

Financial Statements of

**NORTHERN COLLEGE OF
APPLIED ARTS AND TECHNOLOGY**

Year ended March 31, 2014



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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, 2014, the statements of operations and changes in net assets (deficit) 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, 2014, 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 10, 2014
Sudbury, Canada

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current Assets:		
Cash	\$ 2,494,424	\$ 3,030,450
Accounts receivable	1,240,234	1,213,927
Grants receivable	2,208,558	1,886,717
Inventories and prepaid expenses	155,453	118,528
Investments (note 2)	5,041,966	4,811,514
	11,140,635	11,061,136
Capital assets (note 3)	29,831,853	31,604,420
	\$ 40,972,488	\$ 42,665,556
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 3,053,258	\$ 2,766,761
Vacation and leave payable (note 5)	2,035,583	2,058,917
Deferred contributions (note 7)	1,187,824	1,402,481
	6,276,665	6,228,159
Employee future benefit (note 5)	1,522,000	1,661,000
Deferred capital contributions (note 8)	23,903,627	25,420,718
	31,702,292	33,309,877
Net assets (deficit):		
Unrestricted:		
Operating	1,383,962	1,359,322
Employment-related	(3,557,583)	(3,719,917)
Capital (note 9)	5,928,226	6,183,702
Restricted and endowment (schedule)	5,515,591	5,532,572
	9,270,196	9,355,679
Commitments (note 12)		
Contingency (note 14)		
Guarantees (note 15)		
	\$ 40,972,488	\$ 42,665,556

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, 2014, with comparative information for 2013

	Unrestricted		Equity in capital assets	Restricted and Endowment (Schedule)	2014 Total	2013 Total
	Operating (Schedules)	Employment- related				
Revenue:						
Grants and reimbursements	\$ 27,363,835	-	-	-	27,363,835	26,955,739
Tuition fees	5,087,773	-	-	-	5,087,773	4,886,960
Ancillary sales and services	2,888,119	-	-	-	2,888,119	2,686,920
Other	4,303,358	-	-	-	4,303,358	4,904,656
Amortization of deferred capital contributions (note 8)	-	-	2,097,816	-	2,097,816	2,120,198
Restricted	-	-	-	447,297	447,297	338,717
Investment income	114,658	-	-	140,459	255,117	318,031
	39,757,743	-	2,097,816	587,756	42,443,315	42,211,221
Expenses:						
Academic	21,086,668	-	-	-	21,086,668	20,773,898
Administration	5,859,125	-	-	-	5,859,125	6,560,565
Student services	3,957,516	-	-	-	3,957,516	3,848,926
Plant and property	2,420,399	-	-	-	2,420,399	2,241,332
Community services	551,458	-	-	-	551,458	514,336
Employment training programs	3,171,531	-	-	-	3,171,531	2,804,688
Ancillary	2,497,860	-	-	-	2,497,860	2,383,848
Amortization of capital assets	-	-	2,621,662	-	2,621,662	2,611,543
Restricted	-	-	-	556,691	556,691	2,954,052
Employee future benefits and vacation	-	(162,334)	-	-	(162,334)	(183,028)
	39,544,557	(162,334)	2,621,662	556,691	42,560,576	44,510,160
Excess (deficiency) of revenue over expenses	213,186	162,334	(523,846)	31,065	(117,261)	(2,298,939)
Net assets (deficit), beginning of year	1,359,322	(3,719,917)	6,183,702	5,532,572	9,355,679	11,640,918
Endowment contributions	-	-	-	31,778	31,778	13,700
Transfer of capital assets (note 9)	(188,546)	-	268,370	(79,824)	-	-
Net assets (deficit), end of year	\$ 1,383,962	(3,557,583)	5,928,226	5,515,591	9,270,196	9,355,679

