

Financial Statements of

**NORTHERN COLLEGE OF
APPLIED ARTS AND TECHNOLOGY**

Years ended March 31, 2013 and March 31, 2012



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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations and changes in net assets (deficit) and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern College of Applied Arts and Technology as at March 31, 2013, March 31, 2012 and April 1, 2011, its results of operations and changes in net assets (deficit) and its cash flows for the years ended March 31, 2013 and March 31, 2012 and the remeasurement gains and losses for the year then ended March 31, 2013, in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 11, 2013
Sudbury, Canada

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

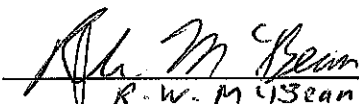
Statement of Financial Position

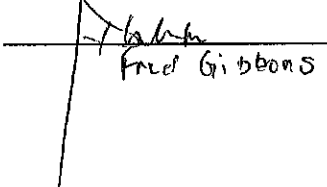
March 31, 2013, March 31, 2012 and April 1, 2011

	2013	2012	2011
Assets			
Cash	\$ 3,030,450	\$ 8,863,238	\$ 12,077,921
Accounts receivable (note 18)	1,213,927	1,253,956	997,430
Grants receivable	1,886,717	1,969,026	1,828,749
Inventories and prepaid expenses	118,528	127,498	106,058
Investments - portfolio (note 3)	4,811,514	4,335,361	4,277,413
- sinking fund	-	4,325,325	-
	11,061,136	20,874,404	19,287,571
Sinking fund investments (note 3)	-	-	3,956,813
Capital assets (note 4)	31,604,420	32,799,453	32,689,901
	\$ 42,665,556	\$ 53,673,857	\$ 55,934,285
Liabilities and Net Assets (Deficit)			
Current liabilities:			
Accounts payable and accrued liabilities (note 5)	\$ 2,766,761	\$ 3,644,483	\$ 3,730,643
Vacation and leave payable (note 6)	2,058,917	2,144,945	2,113,565
Deferred contributions (note 9)	1,402,481	2,958,819	4,947,915
Current portion of long-term debt (note 7)	-	4,439,000	-
	6,228,159	13,187,247	10,792,123
Employee future benefit (note 6)	1,661,000	1,758,000	1,942,000
Long-term debt (note 7)	-	-	4,439,000
Deferred capital contributions (note 10)	25,420,718	27,087,692	28,397,321
	33,309,877	42,032,939	45,570,444
Net assets (deficit):			
Unrestricted:			
Operating	1,359,322	1,353,850	1,337,541
Employment-related	(3,719,917)	(3,902,945)	(4,055,565)
Capital (note 11)	6,183,702	5,598,086	4,179,247
Restricted and endowment	5,532,572	8,591,927	8,902,618
	9,355,679	11,640,918	10,363,841
Commitments (note 14)			
Contingency (note 16)			
Guarantees (note 17)			
	\$ 42,665,556	\$ 53,673,857	\$ 55,934,285

See accompanying notes to financial statements

On behalf of the Board:


