

Financial Statements of

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

Year ended March 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Sir Sandford Fleming
College of Applied Arts and Technology

We have audited the accompanying financial statements of Sir Sandford Fleming College of Applied Arts and Technology, which comprise the statement of financial position as at March 31, 2011, the statements of financial activities, changes in net assets 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sir Sandford Fleming College of Applied Arts and Technology as at March 31, 2011, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matters

The financial statements of the entity as at and for the year ended March 31, 2010 were audited by another auditor who expressed an unmodified opinion on those statements on May 10, 2010, except as to note 17 which is as of June 2, 2010.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 10, 2011
Toronto, Canada

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|--|----------------|----------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 4,249,015 | \$ 5,496,989 |
| Short-term investments (note 2) | 12,035,178 | 10,150,451 |
| MTCU grants and reimbursements receivable | 4,429,357 | 9,304,866 |
| Accounts receivable | 3,541,383 | 1,858,699 |
| Inventory and prepaid expenses | 582,945 | 497,489 |
| Notes receivable (note 3) | 378,000 | 375,000 |
| | 25,215,878 | 27,683,494 |
| Restricted cash and investments for endowments, bursaries and other (notes 2 and 4) | 7,117,418 | 5,834,836 |
| Notes receivable (note 3) | 890,636 | 1,244,841 |
| Capital assets (note 5) | 82,891,572 | 80,131,500 |
| | \$ 116,115,504 | \$ 114,894,671 |

2011

2010

Liabilities, Deferred Contributions and Net Assets

Current liabilities:

| | | |
|--|-------------------|-------------------|
| Accounts payable and accrued liabilities | \$ 7,402,556 | \$ 7,842,681 |
| Accrued payroll and employee benefits | 9,799,628 | 10,188,291 |
| MTCU grants received in excess of entitlements | 2,297,696 | 3,339,114 |
| Deferred revenue | 4,750,898 | 4,171,281 |
| Due to Fleming College Foundation (note 15) | 4,542 | 191,829 |
| Current portion of long-term debt (note 9) | 18,712,115 | 1,401,215 |
| | <u>42,967,435</u> | <u>27,134,411</u> |

| | | |
|--|------------------|-------------------|
| Long-term debt (note 9) | 966,863 | 19,678,978 |
| Deferred derivative liability (note 9) | 803,000 | 1,686,000 |
| Employee future benefits (note 7) | 1,057,000 | 1,063,000 |
| | <u>2,826,863</u> | <u>22,427,978</u> |

Deferred contributions:

| | | |
|---|-------------------|-------------------|
| Bursaries and other | 1,480,630 | 1,113,659 |
| Deferred capital contributions (note 6) | 57,953,257 | 54,559,805 |
| | <u>59,433,887</u> | <u>55,673,464</u> |

Net assets:

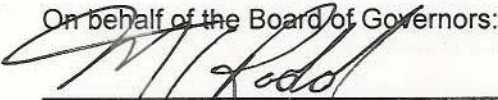
| | | |
|--------------------------------------|--------------------|--------------------|
| Invested in capital assets (note 10) | 6,177,467 | 5,915,046 |
| Internally restricted (note 17) | 999,800 | 804,000 |
| Unrestricted net assets: | | |
| Operating | 6,285,973 | 7,463,455 |
| Employee future benefits | (1,057,000) | (1,063,000) |
| Vacation pay accrual | (5,313,709) | (5,219,860) |
| Sick leave gratuity | (1,039,000) | (1,276,000) |
| Deferred derivative liability | (803,000) | (1,686,000) |
| | <u>(1,926,736)</u> | <u>(1,781,405)</u> |
| Restricted for endowment | 5,636,788 | 4,721,177 |
| | <u>10,887,319</u> | <u>9,658,818</u> |

Commitments (note 16)

\$ 116,115,504 \$ 114,894,671

See accompanying notes to financial statements.

