

Financial Statements of

**NORTHERN COLLEGE OF  
APPLIED ARTS AND TECHNOLOGY**

Year ended March 31, 2015



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## INDEPENDENT AUDITORS' REPORT

To the Governors of Northern College of Applied Arts and Technology

We have audited the accompanying financial statements of Northern College of Applied Arts and Technology, which comprise the statement of financial position as at March 31, 2015, the statements of operations and changes in net assets (deficit), remeasurement gains and losses and cash flows 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 Northern College of Applied Arts and Technology as at March 31, 2015, its results of operations, its remeasurement gains and losses, its changes in net assets (deficit) and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

June 9, 2015  
Sudbury, Canada

# NORTHERN 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	\$ 2,163,985	\$ 2,494,424
Accounts receivable	1,287,625	1,240,234
Grants receivable	2,446,401	2,208,558
Inventories and prepaid expenses	144,876	155,453
Investments (note 2)	5,464,440	5,041,966
	11,507,327	11,140,635
Capital assets (note 3)	27,590,632	29,831,853
	\$ 39,097,959	\$ 40,972,488
<b>Liabilities and Net Assets (Deficit)</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 2,842,121	\$ 3,053,258
Vacation and leave payable (note 5)	1,884,158	2,035,583
Deferred contributions (note 7)	1,462,566	1,187,824
	6,188,845	6,276,665
Employee future benefit (note 5)	1,463,000	1,522,000
Deferred capital contributions (note 8)	22,088,120	23,903,627
	29,739,965	31,702,292
Net assets (deficit):		
Unrestricted:		
Operating	1,395,726	1,383,962
Employment-related	(3,347,158)	(3,557,583)
Capital (note 9)	5,502,512	5,928,226
Restricted and endowment (schedule)	5,657,552	5,515,591
	9,208,632	9,270,196
Accumulated rereasurement gains	149,362	-
	9,357,994	9,270,196
Commitments (note 12)		
Contingency (note 14)		
Guarantees (note 15)		
	\$ 39,097,959	\$ 40,972,488

See accompanying notes to financial statements.

On behalf of the Board:

Don Wyatt

Chair, Board of Governors

Fred Gibbons

President

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations and Changes in Net Assets (Deficit)

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

	Unrestricted		Equity in	Restricted	2015	2014
	Operating	Employment-	capital	and	Total	Total
	(Schedules)	related	assets	Endowment		
				(Schedule)		
Revenue:						
Grants and reimbursements	\$ 27,426,368	-	-	-	27,426,368	27,527,203
Tuition fees	5,261,923	-	-	-	5,261,923	5,087,773
Ancillary sales and services	2,849,333	-	-	-	2,849,333	2,888,119
Other	3,632,466	-	-	-	3,632,466	4,139,990
Amortization of deferred capital contributions (note 8)	-	-	1,997,637	-	1,997,637	2,097,816
Restricted	-	-	-	437,168	437,168	447,297
Investment income	62,383	-	-	100,987	163,370	255,117
	39,232,473	-	1,997,637	538,155	41,768,265	42,443,315
Expenses:						
Academic	21,275,981	-	-	-	21,275,981	21,946,208
Administration	4,785,912	-	-	-	4,785,912	4,999,585
Student services	3,832,650	-	-	-	3,832,650	3,957,516
Plant and property	2,785,597	-	-	-	2,785,597	2,420,399
Community services	510,310	-	-	-	510,310	551,458
Employment training programs	3,585,491	-	-	-	3,585,491	3,171,531
Ancillary	2,353,269	-	-	-	2,353,269	2,497,860
Amortization of capital assets	-	-	2,514,850	-	2,514,850	2,621,662
Restricted	-	-	-	434,394	434,394	556,691
Employee future benefits and vacation	-	(210,425)	-	-	(210,425)	(162,334)
	39,129,210	(210,425)	2,514,850	434,394	41,868,029	42,560,576
Excess (deficiency) of revenue over expenses	103,263	210,425	(517,213)	103,761	(99,764)	(117,261)
Net assets (deficit), beginning of year	1,383,962	(3,557,583)	5,928,226	5,515,591	9,270,196	9,355,679
Endowment contributions	-	-	-	38,200	38,200	31,778
Transfer of capital assets (note 9)	(91,499)	-	91,499	-	-	-
<b>Net assets (deficit), end of year</b>	<b>\$ 1,395,726</b>	<b>(3,347,158)</b>	<b>5,502,512</b>	<b>5,657,552</b>	<b>9,208,632</b>	<b>9,270,196</b>

See accompanying notes to financial statements.