 R. W. M. O'Sean
 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, 2013

	Unrestricted		Equity in capital assets	Restricted and Endowment (Schedule)	Total
	Operating (Schedules)	Employment- related			
Revenue:					
Grants and reimbursements	\$ 26,955,739	-	-	-	26,955,739
Tuition fees	4,886,960	-	-	-	4,886,960
Ancillary sales and services	2,686,920	-	-	-	2,686,920
Other	4,904,656	-	-	-	4,904,656
Amortization of deferred capital contributions (note 10)	-	-	2,120,198	-	2,120,198
Restricted	-	-	-	338,717	338,717
Investment income	111,581	-	113,675	92,775	318,031
	<u>39,545,856</u>	<u>-</u>	<u>2,233,873</u>	<u>431,492</u>	<u>42,211,221</u>
Expenses:					
Academic	20,773,898	-	-	-	20,773,898
Administration	6,560,565	-	-	-	6,560,565
Student services	3,848,926	-	-	-	3,848,926
Plant and property	2,241,332	-	-	-	2,241,332
Community services	514,336	-	-	-	514,336
Employment training programs	2,804,688	-	-	-	2,804,688
Ancillary	2,383,848	-	-	-	2,383,848
Amortization of capital assets	-	-	2,611,543	-	2,611,543
Restricted	-	-	-	2,954,052	2,954,052
Employee future benefit and vacation	-	(183,028)	-	-	(183,028)
	<u>39,127,593</u>	<u>(183,028)</u>	<u>2,611,543</u>	<u>2,954,052</u>	<u>44,510,160</u>
Excess (deficiency) of revenue over expenses	418,263	183,028	(377,670)	(2,522,560)	(2,298,939)
Net assets (deficit), beginning of year	1,353,850	(3,902,945)	5,598,086	8,591,927	11,640,918
Endowment contribution	-	-	-	13,700	13,700
Transfer of capital assets (note 11)	(273,791)	-	963,286	(689,495)	-
Transfer to restricted funds	(139,000)	-	-	139,000	-
Net assets (deficit), end of year	\$ 1,359,322	(3,719,917)	6,183,702	5,532,572	9,355,679

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations and Changes in Net Assets (Deficit)

Year ended March 31, 2012

	Operating		Equity in capital assets	Restricted and Endowment (Schedule)	Total
	Current operations (Schedules)	Employment- related			
Revenue:					
Grants and reimbursements	\$ 28,796,990	-	-	-	28,796,990
Tuition fees	4,868,924	-	-	-	4,868,924
Ancillary sales and services	2,444,947	-	-	-	2,444,947
Other	5,034,380	-	-	-	5,034,380
Amortization of deferred capital contributions (note 10)	-	-	2,006,293	-	2,006,293
Restricted	-	-	-	342,754	342,754
Investment income	97,003	-	368,511	103,619	569,133
	41,242,244	-	2,374,804	446,373	44,063,421
Expenses:					
Academic	21,272,872	-	-	-	21,272,872
Administration	6,151,841	-	-	-	6,151,841
Student services	3,924,071	-	-	-	3,924,071
Plant and property	2,642,202	-	-	-	2,642,202
Community services	578,154	-	-	-	578,154
Employment training programs	2,967,721	-	-	-	2,967,721
Ancillary	2,532,802	-	-	-	2,532,802
Amortization of capital assets	-	-	2,422,888	-	2,422,888
Restricted	-	-	-	767,519	767,519
Employee future benefit	-	(152,620)	-	-	(152,620)
	40,069,663	(152,620)	2,422,888	767,519	43,107,450
Excess (deficiency) of revenue over expenses	1,172,581	152,620	(48,084)	(321,146)	955,971
Net assets (deficit), beginning of year	1,337,541	(4,055,565)	4,179,247	8,902,618	10,363,841
Ontario Trust for Student Support	-	-	-	321,106	321,106
Transfer of capital assets (note 11)	(755,262)	-	1,466,923	(711,661)	-
Transfer to restricted funds	(401,010)	-	-	401,010	-
Net assets (deficit), end of year	\$ 1,353,850	(3,902,945)	5,598,086	8,591,927	11,640,918

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Years ended March 31, 2013 and March 31, 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (2,298,939)	\$ 955,971
Adjustments for:		
Amortization of deferred capital contributions (note 10)	(2,120,198)	(2,006,293)
Amortization of capital assets	2,611,543	2,422,888
Decrease in employee future benefit	(97,000)	(184,000)
	(1,904,594)	1,188,566
Changes in non-cash working capital (note 15)	(832,442)	(473,023)
	(2,737,036)	715,543
Financing activities:		
Endowment contributions	13,700	321,106
Deferred contributions	(1,556,338)	(1,989,096)
	(1,542,638)	(1,667,990)
Capital activities:		
Purchase of capital assets	(1,416,510)	(2,532,440)
Deferred capital contributions	453,224	696,664
	(963,286)	(1,835,776)
Investing activities:		
Change in value of portfolio investments	(476,153)	(57,948)
Increase in value of sinking fund	(113,675)	(368,512)
	(589,828)	(426,460)
Net decrease in cash	(5,832,788)	(3,214,683)
Cash position, beginning of year	8,863,238	12,077,921
Cash position, end of year	\$ 3,030,450	\$ 8,863,238

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

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.