On behalf of the Board of Governors:


Chair of the Board of Governors


President

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Activities

Year ended March 31, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|---|-------------------|---------------------|
| Revenue: | | |
| MTCU grants and reimbursements | \$ 51,678,287 | \$ 52,334,215 |
| Student tuition | 20,472,338 | 19,369,352 |
| Other | 12,565,310 | 10,768,312 |
| Ancillary operations | 3,872,093 | 3,825,756 |
| Amortization of deferred capital contributions (note 6) | 3,644,008 | 3,253,160 |
| Adjustment to deferred derivative liability (note 9) | 883,000 | 1,299,000 |
| | <u>93,115,036</u> | <u>90,849,795</u> |
| Expenditures: | | |
| Salaries | 51,247,819 | 47,567,612 |
| Benefits | 10,027,426 | 9,137,477 |
| Instructional support | 5,521,810 | 4,921,237 |
| Travel and professional development | 1,378,574 | 1,303,240 |
| Advertising | 881,134 | 1,017,305 |
| Telephone, legal and audit | 1,022,594 | 886,235 |
| Equipment maintenance | 477,414 | 383,111 |
| Plant and security | 3,339,293 | 2,819,245 |
| Rental and taxes | 973,952 | 821,569 |
| Utilities | 2,235,918 | 2,058,455 |
| Contract services and other | 4,594,696 | 4,638,368 |
| Bursaries | 2,806,495 | 3,069,962 |
| Supplementary | 1,121,528 | 1,158,579 |
| Interest on long-term debt | 1,351,205 | 1,430,050 |
| Amortization of capital assets (note 10) | 5,822,288 | 5,317,979 |
| | <u>92,802,146</u> | <u>86,530,424</u> |
| Excess of revenue over expenditures | <u>\$ 312,890</u> | <u>\$ 4,319,371</u> |

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

| | | | | | 2011 | 2010 |
|--|---|---------------------------------------|-----------------------------|-----------------------|----------------------|---------------------|
| | Invested in capital assets (note 10(a)) | Internally restricted (note 17) | Restricted for endowment | Unrestricted | Total | Total |
| Net assets, beginning of year | \$ 5,915,046 | \$ 804,000 | \$ 4,721,177 | \$ (1,781,405) | \$ 9,658,818 | \$ 4,347,672 |
| Excess (deficiency) of revenue over expenditures (note 10(b)) | (2,080,973) | – | – | 2,393,863 | 312,890 | 4,319,371 |
| Endowment contributions | – | – | 915,611 | – | 915,611 | 991,775 |
| Net change in investment in capital assets (note 10(b)) | 2,343,394 | – | – | (2,343,394) | – | – |
| Interfund transfers (note 17) | – | 195,800 | – | (195,800) | – | – |
| Net assets, end of year | \$ 6,177,467 | \$ 999,800 | \$ 5,636,788 | \$ (1,926,736) | \$ 10,887,319 | \$ 9,658,818 |

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|---|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenditures | \$ 312,890 | \$ 4,319,371 |
| Items not involving cash: | | |
| Amortization of capital assets | 5,822,288 | 5,317,979 |
| Gain on disposal of capital assets | (97,307) | (1,456) |
| Amortization of deferred capital contributions | (3,644,008) | (3,253,160) |
| Sick leave gratuity | (237,000) | 31,000 |
| Employee future benefits | (6,000) | 5,000 |
| Deferred derivative liability | (883,000) | (1,299,000) |
| Donation of capital assets | (291,400) | (399,550) |
| | 976,463 | 4,720,184 |
| Change in non-cash operating working capital: | | |
| MTCU grants and reimbursements receivable | 4,875,509 | (2,664,333) |
| Accounts receivable | (1,682,684) | (335,546) |
| Inventory and prepaid expenses | (85,456) | 12,756 |
| Accounts payable and accrued liabilities | (440,125) | 2,304,785 |
| Accrued payroll and employee benefits | (151,663) | 795,524 |
| MTCU grants received in excess of entitlements | (1,041,418) | 1,053,223 |
| Deferred revenue | 579,617 | 595,506 |
| | 3,030,243 | 6,482,099 |
| Financing activities: | | |
| Deferred capital contributions | 7,037,460 | 6,822,995 |
| Deferred contributions, bursaries and other | 366,971 | 176,450 |
| Endowment contributions | 915,611 | 991,775 |
| Principal payments on long-term debt | (1,401,215) | (1,326,840) |
| Fleming College Foundation, net | (187,287) | 13,388 |
| | 6,731,540 | 6,677,768 |
| Investing activities: | | |
| Invested in short-term investments, net | (1,884,727) | (9,846,774) |
| Increase in restricted cash and investments for endowments, bursaries and other | (1,282,582) | (1,168,225) |
| Purchase of capital assets | (8,290,960) | (7,686,620) |
| Proceeds on disposal of capital assets | 97,307 | 2,550 |
| Notes receivable | 351,205 | 336,837 |
| | (11,009,757) | (18,362,232) |

