,365
		$ 15,230,169	$ 16,991,125	$ 18,542,882

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.

Government Bonds have interest rates from 1.50% to 8.1% (2012 - 1.0% to 5.35%) and mature between 2014 and 2035.

5. Capital assets:

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

March 31, 2012 (Unaudited)	Cost	Accumulated amortization	Net book value
Land	$ 680,817	$ –	$ 680,817
Buildings	68,575,115	24,052,488	44,522,627
Site improvements	3,522,943	1,185,632	2,337,311
Equipment	9,957,707	8,390,688	1,567,019
Vehicles	402,992	306,450	96,542
Furniture and fixtures	1,078,893	545,474	533,419
Computer equipment	12,560,370	11,728,767	831,603
Aircraft	3,609,754	3,290,592	319,162
Construction in progress	294,368	–	294,368
	$ 100,682,959	$ 49,500,091	$ 51,182,868

April 1, 2011 (Unaudited)	Cost	Accumulated amortization	Net book value
Land	$ 627,817	$ –	$ 627,817
Buildings	45,217,204	22,774,643	22,442,561
Site improvements	1,358,393	890,880	467,513
Equipment	9,489,075	7,934,258	1,554,817
Vehicles	355,109	260,000	95,109
Furniture and fixtures	517,948	422,769	95,179
Computer equipment	11,997,175	11,366,535	630,640
Aircraft	3,571,138	3,225,752	345,386
Construction in progress	23,656,849	–	23,656,849
	$ 96,790,708	$ 46,874,837	$ 49,915,871

6. Deferred contributions for expenses of future periods:

Deferred contribution consists of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited)	(Unaudited)
Balance, beginning of year	$ 1,487,773	$ 1,668,335	$ 2,490,620
Additional contributions received	3,438,756	3,636,252	3,851,361
Amounts taken into revenue	(3,303,944)	(3,816,815)	(4,673,646)
Balance, end of year	$ 1,622,585	$ 1,487,772	$ 1,668,335

7. Pledges receivable:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited)	(Unaudited)
Inspiring Growth Capital Campaign pledges	$ 2,006,539	$ 2,219,971	$ –
Current portion of pledges receivable	720,122	612,125	–
Non-current portion of pledges receivable	$ 1,286,417	$ 1,607,846	$ –

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

Aggregate maturities of pledges receivable for each of the 4 years subsequent to March 31, 2013 are as follows:

2014	$ 635,076
2015	351,817
2016	294,473
2017	5,052
2018	–

8. Deferred capital contributions:

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

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited)	(Unaudited)
Unamortized capital contributions used to purchase assets	$ 46,430,372	$ 42,747,937	$ 43,537,130
Unspent contributions	1,680,528	1,721,381	1,070,360
Unspent Inspiring Growth Capital Campaign	3,500,526	2,854,787	14,001
	$ 51,611,426	$ 47,324,105	$ 44,621,491

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

	2013	2012
Balance, beginning of year	$ 47,324,105	$ 44,621,491
Additional contributions received	5,956,893	2,399,750
Donation of capital asset	–	50,000
Disposal of capital asset	–	(255,600)
Inspiring Growth Capital Campaign	645,737	2,840,786
Less amounts amortized to revenue	(2,315,309)	(2,332,322)
Balance, end of year	$ 51,611,426	$ 47,324,105

9. Employee future benefits:

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

	March 31, 2013	March 31, 2012 (Unaudited)	April 1, 2011 (Unaudited)
Post-employment benefits	$ 612,000	$ 619,000	$ 637,000
Non-vesting sick leave	1,445,000	1,503,000	1,579,000
Vesting sick leave	355,000	455,000	635,000
	$ 2,412,000	$ 2,577,000	$ 2,851,000

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

	March 31, 2013	March 31, 2012	April 1, 2011
Accrued benefit obligation	$ 2,525,000	$ 2,759,000	$ 2,938,000
Fair value of plan assets	(70,000)	(80,000)	(87,000)
Funded status – plan deficit	2,455,000	2,679,000	2,851,000
Unamortized actuarial gain (loss)	(43,000)	(102,000)	–
Employee future benefit liability	$ 2,412,000	$ 2,577,000	$ 2,851,000

	2013	2012
Current service cost	$ 108,000	$ 99,000
Interest on accrued benefit obligation	51,000	73,000
Experienced losses	24,000	24,000
Benefit payments	(362,000)	(470,000)
Amortization of actuarial loss	14,000	–
Employee future benefit expense (recovery)	$ (165,000)	$ (274,000)

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

Post-employment benefits

The College extends post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The College recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

9. Employee future benefits (continued):

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

(i) Discount rate

The present value as at March 31, 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 rate of 9.5% for 2013 (2012 - 10%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2026.

(iii) Hospital and other medical

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

Medical premium increases were assumed to increase at 7.25% per annum in 2013 (2012 - 7.75%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2026.

(iv) Dental costs

Dental costs were assumed to increase at 4.0% per annum for fiscal 2013.

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.