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 Canadian 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 Canadian public sector accounting standards.

A summary of transitional adjustments recorded to net assets and excess (deficiency) of revenue over expenditures is provided in note 2.

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 Northern College of Applied Arts and Technology.

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.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Contributions received for endowment are reported as an increase in the endowment fund balance. Interest income earned on the resources of this endowment fund is reported in the restricted fund. Unrestricted investment income is recognized as revenue when earned.

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

(c) Investments:

Portfolio investments are recorded at market value.

Sinking-fund investment was recorded at amortized cost.

(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:

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

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

1. Significant accounting policies (continued):

(e) Employment-related obligations:

Vacation entitlements are accrued for as entitlements are earned (note 6).

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 12).

(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.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

1. Significant accounting policies (continued):

(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.

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 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

Years ended March 31, 2013 and March 31, 2012

2. Transitional adjustments:

(a) Net assets:

The following table summarizes the impact of the transition to Canadian 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	\$ 11,298,381
Transition election to recognize all cumulative actuarial gains and losses on employee future benefits	242,000
Adjustment for change in discount rate used to calculate employee future benefits and compensated absences	(71,540)
Adjustment to record accumulated but not vested sick leave	(1,105,000)
<hr/>	
Restated, April 1, 2011	\$ 10,363,841

In accordance with transitional provisions of Canadian public sector accounting standards, the College has elected to use the following 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.

Accumulated but not vested sick leave:

Canadian 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 disclosed in the table above.

(i) Amortization of actuarial gains/losses

The College has elected to recognize actuarial gains and losses at the date of transition to Canadian public sector accounting standards directly in net assets. As a result, the College has recognized an increased liability and a charge to net assets.

(ii) Discount rate used to calculate employee future benefits

Canadian 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 to be equal to the yield on high quality corporate bonds. The College has chosen to discount these liabilities using its internal rate of borrowing. The change in the discount rate resulted in changes to the related liabilities and charges to excess of revenue over expenditure as disclosed.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

2. Transitional adjustments:

(b) Statement of operations:

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

Net earnings:

As previously reported under Canadian generally accepted accounting principles for year ended March 31, 2012	\$ 801,848
Change employee future benefit expense as a result of adjustment to record accumulated but not vested sick leave plans	53,000
Change to employee future benefit expense as a result of changing the discount rate used	101,123
Restated for the year ended March 31, 2012	\$ 955,971

(c) 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 College has no adjustments associated with the adoption of these standards.

3. Investments:

	Fair Value Hierarchy	March 31, 2013	March 31, 2012	April 1, 2011
Fixed income	Level 2	\$ 3,970,399	7,861,066	7,440,692
Mutual funds	Level 2	841,115	799,620	793,534
		\$ 4,811,514	8,660,686	8,234,226
Made up of:				
Portfolio		\$ 4,811,514	4,335,361	4,277,413
Sinking fund		-	4,325,325	3,956,813
		\$ 4,811,514	8,660,686	8,234,226

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

4. Capital assets:

March 31, 2013	Cost	Accumulated Amortization	Net Book value
Land	\$ 369,570	–	369,570
Buildings	49,164,092	22,271,366	26,892,726
Site improvements and parking lots	310,892	305,728	5,164
Leasehold improvements	866,897	704,419	162,478
Furniture and equipment	19,662,315	15,487,833	4,174,482
	\$ 70,373,766	38,769,346	31,604,420

March 31, 2012	Cost	Accumulated Amortization	Net Book value
Land	\$ 369,570	–	369,570
Buildings	48,478,123	21,302,310	27,175,813
Site improvements and parking lots	310,892	297,743	13,149
Leasehold improvements	866,897	650,260	216,637
Furniture and equipment	18,931,775	13,907,491	5,024,284
	\$ 68,957,257	36,157,804	32,799,453