# NORTHERN 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 at beginning of year	\$ -	-
Unrealized gains attributable to: Equity investments	149,362	-
Net remeasurement gains for the year	149,362	-
<b>Accumulated remeasurement gains at end of year</b>	<b>\$ 149,362</b>	<b>-</b>

See accompanying notes to consolidated financial statements.

# NORTHERN 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:		
Deficiency of revenue over expenses	\$ (99,764)	\$ (117,261)
Adjustments for:		
Amortization of deferred capital contributions (note 8)	(1,997,637)	(2,097,816)
Amortization of capital assets	2,514,850	2,621,662
Decrease in employee future benefits	(59,000)	(139,000)
	358,449	267,585
Changes in non-cash working capital (note 13)	(637,219)	(121,909)
	(278,770)	145,676
Financing activities:		
Endowment contributions	38,200	31,778
Deferred contributions	274,742	(214,658)
	312,942	(182,880)
Capital activities:		
Purchase of capital assets	(273,629)	(849,095)
Deferred capital contributions	182,130	580,725
	(91,499)	(268,370)
Investing activities:		
Proceeds on disposition of investments	5,480,706	-
Purchase of investments	(5,753,818)	(230,452)
	(273,112)	(230,452)
<b>Net decrease in cash</b>	<b>(330,439)</b>	<b>(536,026)</b>
Cash, beginning of year	2,494,424	3,030,450
<b>Cash, end of year</b>	<b>\$ 2,163,985</b>	<b>\$ 2,494,424</b>

See accompanying notes to financial statements.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

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Northern College of Applied Arts and Technology (the "College") is an Ontario College established as a Community College under The Department of Education Act of the Province of Ontario. The College is a registered charity and is exempt from income taxes under the Income Tax Act.

## 1. Significant accounting policies:

### (a) Basis of presentation:

These financial statements reflect the assets, liabilities, revenues and expenses of the unrestricted, capital and restricted and endowed funds of the College.

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.

### (b) Revenue recognition:

The College accounts for contributions under the deferral method of accounting as follows:

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 are accrued.

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, other than endowment 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 received for endowment are reported as an increase in the endowment fund balance.

Tuition fees are recognized as revenue based on the number of teaching days within the period.

### (c) Investments:

The investments are recorded at market value.



# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

### (d) Capital assets:

Capital asset purchases are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution when the fair value is reasonably determinable. Otherwise, contributed capital assets are recorded at a nominal value. Repairs and maintenance costs are charged to expenditures. Betterments, which extend the estimated life of a capital asset, are capitalized. When a capital asset no longer contributes to the College's ability to provide services, it is written down to its residual value. Amortization of capital assets is recorded on the straight-line basis over the following periods:

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Buildings	40 years
Site improvements and parking lots	20 years
Leasehold improvements	over the term of the lease
Furniture and equipment	5 years

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### (e) Employment-related obligations:

Vacation entitlements are accrued for as entitlements are earned (note 5).

The College is liable to pay an employee's accumulated sick leave in the event of sickness or injury.

The College is liable to pay 50% of an eligible employee's vested sick leave credit on termination or retirement.

For the post-employment benefits (continuation of life, medical and dental during LTD), these benefits are accounted for on a terminal basis, in comparison to the non-pension post-retirement benefit which is accounted on an accrual basis. This means that the liability for the post-employment benefit is accrued only when a LTD claim occurs. For these benefits, the full change in the liability is being recognized immediately as an expense in the year.

The College is an employer member of the Colleges of Applied Arts and Technology Pension Plan, which is a multi-employer defined benefit pension plan. The College has adopted defined contribution account principles for this Plan because insufficient information is available to apply defined benefit accounting principles (note 10).

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

### (f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying value of capital assets, valuation allowances for accounts receivables; and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

### (g) Student organizations:

These financial statements do not reflect the assets, liabilities and results of operations of the various student organizations at the College.

### (h) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record 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.