10. Pension plan

Substantially all of the employees of the College are members of the Colleges of Applied Arts and Technology ("CAAT") Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all employees of the participating members of the CAAT. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the highest five consecutive years prior to retirement, termination or death. The College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long-term viability of the Plan.

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

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension asset and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2013 indicated an actuarial surplus of $347 million.

Under these arrangements, the College makes contributions equal to those of the employees. Contributions made by the College during the year amounted to approximately $2,977,098 (2012 - $2,768,025).

11. Investment in capital assets:

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

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited)	(Unaudited)
Cash	$ 4,496,005	$ 1,311,443	$ 1,459,680
Investments	2,739	633,033	14,137
Grants receivable	514,727	1,273,051	-
Pledges receivable	2,006,539	2,219,971	-
Sinking fund Investment	–	4,049,903	3,706,665
Capital assets	60,025,810	51,182,868	49,915,871
	67,045,820	60,670,269	55,096,353
Less amounts financed by:			
Deferred capital contributions	51,611,426	47,324,105	44,621,491
Capital mortgage	–	4,100,000	4,100,000
	$ 15,434,394	$ 9,246,164	$ 6,374,862

11. Investment in capital assets (continued):

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

	2013	2012 (Unaudited)
Excess of revenues over expenses:		
Amortization of deferred capital contributions	$ 2,310,330	$ 2,327,342
Amortization of capital assets	(3,063,661)	(3,037,138)
Investment income	52,692	343,237
Gain (loss) on disposal of capital assets	7,105	(517,173)
	$ (693,534)	$ (883,732)
Net change in investment in capital assets:		
Purchase of capital assets	$ 11,906,602	$ 4,979,454
Amounts funded by:		
Deferred capital contributions	(5,997,746)	(1,798,730)
Donated capital assets	–	50,000
	$ 5,908,856	$ 3,230,724

12. Internally restricted net assets:

By resolution of the Board of Governors, accumulated appropriations from unrestricted net assets balance at March 31, 2013 have been made to the Joint Employment Stability Reserve Fund in the amount of $ 159,178 (2012 - $174,132).

13. Externally restricted net assets:

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

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

14. Interfund transfer:

During the year $972,908 was transferred from restricted for student purposes to invested in capital assets to reflect the students' contribution to capital building projects. During the year $60,000 was transferred from the operating fund to the restricted for student purposes fund for the SAC building purchase.

15. Commitments

(a) The College has entered into an agreement to construct a new Health and Wellness building. The construction start date was March 2012, and the expected occupancy date is June 2013. The expected cost to build is $13.2 million, funded by the following: $5.0 million from Provincial government, $4.0 million by the Inspiring Growth Capital Campaign, $3.9 million from the Student Administrative Council, and $0.3 million from other sources. Project costs of $10,480,491 incurred to March 31, 2013 have been capitalized as Construction in Progress.

(b) The College has also entered into an agreement to construct a new Health and Wellness and Student Services hub. The construction start date was March 2013, and the expected occupancy date is January 2014. The expected cost to build is $2.5 million, funded by the following: $1.8 million from Provincial government and $0.7 million from other sources. Project costs of $111,678 have been capitalized as Construction in Progress.

16. Contingencies:

The College is involved with pending litigation and claims which arise in the normal course of operations. In the opinion of the administration, a liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the College. Losses, if any, arising from these matters will be accounted for in the year in which they are resolved.

17. Financial Instrument Risk Management:

(a) Credit risk:

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

The College assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the College at March 31, 2013 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the income statement. The balance of the allowance for doubtful accounts at March 31, 2013 is $208,554 (March 31, 2012 - $190,819).

17. Financial Instrument Risk Management (continued):

(a) Credit risk (continued):

As at March 31, 2013, $26,612 (March 31, 2012 - $11,320) of trade accounts receivable were past due greater than 90 days, but not impaired.

The maximum exposure to investment credit risk is outlined in Note 4.

There have been no significant changes to the credit risk exposure from 2012.

(b) Liquidity risk:

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

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

There have been no significant changes to the liquidity risk exposure from 2012.

(c) Market risk:

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

(i) Foreign exchange risk:

The College is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the College makes purchases denominated in U.S. dollars. The College does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2012. The College does not have any material transactions during the year or financial instruments denominated in foreign currencies at year end.

There have been no significant changes to the foreign exchange risk exposure from 2012.

(ii) Interest rate risk:

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

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

The College's investments, including bonds and debentures, are disclosed in note 5.

There has been no change to the interest rate risk exposure from 2012.

18. Collaborative nursing restatement of prior year:

During the year ended March 31, 2013, the College became aware that prior to fiscal 2012 the Province of Ontario had changed its policy for funding the Collaborative Nursing Program and the revenue recognition policy should have been changed to record revenue in the year the student is educated, not in the period the funding is received. The impact of the correction in revenue recognized has been recorded retrospectively and the cumulative effect up to March 31, 2012 has been recorded as $1,751,286 increase of grants and reimbursements receivables, a $1,532,375 increase in net assets, $218,911 increase in deferred contributions, and a $150,218 increase in excess of revenue over expenses for the year ended March 31, 2012. The impact of the correction as at April 1, 2011 was a $1,579,608 increase in grants and reimbursements receivable, $197,451 increase in deferred contributions and an increase of $1,382,157 in net assets.