April 1, 2011	Cost	Accumulated Amortization	Net Book value
Land	\$ 369,570	–	369,570
Buildings	47,390,423	20,422,750	26,967,673
Construction in progress	253,479	–	253,479
Site improvements and parking lots	310,892	289,758	21,134
Leasehold improvements	866,897	596,101	270,796
Furniture and equipment	17,376,620	12,569,371	4,807,249
	\$ 66,567,881	33,877,980	32,689,901

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

5. Accounts payable and accrued liabilities:

	March 31, 2013	March 31, 2012	April 1, 2011
Trade and other	\$ 2,057,288	\$ 2,837,185	\$ 2,849,965
Payroll related liabilities	709,473	807,298	880,678
	\$ 2,766,761	\$ 3,644,483	\$ 3,730,643

6. Employment related obligations:

	March 31, 2013	March 31, 2012	April 1, 2011
Vacation and leave payable	\$ 2,058,917	\$ 2,144,945	\$ 2,113,565
Non-pension post-employment obligations	\$ 383,000	\$ 364,000	\$ 360,000
Sick leave benefits - vesting	267,000	342,000	477,000
- non-vesting	1,011,000	1,052,000	1,105,000
	\$ 1,661,000	\$ 1,758,000	\$ 1,942,000

Vacation

The accrual for vacation 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.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

6. Employment related obligations (continued):

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:

	March 31, 2013	March 31, 2012	April 1, 2011
Non-vesting sick leave:			
Accrued benefit obligation	\$ 1,023,000	\$ 1,105,000	\$ 1,105,000
Unamortized actuarial loss	(12,000)	(53,000)	–
Total sick leave benefit entitlement liability	\$ 1,011,000	\$ 1,052,000	\$ 1,105,000

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:

	2013	2012
Discount rate	2.1%	2.25%
Salary escalation	0.0% to 2.0% in 2013	1.75% thereafter

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

6. Employment related obligations (continued):

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 March 31, 2011.

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

	March 31, 2013	March 31, 2012	April 1, 2011
Liability for Employee future benefits	\$ 439,000	\$ 425,000	\$ 426,000
Fair value of plan asset	56,000	61,000	66,000
Funded status	\$ 383,000	\$ 364,000	\$ 360,000

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligation include a discount rate of 2.25% (March 31, 2012 – 3.05%). 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.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

6. Employment related obligations (continued):

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	10.5% (grading to 4.5% in 2026)
Hospital	4.5%
Other medical	4.5%
Dental	4.5%

7. Long-term debt:

The long-term debt of \$4,439,000 was a loan payable to the Ontario Mortgage and Housing Corporation. The loan did bear a fixed interest rate of 9.17% and was secured by a first mortgage on the student residence at the Porcupine campus. Under the terms of the loan agreement, interest payments of \$203,528 were made semi-annually and the principal amount was repaid on July 1, 2012. By Board resolution, a 9.5% Province of Ontario sinking-fund investment was used at maturity to retire this loan payable.

8. 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, 2013 (2012 - \$Nil; 2011 - \$Nil). The bank borrowing facilities are secured by a general security agreement.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

9. Deferred contributions:

Details of the continuity of these funds are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Balance, beginning of year	\$ 2,958,819	\$ 4,947,915	\$ 4,750,600
Additional contributions received	933,901	3,014,977	3,663,736
Amounts taken into revenue	(2,490,239)	(5,004,073)	(3,466,421)
Balance, end of year	\$ 1,402,481	\$ 2,958,819	\$ 4,947,915

10. Deferred capital contributions:

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

	March 31, 2013	March 31, 2012	April 1, 2011
Balance, beginning of year	\$ 27,087,692	\$ 28,397,321	\$ 18,030,145
Additional contributions received	453,224	696,664	11,829,531
Amounts amortized into revenue	(2,120,198)	(2,006,293)	(1,462,355)
Balance, end of year	\$ 25,420,718	\$ 27,087,692	\$ 28,397,321