Financial instruments are classified into fair value hierarchy Levels 1, 2 or 3 for the purposes of describing the basis of the inputs used to determine the fair market value of those amounts recorded, as described below:

Level 1	Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Fair value measurements are those derived from market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly
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

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

## 2. Investments:

	Fair Value Hierarchy	2015	2014
Fixed income	Level 2	\$ -	\$ 4,040,098
Mutual funds	Level 2	-	1,001,868
Bonds	Level 1	4,003,084	-
Canadian and foreign equities	Level 1	1,461,356	-
		\$ 5,464,440	\$ 5,041,966

## 3. Capital assets:

	Cost	Accumulated Amortization	2015 Net Book value	2014 Net Book Value
Land	\$ 369,570	-	369,570	\$ 369,570
Buildings	49,248,940	24,124,238	25,124,702	26,035,080
Site improvements and parking lots	310,892	310,892	-	-
Leasehold improvements	866,897	812,737	54,160	108,319
Furniture and equipment	20,700,191	18,657,991	2,042,200	3,318,884
	\$ 71,496,490	43,905,858	27,590,632	\$ 29,831,853

## 4. Accounts payable and accrued liabilities:

	2015	2014
Trade and other	\$ 2,026,597	\$ 2,115,571
Payroll related liabilities	815,524	937,687
	\$ 2,842,121	\$ 3,053,258

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

## 5. Employment related obligations:

	2015	2014
Vacation and leave payable	\$ 1,884,158	\$ 2,035,583
Non-pension post-employment obligations	\$ 354,000	\$ 349,000
Sick leave benefits - vesting	166,000	196,000
- non-vesting	943,000	977,000
	\$ 1,463,000	\$ 1,522,000

### Vacation and leave payable

The accrual for vacation and leave payable represents the liability for earned but unpaid vacation entitlements and paid leaves.

### Employee Future Benefits

#### 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 independent actuaries on behalf of the College System as a whole.

#### 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 independent actuaries on behalf of the College System as a whole.

The following tables outline the components of the College's sick leave benefit entitlements:

	2015	2014
Non-vesting sick leave:		
Accrued benefit obligation	\$ 977,000	\$ 706,000
Unamortized actuarial gain (loss)	(34,000)	271,000
Total sick leave benefit entitlement liability	\$ 943,000	\$ 977,000

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

## 5. Employment related obligations (continued):

The unamortized actuarial loss is amortized over the expected average remaining service life as listed below:

Accumulated sick leave benefit plan entitlements	Academic – 12.1 years Support – 3.2 years
Employee future benefits	12.8 years

The significant actuarial assumptions adopted in estimating the College's accrued benefit liability are as follows:

	2015	2014
Discount rate	1.6%	2.7%
Salary escalation	1.75%	0.0% in 2014 and 1.75% thereafter

### Other employee future benefits:

The College maintains defined benefit and defined contribution plans providing other retirement and employee future benefits to most of its employees.

The costs of other post-employment benefits (including medical benefits, dental care, life insurance, and certain compensated absences) related to the employees' current service is charged to income annually. The cost is computed on an actuarial basis using the projected benefit method estimating the usage frequency and cost of services covered and management's best estimates of investment yields, salary escalation, and other factors. Plan assets are valued at fair value for purposes of calculating the expected return on plan assets.

The fair values of plan assets and accrued benefit obligations were determined by independent actuaries on behalf of the College System as a whole as at January 1, 2014.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

## 5. Employment related obligations (continued):

Information about the College's post-employment benefits is as follows:

	2015	2014
Liability for employee future benefits	\$ 418,000	\$ 404,000
Fair value of plan asset	64,000	55,000
Funded status	\$ 354,000	\$ 349,000

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligation include a discount rate of 1.6% (2014 – 2.7%). The average retirement age in the College System is assumed to be 63 and the liability has been recalculated as a result of a separation of the benefit pool for retirees and those on long-term disability from active employees.