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (117,261)	\$ (2,298,939)
Adjustments for:		
Amortization of deferred capital contributions (note 8)	(2,097,816)	(2,120,198)
Amortization of capital assets	2,621,662	2,611,543
Decrease in employee future benefits and vacation	(139,000)	(97,000)
	267,585	(1,904,594)
Changes in non-cash working capital (note 13)	(121,909)	(832,442)
	145,676	(2,737,036)
Financing activities:		
Endowment contributions	31,778	13,700
Repayment of long-term debt	-	(4,439,000)
Deferred contributions	(214,658)	(1,556,338)
	(182,880)	(5,981,638)
Capital activities:		
Purchase of capital assets	(849,095)	(1,416,510)
Deferred capital contributions	580,725	453,224
	(268,370)	(963,286)
Investing activities:		
Change in value of investments	(230,452)	(476,153)
Redemption of the sinking fund	-	4,439,000
Increase in value of sinking fund	-	(113,675)
	(230,452)	3,849,172
Net decrease in cash	(536,026)	(5,832,788)
Cash, beginning of year	3,030,450	8,863,238
Cash, end of year	\$ 2,494,424	\$ 3,030,450

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2014

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. 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.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2014

1. Significant accounting policies (continued):

(c) Investments:

The investments are recorded at market value.

(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

(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, 2014

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.

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

Year ended March 31, 2014

2. Investments:

	Fair Value Hierarchy	2014	2013
Fixed income	Level 2	\$ 4,040,098	\$ 3,970,399
Mutual funds	Level 2	1,001,868	841,115
		\$ 5,041,966	\$ 4,811,514

3. Capital assets:

March 31, 2014	Cost	Accumulated Amortization	Net Book value
Land	\$ 369,570	–	369,570
Buildings	49,248,940	23,213,860	26,035,080
Site improvements and parking lots	310,892	310,892	–
Leasehold improvements	866,897	758,578	108,319
Furniture and equipment	20,426,562	17,107,678	3,318,884
	\$ 71,222,861	41,391,008	29,831,853

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

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2014

4. Accounts payable and accrued liabilities:

	2014	2013
Trade and other	\$ 2,115,571	\$ 2,057,288
Payroll related liabilities	937,687	709,473
	<u>\$ 3,053,258</u>	<u>\$ 2,766,761</u>

5. Employment related obligations:

	2014	2013
Vacation and leave payable	\$ 2,035,583	\$ 2,058,917
Non-pension post-employment obligations	\$ 349,000	\$ 383,000
Sick leave benefits - vesting	196,000	267,000
- non-vesting	977,000	1,011,000
	<u>\$ 1,522,000</u>	<u>\$ 1,661,000</u>

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

Year ended March 31, 2014

5. 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:

	2014	2013
Non-vesting sick leave:		
Accrued benefit obligation	\$ 706,000	\$ 1,023,000
Unamortized actuarial gain (loss)	271,000	(12,000)
Total sick leave benefit entitlement liability	\$ 977,000	\$ 1,011,000

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:

	2014	2013
Discount rate	2.7%	2.25%
Salary escalation	0.0% in 2014 and 1.75% thereafter	0.0% to 2.0% in 2013

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2014

5. 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:

	2014	2013
Liability for employee future benefits	\$ 404,000	\$ 439,000
Fair value of plan asset	55,000	56,000
Funded status	\$ 349,000	\$ 383,000

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligation include a discount rate of 2.7% (2013 – 2.25%). 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

Year ended March 31, 2014

5. 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	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, 2014 (2013 - \$Nil). The bank borrowing facilities are secured by a general security agreement.

7. Deferred contributions:

Details of the continuity of these funds are as follows:

	2014	2013
Balance, beginning of year	\$ 1,402,481	\$ 2,958,819
Additional contributions received	922,998	933,901
Amounts taken into revenue	(1,137,655)	(2,490,239)
Balance, end of year	\$ 1,187,824	\$ 1,402,481

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2014

8. 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:

	2014	2013
Balance, beginning of year	\$ 25,420,718	\$ 27,087,692
Additional contributions received	580,725	453,224
Amounts amortized into revenue	(2,097,816)	(2,120,198)
Balance, end of year	\$ 23,903,627	\$ 25,420,718

9. Capital fund:

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

	2014	2013
Capital assets	\$ 29,831,853	\$ 31,604,420
Amounts financed by:		
Unamortized deferred capital contributions	(23,903,627)	(25,420,718)
	\$ 5,928,226	\$ 6,183,702

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2014

9. Capital fund (continued):

b) Transfer for capital assets:

	2014	2013
Purchase of capital assets	\$ 849,095	\$ 1,416,510
Amounts funded by deferred capital contributions	(580,725)	(453,224)
	<u>\$ 268,370</u>	<u>\$ 963,286</u>

10. Pension plan:

Contributions made by the College during the year amounted to approximately \$2,353,140 (2013 - \$2,270,295).