The balance of unamortized and unspent funds consists of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Unamortized deferred capital contributions	\$ 25,420,718	\$ 27,087,692	\$ 28,028,467
Unspent contributions	–	–	368,854
Balance, end of year	\$ 25,420,718	\$ 27,087,692	\$ 28,397,321

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

11. Capital fund:

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

	March 31, 2013	March 31, 2012	April 1, 2011
Capital assets	\$ 31,604,420	\$ 32,799,453	\$ 32,689,901
Amounts financed by:			
Unamortized deferred capital contributions	(25,420,718)	(27,087,692)	(28,028,467)
Long-term debt, net of sinking-fund investment (note 7)	–	(113,675)	(482,187)
	<u>\$ 6,183,702</u>	<u>\$ 5,598,086</u>	<u>\$ 4,179,247</u>

b) Transfer for capital assets:

	March 31, 2013	March 31, 2012	April 1, 2011
Purchase of capital assets	\$ 1,416,510	\$ 2,532,440	\$ 12,694,732
Amounts funded by deferred capital contributions	(453,224)	(1,065,517)	(12,397,021)
	<u>\$ 963,286</u>	<u>\$ 1,466,923</u>	<u>\$ 297,711</u>

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

12. Pension plan:

Contributions made by the College during the year amounted to approximately \$2,270,295 (2012 - \$2,006,040).

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. 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, 2012 indicated an actuarial surplus of \$154 million.

13. 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	\$ 2,748,800	570,897	983,757	4,303,454	3,982,348
Cash donations received					
from other sources	–	–	13,700	13,700	83,204
OTSS funds received					
from MTCU	–	–	–	–	237,902
OTSS funds receivable					
from MTCU	–	–	–	–	–
Balance, end of year	\$ 2,748,800	570,897	997,457	4,317,154	4,303,454

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

13. Endowment funds (continued):

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	\$ 49,238	29,005	30,236	108,479	126,239
Investment income, net of expenses	55,076	11,418	20,849	87,343	99,635
Bursaries awarded	(52,303)	(9,473)	(14,041)	(75,817)	(117,395)
Balance, end of year	\$ 52,011	30,950	37,044	120,005	108,479
Bursaries awarded #	83	18	36	137	228

The bursaries awarded under OTSS are comprised of 3 to OSAP recipients totalling \$1,475 and 33 to non-OSAP recipients totalling \$12,566.

14. 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 2013.
- (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:

2014	\$ 473,888
2015	314,268
2016	185,018
	\$ 973,174

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

15. Changes in non-cash working capital:

	2013	2012
Decrease (increase) in accounts receivable	\$ 40,029	\$ (256,526)
Decrease (increase) in grants receivable	82,309	(140,277)
Increase (decrease) in inventories and prepaid expenses	8,970	(21,440)
Decrease in accounts payable and accrued liabilities	(877,722)	(86,160)
Increase (decrease) in vacation and leave payable	(86,028)	31,380
	<u>\$ (832,442)</u>	<u>\$ (473,023)</u>

16. Contingency:

As at March 31, 2013, 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.

17. Guarantees:

The College's primary guarantees are as follows:

- a) Indemnity has been provided to all directors and/or officers of the College for various items including, but not limited to, all settled suits or actions due to association with the College, subject to certain restrictions. The College has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as governor, director or officer to the College. The maximum amount of any potential future payment cannot be reasonably estimated.
- b) In the normal course of business, the College has entered into agreements that include indemnities in favour of third parties, such as student work placement agreements, purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the College to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of a potential reimbursement cannot be reasonably estimated.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

18. 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 (2012 - \$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 \$1,213,927 are student receivables in the amount of \$641,438 of which 19% is past due. An amount of \$331,105 has been provided for an impairment allowance on the total accounts receivable balance.

(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.

(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 bond portfolio has interest rates ranging from 1.45% to 2.35% with maturities ranging from May 6, 2013 to January 28, 2015.