19. Transitional adjustments:

(a) Transitional adjustments - net assets:

In accordance with transitional provisions of Public Sector Accounting Standards, the College has elected to use the exemption for employee future benefits. The College has elected to recognize all cumulative actuarial gains and losses and past services costs in opening net assets.

The following table summarizes the impact of the transition to Public Sector Accounting Standards on the College's net assets as of April 1, 2011:

Net assets:	
As previously reported under Canadian generally accepted accounting principles, March 31, 2011	$ 19,708,116
Transition election to recognize all cumulative actuarial gains and losses on employee future benefits (i)	(16,000)
Adjustment for change in discount rate used to calculate employee future benefits and compensated absences (ii)	271,182
Adjustment to recognize accumulated non-vested sick leave (iii)	(1,579,000)
Public sector restated, April 1, 2011	18,394,298
Collaborative nursing restatement (note 18)	1,382,157
Net assets restated, April 1, 2011	$ 19,766,455

19. Transitional adjustments (continued):

The following explanations are provided with respect to the adjustments made to the net assets as at April 1, 2011:

(i) Amortization of actuarial gains/losses:

The College has elected to recognize actuarial gains and losses at the date of transition to Public Sector Accounting Standards directly in net assets. As a result, the College has recognized an increased liability and a charge to net assets as noted in the table above.

(ii) Discount rate used to calculate post-employment benefits:

Public Sector Accounting Standards 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. Prior to transition to these new standards, the discount rate was 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.

(iii) Accumulated but not vested sick leave:

Public Sector Accounting Standards requires the recognition of a liability for sick leave benefits that accumulate, but do not vest. As a result, the College has recognized a liability and charge to net assets as described in the table above.

(b) Statement of operations:

As a result of the above noted elections and the retrospective application of public sector accounting standards, the College recorded the following adjustments to excess of revenue over expenses for the year ended March 31, 2012:

Excess (deficiency) of revenue over expenses:	
As previously reported under Canadian generally accepted accounting principles for year ended March 31, 2012	$ (465,647)
Increase to employee future benefit expense as a result of electing to recognize all cumulative actuarial gains and losses and past service costs	16,000
Change to employee future benefit expense as a result of changing discount rate used	74,573
Increase to employee future benefit expense on as a result of recognizing non-vested sick leave plans	76,000
Public sector restatement	(299,074)
Collaborative nursing restatement (note 18)	150,218
Restated for the year ended March 31, 2012	$ (148,856)

20. Endowment funds:

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

Schedule of changes in Endowment Fund balances
For the year ended March 31

	OSOTF I	OSOTF II	OTSS	2013 Total	2012 Total
Balance, beginning of year	$ 664,172	$ 331,340	$ 2,345,285	$3,340,797	$3,078,986
Cash donations received from other sources	-	-	1,230	1,230	133,404
OTSS funds received from MTCU	-	-	-	-	123,568
OTSS funds receivable from MTCU	-	-	-	-	4,839
Balance, end of year	$ 664,172	$ 331,340	$ 2,346,515	$3,342,027	$3,340,797

Schedule of changes in expendable funds available for awards
For the year ended March 31

	OSOTF I	OSOTF II	OTSS	2013 Total	2012 Total
Balance, beginning of year	$ 82,661	$ 14,317	$ 63,107	$ 160,085	$ 198,821
Investment income, net of expenses	127,316	21,515	70,675	219,506	115,487
Bursaries awarded	(37,775)	(17,000)	(155,550)	(210,325)	(154,223)
Balance, end of year	$ 172,202	$ 18,832	$ (21,768)	$ 169,266	$ 160,085
Bursaries awarded #	57	17	359	433	259

The bursaries awarded under OTSS comprise of 211 to OSAP recipients totalling $94,200 and 148 to non-OSAP recipients totalling $61,350.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Revenue

Year ended March 31, 2013, with comparative for 2012 Schedule 1

	2013	2012
		(Unaudited)
Grants and reimbursements:		
Operating grants	$ 14,444,680	$ 15,473,857
Special purpose grants	11,914,626	11,348,119
Apprentice training	1,501,330	1,571,676
Ontario training strategies	3,021,389	3,239,889
Other	3,535,165	2,021,309
	34,417,190	33,654,850
Tuition fees:		
Full-time post-secondary	6,548,556	6,407,317
Other	2,083,127	2,206,968
	8,631,683	8,614,285
Ancillary operations	1,132,227	1,055,698
Miscellaneous:		
Contract educational services	338,187	373,793
Sale of course products and services	376,496	345,983
Other	2,455,487	2,675,271
	3,170,170	3,395,047
Restricted for student purposes	2,845,006	2,363,759
Amortization of deferred capital contributions	2,310,330	2,327,342
	$ 52,506,606	$ 51,410,981