For measurement purpose, the annual rate of increase in the per capita cost of covered health care benefits was assumed as follows:

	Other benefit plans
Drug	9% (grading to 4.0% in 2034)
Hospital	4.0%
Other medical	4.0%
Dental	4.0%

## 6. Bank borrowing facilities:

The College's bank borrowing facilities provide for the following:

- i) \$1,000,000 operating line of credit bearing interest at prime less 0.5%
- ii) \$1,000,000 lease line of credit for equipment financing, with the interest rate determined at time the financing is drawn

There have been no amounts drawn on either line of credit noted above at March 31, 2015 (2014 - \$Nil). The bank borrowing facilities are secured by a general security agreement.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

## 7. Deferred contributions:

Details of the continuity of these funds are as follows:

	2015	2014
Balance, beginning of year	\$ 1,187,824	\$ 1,402,481
Additional contributions received	1,130,952	922,998
Amounts taken into revenue	(856,210)	(1,137,655)
Balance, end of year	\$ 1,462,566	\$ 1,187,824

## 8. Deferred capital contributions:

Deferred capital contributions represent the unamortized balances of donations and grants received for capital asset acquisitions. Details of the continuity of these funds are as follows:

	2015	2014
Balance, beginning of year	\$ 23,903,627	\$ 25,420,718
Additional contributions received	182,130	580,725
Amounts amortized into revenue	(1,997,637)	(2,097,816)
Balance, end of year	\$ 22,088,120	\$ 23,903,627

## 9. Capital fund:

a) The equity in capital assets is calculated as follows:

	2015	2014
Capital assets	\$ 27,590,632	\$ 29,831,853
Amounts financed by:		
Unamortized deferred capital contributions	(22,088,120)	(23,903,627)
	\$ 5,502,512	\$ 5,928,226

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

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## 9. Capital fund (continued):

b) Transfer for capital assets:

	2015	2014
Purchase of capital assets	\$ 273,629	\$ 849,095
Amounts funded by deferred capital contributions	(182,130)	(580,725)
	<u>\$ 91,499</u>	<u>\$ 268,370</u>

## 10. Pension plan:

Contributions made by the College during the year amounted to \$2,448,390 (2014 - \$2,353,140).

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 eligible employees of the participating members of the CAAT. 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 asset and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2015 indicated an actuarial surplus of \$773 million.



# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

## 11. Restricted funds:

The following information outlines expendable funds available for awards 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.

### Schedule of changes in expendable funds available for awards

For the year ended March 31

	Balance, Beginning of Year	Investment Income, net of expenses	Bursaries awarded	Balance, End of Year
OSOTF I (Bursaries awarded – 120; 2014 - 61)	\$ 43,527	58,251	37,827	63,951
OSOTF II (Bursaries awarded – 42, 2014-15)	33,695	12,556	20,034	26,217
OTSS (Bursaries awarded – 45; 2014 – 41)	36,500	22,544	13,810	45,234
Other	875	795	-	1,670
	\$ 114,597	94,146	71,671	137,072

## 12. Commitments:

(a) The College has a five year lease with the Attorney General for a section of its Kirkland Lake campus for a courthouse at \$147,003 per year. The lease expires November 2018.

(b) The College has entered into agreements to lease certain premises and equipment.

The total annual minimum lease payments to maturity are approximately as follows:

2016	\$ 313,179
2017	76,168
2018	24,457
2019	6,256
2020	2,624
	\$ 422,684

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

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## 13. Changes in non-cash working capital:

	2015	2014
Increase in accounts receivable	\$ (47,391)	\$ (26,307)
Increase in grants receivable	(237,843)	(321,841)
Decrease (increase) in inventories and prepaid expenses	10,577	(36,925)
Increase (decrease) in accounts payable and accrued liabilities	(211,137)	286,498
Decrease in vacation and leave payable	(151,425)	(23,334)
	<u>\$ (637,219)</u>	<u>\$ (121,909)</u>

## 14. Contingency:

As at March 31, 2015, certain legal actions are pending against the College. An estimate of the contingency cannot be made since the outcome of these matters is indeterminate. Should any loss result from the resolution of these matters, such loss would be charged to operations in the year of disposition.

## 15. Guarantees:

Campus Development Corp. ("CDC") is in the process of constructing a 64-bed residence on the College's Haileybury Campus. CDC leases the property from the College for 90 years. The College has guaranteed 100% occupancy of the residence to CDC for 20 years after the first complete year that it is ready for occupancy at \$6,250 annually per bed. This amount increases by the amount of the Consumer Price Index per year. Profit sharing with the College commences in the 26<sup>th</sup> year. At the termination of the lease, the residence is surrendered to the College.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

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## 16. Financial instruments:

### (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 this risk relating to its cash 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 \$300,000 (2014 - \$300,000).