At March 31, 2013, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of bonds of \$39,704.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

18. Financial instruments (continued):

(c) 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.

(d) 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 and the terms of the long-term debt are disclosed in note 7.

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.

19. Capital disclosures:

The College considers its operating capital to consist of current portion of long-term debt, 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.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Continuity of Restricted and Endowment Funds

Years ended March 2013 and March 31, 2012

Restricted Funds

	Balance, March 31, 2012	Additions	Scholarships and other disbursements	Balance, March 31, 2013
Board of Governors Entrance Scholarship	\$ 25,169	363	7,000	\$ 18,532
J.H. Drysdale Award	74,751	1,485	500	75,736
Other	884,861	307,801	1,160,230	32,432
Ontario Student Opportunity and Trust Disbursements Fund	108,479	87,343	75,817	120,005
Capital	3,195,213	173,500	2,400,000	968,713
	\$ 4,288,473	570,492	3,643,547	\$ 1,215,418

Endowment Funds

	Balance, March 31, 2012	Additions	Balance, March 31, 2013
Ontario Student Opportunity Trust Fund 1	\$ 2,748,800	-	\$ 2,748,800
Ontario Student Opportunity Trust Fund 2	570,897	-	570,897
Ontario Trust for Student Support Fund and endowments	983,757	13,700	997,457
	\$ 4,303,454	13,700	\$ 4,317,154
Total restricted and endowment funds	\$ 8,591,927	584,192	\$ 5,532,572

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Continuity of Restricted and Endowment Funds

Years ended March 2013 and March 31, 2012

Restricted Funds

	Balance, April 1, 2011	Additions	Scholarships and other disbursements	Balance, March 31, 2012
Board of Governors Entrance Scholarship	\$ 31,836	333	7,000	\$ 25,169
J.H. Drysdale Award	74,763	988	1,000	74,751
Other	957,385	625,417	697,941	884,861
Ontario Student Opportunity and Trust Disbursements Fund	126,239	99,635	117,395	108,479
Capital	3,730,047	121,010	655,844	3,195,213
	\$ 4,920,270	847,383	1,479,180	\$ 4,288,473

Endowment Funds

	Balance, April 1, 2011	Additions		Balance, March 31, 2012
Ontario Student Opportunity Trust Fund 1	\$ 2,748,800	-	-	\$ 2,748,800
Ontario Student Opportunity Trust Fund 2	570,897	-	-	570,897
Ontario Trust for Student Support Fund and endowments	662,651	321,106	-	983,757
	\$ 3,982,348	321,106		\$ 4,303,454
Total restricted and endowment funds	\$ 8,902,618	1,168,489	1,479,180	\$ 8,591,927

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Fund Revenues

Years ended March 31, 2013 and March 31, 2012

	2013	2012
Grants and reimbursements:		
Post Secondary:		
General operating grant	\$ 7,908,494	\$ 8,050,148
Special support grants	9,249,594	9,153,332
Grant for municipal taxation	94,275	96,900
Rental add-on grant	270,300	270,612
	17,522,663	17,570,992
Industrial Skills and Adult Training:		
Federal Programs	1,717,205	3,041,735
Apprenticeship per diem grant	1,123,213	1,629,720
Literacy and Basic Skills/Emerging Skills	1,443,614	1,462,430
Employment programs	3,410,823	3,483,447
	7,694,855	9,617,332
Special Purpose Grants:		
Aboriginal projects	300,000	300,000
Plant	204,465	78,762
Special needs	412,469	370,987
Day care and social services funding	434,833	536,583
Termination/sick leave buyout recovery	98,541	-
OSAP special bursaries	236,669	282,533
Other	51,244	39,801
	1,738,221	1,608,666
	\$ 26,955,739	\$ 28,796,990
Tuition fees:		
Post-secondary	\$ 4,839,380	\$ 4,840,010
Industrial skills and adult training	47,580	28,914
	\$ 4,886,960	\$ 4,868,924
Other revenue:		
Daycare fees	\$ 57,972	\$ 53,966
Special employment programs	5,571	50,571
Rents	199,992	199,992
Excluded activity fees	2,833,376	2,940,934
Other fees	1,079,328	1,133,513
Miscellaneous	728,417	655,404
	\$ 4,904,656	\$ 5,034,380