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, 2014 indicated an actuarial surplus of \$525 million.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2014

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 – 61; 2013 - 83)	\$ 52,011	41,255	(49,740)	43,527
OSOTF II (Bursaries awarded – 61, 2013-18)	30,950	8,644	(5,899)	33,695
OTSS (Bursaries awarded – 41; 2013 – 36)	37,044	16,580	(16,248)	37,375
	\$ 120,005	66,479	(71,887)	114,597

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 \$144,039 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:

2015	\$ 436,562
2016	223,493
2017	14,407
	\$ 674,462

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2014

13. Changes in non-cash working capital:

	2014	2013
Decrease (increase) in accounts receivable	\$ (26,307)	\$ 40,029
Decrease (increase) in grants receivable	(321,841)	82,309
Increase (decrease) in inventories and prepaid expenses	(36,925)	8,970
Increase (decrease) in accounts payable and accrued liabilities	286,498	(877,722)
Decrease in vacation and leave payable	(23,334)	(86,028)
	\$ (121,909)	\$ (832,442)

14. Contingency:

As at March 31, 2014, 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:

The College's primary guarantees are as follows:

- 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.
- 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

Year ended March 31, 2014

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 (2013 - \$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 \$1,240,234 are student receivables in the amount of \$505,704 of which 17% is considered to be overdue. An amount of \$345,938 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 fixed income investments have interest rates ranging from 1.5% to 2.1% with maturities ranging from May 9, 2014 to January 22, 2015.

At March 31, 2014, 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 \$40,401.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2014

16. Financial instruments (continued):

(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.

(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.

17. 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

Year ended March 2014

Restricted Funds

	Balance, March 31, 2013	Additions and Investment Income	Busaries and other disbursements	Balance, March 31, 2014
Board of Governors Entrance Scholarship	\$ 18,532	120	10,500	\$ 8,152
J.H. Drysdale Award	75,736	1,129	500	76,365
Other	32,432	455,528	356,788	131,172
Ontario Student Opportunity and Trust Disbursements Fund	120,005	66,479	71,887	114,597
Capital	968,713	64,500	196,840	836,373
	\$ 1,215,418	587,756	636,515	\$ 1,166,659

Endowment Funds

	Balance, March 31, 2013	Additions	Balance, March 31, 2014
OSOTF I	\$ 2,748,800	-	\$ 2,748,800
OSOTF II	570,897	21,578	592,475
OTSS	997,457	10,200	1,007,657
	\$ 4,317,154	31,778	\$ 4,348,932

Total restricted and endowment funds	\$ 5,532,572	619,534	636,515	\$ 5,515,591
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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, 2014, with comparative information for 2013

	2014	2013
Grants and reimbursements:		
Post Secondary:		
General operating grant	\$ 7,746,896	\$ 7,908,494
Special support grants	9,451,549	9,249,594
Grant for municipal taxation	96,975	94,275
Rental add-on grant	270,300	270,300
	<u>17,565,720</u>	<u>17,522,663</u>
Industrial Skills and Adult Training:		
Federal Programs	1,200,759	1,717,205
Apprenticeship per diem grant	1,225,963	1,123,213
Literacy and Basic Skills/Emerging Skills	1,596,599	1,443,614
Employment programs	3,745,693	3,410,823
	<u>7,769,014</u>	<u>7,694,855</u>
Special Purpose Grants:		
Aboriginal projects	300,000	300,000
Plant	393,848	204,465
Special needs	396,192	412,469
Day care and social services funding	557,624	434,833
Termination/sick leave buyout recovery	86,626	98,541
OSAP special bursaries	189,147	236,669
Other	105,664	51,244
	<u>2,029,101</u>	<u>1,738,221</u>
	<u>\$ 27,363,835</u>	<u>\$ 26,955,739</u>
Tuition fees:		
Post-secondary	\$ 5,081,509	\$ 4,839,380
Industrial skills and adult training	6,264	47,580
	<u>\$ 5,087,773</u>	<u>\$ 4,886,960</u>
Other revenue:		
Daycare fees	\$ 66,955	\$ 57,972
Special employment programs	2,785	5,571
Rents	199,992	199,992
Excluded activity fees	2,486,356	2,833,376
Other fees	1,056,688	1,079,328
Miscellaneous	490,582	728,417
	<u>\$ 4,303,358</u>	<u>\$ 4,904,656</u>