The College's investment policy operates within the constraints of the investment guidelines issued by the MTCU and puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis. The guidelines permit the College's funds to be invested in bonds issued by the Government of Canada, a Canadian province or a Canadian municipality having a rating of A or better, or corporate investments having a rating of A (R-1) or better.

Included in accounts receivable of \$1,287,625 are student receivables in the amount of \$528,975 of which 20% is considered to be overdue. An amount of \$359,666 has been provided for an impairment allowance on the total accounts receivable balance. Student receivables not impaired are collectible based on the College's assessment and past experience regarding collection rates.

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

### (b) Market risk:

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

The College's investment policy operates within the constraints of the investment guidelines issued by the MTCU. The policy's application is monitored by management, the investment managers and the board of governors. Diversification techniques are utilized to minimize risk.

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.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

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## 16. Financial instruments (continued):

### (c) 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.

The College's corporate and government bonds have interest rates ranging from 1.75% to 4.5% with maturities ranging from June 6, 2016 to June 2, 2024.

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 fixed income investments of \$32,262.

### (d) 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.

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.

### (e) 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. Accounts payable are all current.

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.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2015

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## **17. Capital disclosures:**

The College considers its operating capital to consist of net assets invested in capital assets, internally restricted net assets and unrestricted net assets. The College's overall objective for its capital is to fund capital assets, future projects and ongoing operations. The College manages its capital by appropriating amounts to internally restricted net assets for anticipated future projects, contingencies and other capital requirements.

The College also considers its endowments, as part of its capital. The College's objective with regards to endowments is to grow the endowment principal and maximize investment income to increase funding for student aid.

The College may not incur a deficit without the approval of the Minister of Training, Colleges and Universities of Ontario. The College would be required to eliminate any accumulated deficit within a prescribed period of time.

The College is not subject to any other externally imposed capital requirements and its approach to capital management remains unchanged from the prior year.

## **18. Comparative information:**

Certain 2014 comparative figures have been reclassified to conform to the presentation adopted in 2015.

## **19. Adoption of new accounting policy:**

The College adopted Public Sector Accounting Board 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.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Continuity of Restricted and Endowment Funds

Year ended March 31, 2015

## Restricted Funds

	Balance, March 31, 2014	Additions and Investment Income	Bursaries and other disbursements	Balance, March 31, 2015
Board of Governors Entrance Scholarship	\$ 8,152	155	5,500	\$ 2,807
J.H. Drysdale Award	76,365	1,575	1,000	76,940
Other	131,172	430,279	356,223	205,228
Ontario Student Opportunity and Trust Disbursements Fund	114,597	94,146	71,671	137,072
Capital	836,373	12,000	-	848,373
	<b>\$ 1,166,659</b>	<b>538,155</b>	<b>434,394</b>	<b>\$ 1,270,420</b>

## Endowment Funds

	Balance, March 31, 2014	Additions	Transfers	Balance, March 31, 2015
OSOTF I	\$ 2,748,800	-	-	\$ 2,748,800
OSOTF II	592,475	-	-	592,475
OTSS	1,007,657	13,200	(25,000)	995,857
Other	-	25,000	25,000	50,000
	<b>\$ 4,348,932</b>	<b>38,200</b>	<b>-</b>	<b>\$ 4,387,132</b>

<b>Total restricted and endowment funds</b>	<b>\$ 5,515,591</b>	<b>576,355</b>	<b>434,394</b>	<b>\$ 5,657,552</b>
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See accompanying notes to financial statements.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Schedule of Operating Fund Revenues

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

	2015	2014
<b>Grants and reimbursements:</b>		
<b>Post Secondary:</b>		
General operating grant	\$ 7,217,400	\$ 7,746,896
Special support grants	8,964,570	9,163,910
Second Career / WSIB grants	714,537	1,200,759
Grant for municipal taxation	84,000	96,975
Rental add-on grant	270,300	270,300
	17,250,807	18,478,840
<b>Employment and literacy:</b>		
Apprenticeship per diem grant	1,200,638	1,225,963
Literacy and Basic Skills/Emerging Skills	1,769,834	1,596,599
Employment programs	4,160,450	3,745,693
	7,130,922	6,568,255
<b>Special Purpose Grants:</b>		
Indigenous projects	725,092	590,424
Plant	270,586	393,848
Special needs	392,488	396,192
Day care funding	524,055	557,624
Termination/sick leave buyout recovery	180,383	86,626
OSAP special bursaries	214,129	189,147
Other	737,906	266,247
	3,044,639	2,480,108
	\$ 27,426,368	\$ 27,527,203
<b>Other revenue:</b>		
Daycare fees	\$ 72,587	\$ 66,955
Rents	199,992	199,992
Excluded activity fees	1,968,532	2,486,356
Other fees	1,098,061	1,056,688
Miscellaneous	293,294	329,999
	\$ 3,632,466	\$ 4,139,990