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Expense by Cost Object

Years ended March 31, 2013 and March 31, 2012

	Academic	Administration	Student Services	Plant and Property	Community Services	Employment Training Programs	Total 2013	Total 2012
Academic salaries	\$ 11,212,145	114,505	5,572	-	-	-	\$ 11,332,222	\$ 11,766,875
Administration salaries	885,681	1,345,090	221,620	45,495	-	215,870	2,713,756	2,423,531
Support salaries	2,011,023	2,172,689	1,724,535	635,367	362,737	1,403,016	8,309,367	8,126,562
Stipends and allowances	-	5,371	525,429	-	-	471,144	1,001,944	1,256,397
Fringe benefits	2,777,493	866,225	491,150	140,871	91,469	397,547	4,764,755	4,455,003
Instructional supplies	1,328,484	4,469	245,388	-	4,912	23,579	1,606,832	1,802,040
Field work	20,927	-	-	-	21,933	-	42,860	40,848
Staff employment	-	67,161	-	-	-	-	67,161	65,050
Professional development	3,925	122,676	-	-	366	14,509	141,476	187,755
Travel	273,913	102,025	95,070	207	1,123	29,960	502,298	588,904
Promotion and advertising	128,235	26,469	367,304	-	-	16,735	538,743	531,143
Equipment maintenance	51,896	42,721	-	37,551	-	4,975	137,143	184,313
Telecommunications	50,227	197,380	6,839	497	-	34,196	289,139	291,832
Office supplies	118,521	233,027	89,480	1,030	-	19,367	461,425	581,694
Janitorial	-	18,975	-	52,932	1,796	-	73,703	85,991
Facilities maintenance	-	-	-	185,219	-	-	185,219	657,661
Vehicle	-	-	-	10,843	-	-	10,843	7,749
Insurance	-	273,824	-	-	-	-	273,824	300,393
Interest	88,294	96,865	-	-	-	-	185,159	141,483
Professional fees	107,797	281,926	10,741	-	-	6,000	406,464	312,552
Contracted services	1,227,745	415,191	32,895	53,049	-	5,480	1,734,360	1,956,322
Utilities	-	-	-	983,996	-	-	983,996	1,057,050
Municipal taxation	-	-	-	94,275	-	-	94,275	96,900
Rentals	487,592	173,976	32,903	-	30,000	162,310	886,781	797,793
Bad debt (recoveries)	-	-	-	-	-	-	-	(178,980)
	\$ 20,773,898	6,560,565	3,848,926	2,241,332	514,336	2,804,688	36,743,745	37,536,861
Ancillary expense							2,383,848	2,532,802
Total expense							\$ 39,127,593	\$ 40,069,663

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Ancillary Revenue and Expenses

Years ended March 31, 2013 and March 31, 2012

	2013	2012
Bookstore Operations		
Revenue	\$ 105,253	\$ 158,537
Operating expense	24,095	47,931
Excess of revenue over expense	\$ 81,158	\$ 110,606
Student Residence Operations		
Revenue:		
Rent	\$ 491,556	\$ 432,002
Service charges	61,470	60,351
	553,026	492,353
Expense:		
Operating	393,154	418,830
Interest	98,140	407,056
	491,294	825,886
Excess (deficiency) of revenue over expense	\$ 61,732	\$ (333,533)
Parking Grounds Operations		
Revenue	\$ 122,228	\$ 114,790
Operating expense	139,062	121,772
Deficiency of revenue over expense	\$ (16,834)	\$ (6,982)
Ancillary Facilities Operations		
Revenue	\$ 1,906,413	\$ 1,679,267
Operating expense	1,729,397	1,537,213
Excess of revenue over expense	\$ 177,016	\$ 142,054

See accompanying notes to financial statements.