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Expenses by Cost Object

Year ended March 31, 2014, with comparative information for 2013

	Academic	Administration	Student Services	Plant and Property	Community Services	Employment Training Programs	Total 2014	Total 2013
Academic salaries	\$ 10,935,887	30,615	5,705	-	-	-	\$ 10,972,207	\$ 11,332,222
Administration salaries	900,012	1,363,552	211,501	46,405	26,777	205,693	2,753,940	2,713,756
Support salaries	2,285,475	1,850,751	1,942,682	656,190	362,870	1,520,669	8,618,637	8,309,367
Stipends and allowances	-	-	531,298	-	-	741,253	1,272,551	1,001,944
Fringe benefits	2,858,211	813,934	546,266	144,506	92,548	430,264	4,885,729	4,764,755
Instructional supplies	1,394,891	2,423	251,686	-	4,351	7,775	1,661,126	1,606,832
Field work	16,339	-	-	-	19,657	-	35,996	42,860
Staff employment	-	44,167	-	-	-	-	44,167	67,161
Professional development	3,027	65,476	-	-	686	3,947	73,136	141,476
Travel	250,884	99,549	64,138	359	-	21,503	436,433	502,298
Promotion and advertising	119,460	26,485	248,387	-	-	15,589	409,921	538,743
Equipment maintenance	58,996	15,313	-	4,011	-	155	78,475	137,143
Telecommunications	90,998	134,583	6,919	1,653	-	28,709	262,862	289,139
Office supplies	112,010	155,988	67,509	804	-	19,180	355,491	461,425
Janitorial	-	40,475	-	49,966	14,569	-	105,010	73,703
Facilities maintenance	-	-	-	228,800	-	-	228,800	185,219
Vehicle	-	-	-	2,883	-	-	2,883	10,843
Insurance	-	249,612	-	-	-	-	249,612	273,824
Interest	68,697	87,922	-	-	-	-	156,619	185,159
Professional fees	145,163	304,081	50	-	-	9,000	458,294	406,464
Contracted services	1,275,577	531,817	56,639	49,561	-	5,000	1,918,594	1,734,360
Utilities	-	-	-	1,137,911	-	-	1,137,911	983,996
Municipal taxation	-	-	-	97,350	-	-	97,350	94,275
Rentals	571,041	42,382	24,736	-	30,000	162,794	830,953	886,781
	\$ 21,086,668	5,859,125	3,957,516	2,420,399	551,458	3,171,531	37,046,697	36,743,745
Ancillary expense							2,497,860	2,383,848
Total expenses							\$ 39,544,557	\$ 39,127,593

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Ancillary Revenue and Expenses

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Bookstore Operations		
Revenue	\$ 121,657	\$ 105,253
Operating expense	20,008	24,095
Excess of revenue over expense	\$ 101,649	\$ 81,158
Student Residence Operations		
Revenue:		
Rent	\$ 539,769	\$ 491,556
Service charges	65,337	61,470
	605,106	553,026
Expense:		
Operating	479,066	393,154
Interest	-	98,140
	479,066	491,294
Excess of revenue over expense	\$ 126,040	\$ 61,732
Parking Grounds Operations		
Revenue	\$ 124,365	\$ 122,228
Operating expense	117,732	139,062
Excess (deficiency) of revenue over expense	\$ 6,633	\$ (16,834)
Ancillary Facilities Operations		
Revenue	\$ 2,036,991	\$ 1,906,413
Operating expense	1,881,054	1,729,397
Excess of revenue over expense	\$ 155,937	\$ 177,016

See accompanying notes to financial statements.