See accompanying notes to financial statements.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Schedule of Operating Expenses by Cost Object

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

	Academic	Administration	Student Services	Plant and Property	Community Services	Employment Training Programs	Total 2015	Total 2014
Academic salaries	\$ 10,782,270	26,977	47,192	-	-	-	\$ 10,856,439	\$ 11,831,747
Administration salaries	994,482	1,358,656	211,829	76,182	-	174,895	2,816,044	1,894,400
Support salaries	2,356,631	1,260,802	1,862,584	636,659	362,581	1,571,523	8,050,780	8,618,637
Stipends and allowances	-	-	538,438	-	-	1,127,944	1,666,382	1,272,551
Fringe benefits	2,988,155	696,784	537,043	159,707	87,583	425,025	4,894,297	4,885,729
Instructional supplies	1,205,501	35,033	197,861	-	1,139	25,687	1,465,221	1,661,126
Field work	17,921	-	-	-	17,868	-	35,789	35,996
Staff employment	-	30,040	-	-	-	-	30,040	44,167
Professional development	465	52,276	-	-	9,428	5,571	67,740	73,136
Travel	251,342	111,887	86,854	578	1,339	18,581	470,581	436,433
Promotion and advertising	66,621	32,241	213,674	-	-	12,997	325,533	409,921
Equipment maintenance	23,096	2,454	-	7,579	-	1,844	34,973	78,475
Telecommunications	137,058	89,652	4,228	462	-	28,918	260,318	262,862
Office supplies	94,939	92,725	58,630	890	-	14,406	261,590	355,491
Janitorial	-	34,831	-	30,344	372	-	65,547	105,010
Facilities maintenance	-	-	-	535,670	-	-	535,670	228,800
Vehicle	-	-	-	4,535	-	-	4,535	2,883
Insurance	-	86,527	-	-	-	-	86,527	249,612
Interest	75,737	103,581	-	-	-	-	179,318	156,619
Professional fees	143,367	366,292	400	-	-	12,000	522,059	458,294
Contracted services	1,663,205	369,177	48,599	65,938	-	5,000	2,151,919	1,918,594
Utilities	-	-	-	1,176,753	-	-	1,176,753	1,137,911
Municipal taxation	-	-	-	90,300	-	-	90,300	97,350
Rentals	475,191	35,977	25,318	-	30,000	161,100	727,586	830,953
	\$ 21,275,981	4,785,912	3,832,650	2,785,597	510,310	3,585,491	36,775,941	37,046,697
Ancillary expense							2,353,269	2,497,860
<b>Total expenses</b>							\$ 39,129,210	\$ 39,544,557

See accompanying notes to financial statements.



# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Schedule of Ancillary Revenue and Expenses

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

	2015	2014
<b>Bookstore Operations</b>		
Revenue	\$ 103,088	\$ 121,657
Operating expense	28,331	20,008
<b>Excess of revenue over expense</b>	<b>\$ 74,757</b>	<b>\$ 101,649</b>
 <b>Student Residence Operations</b>		
Revenue:		
Rent	\$ 519,967	\$ 539,769
Service charges	59,197	65,337
	579,164	605,106
Expense:		
Operating	404,333	479,066
<b>Excess of revenue over expense</b>	<b>\$ 174,831</b>	<b>\$ 126,040</b>
 <b>Parking Grounds Operations</b>		
Revenue	\$ 130,803	\$ 124,365
Operating expense	122,718	117,732
<b>Excess of revenue over expense</b>	<b>\$ 8,085</b>	<b>\$ 6,633</b>
 <b>Ancillary Facilities Operations</b>		
Revenue	\$ 2,036,278	\$ 2,036,991
Operating expense	1,797,887	1,881,054
<b>Excess of revenue over expense</b>	<b>\$ 238,391</b>	<b>\$ 155,937</b>

See accompanying notes to financial statements.