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows (continued)

Year ended March 31, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|-------------------------------------|--------------|--------------|
| Decrease in cash | (1,247,974) | (5,202,365) |
| Cash, beginning of year | 5,496,989 | 10,699,354 |
| Cash, end of year | \$ 4,249,015 | \$ 5,496,989 |
| Supplemental cash flow information: | | |
| Interest paid | \$ 1,351,205 | \$ 1,430,050 |

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2011

Sir Sandford Fleming College (the "College") was established as a corporation without share capital, as set out in the Ontario Colleges of Applied Arts and Technology Act. The Corporations Act governs the corporate affairs of the College and became effective April 1, 2003. The College is principally involved in providing post-secondary educational services. Under the Income Tax Act (Canada), the College is considered a registered charity and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements are the representation of management and have been prepared in accordance with the "Governance and Accountability Framework for Universities and Colleges of Ontario" and generally accepted accounting principles.

(b) Deferred revenue:

The College defers the portion of the delivery of programs and courses that takes place after March 31.

(c) Revenue recognition:

The College follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases to net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

- (d) Short-term investments and restricted cash and investments for endowments, bursaries and other:

Investments have been designated as held-for-trading and are recorded at fair value. The gain or loss arising from a change in fair value of investments for unrestricted investment income is included in excess of revenue over expenditures in the year in which it arises. Restricted investment income is recognized as revenue when related expenses are incurred.

- (e) Library books:

Library book purchases are recorded as an operating expenditure at the time of purchase.

- (f) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenditure. Betterments which extend the estimated life of an asset are capitalized. Capital assets are amortized on a straight-line basis using the following annual rates:

| | |
|-------------------------------------|--------------------|
| Buildings | 2-1/2% |
| Site improvements | 10% |
| Furniture and equipment | 20% |
| Computer equipment | 33-1/3% |
| Residence furniture | 6-2/3% |
| Fibre optic system | 5% |
| Enterprise Resource Planning System | 14% |
| Leasehold improvements | Over term of lease |
| Sport and Wellness Centre | Over term of lease |

Construction in progress is not amortized until it is available for use.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(g) Accumulated sick leave credits:

The College is liable to pay 50% of an employee's accumulated sick leave credits on termination or retirement after 10 years of service. This program to accumulate sick leave credits ceased for employees hired after March 31, 1991.

Accrued payroll and employee benefits include an amount of \$1,039,000 (2010 - \$1,276,000) for sick leave accruals.

(h) Long-term debt:

The College has designated its long-term debt as held-for-trading and, as such, it is recorded at fair value. The fair value of the debt approximates its carrying value as the interest rate is similar to the interest rate currently available to the College.

(i) Derivative financial instruments:

Derivative financial instruments are utilized by the College in the economic management of its interest rate exposure. The College does not enter into derivative financial instruments for trading or speculative purposes. The College uses interest rate swap agreements to economically manage the floating interest rate of a portion of the debt portfolio and the related overall cost of borrowing. These instruments are not designated as hedges for accounting purposes and are carried on the statement of financial position, under the caption deferred derivative liability, at estimated fair market value. Realized and unrealized gains or losses arising from net payments made or received and changes in fair value related to the interest rate swap agreements are recognized in the statement of financial activities in the year of the change.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(j) Employee future benefits:

The cost of post-retirement benefits is recognized over the periods in which the employee renders services to the College in return for the benefits. The accrued benefit obligation and the current service cost were actuarially determined using the projected benefit method prorated on service and based on management's assumptions.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Board of Governors ("Board") may undertake in the future. Significant accounting estimates include allowance for doubtful accounts and estimated useful lives of capital assets. Actual results could differ from those estimates.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Short-term investments and restricted cash and investments for endowments, bursaries and other:

| | 2011 | | 2010 | |
|-----------------|----------------------|----------------------|----------------------|----------------------|
| | Market value | Cost | Market value | Cost |
| Money market | \$ 113,309 | \$ 113,309 | \$ 63,561 | \$ 63,561 |
| Fixed income | 18,142,976 | 18,042,686 | 15,127,441 | 15,009,387 |
| Canadian equity | 560,258 | 487,859 | 508,201 | 474,588 |
| Global equity | 336,053 | 305,337 | 286,084 | 270,080 |
| | <u>\$ 19,152,596</u> | <u>\$ 18,949,191</u> | <u>\$ 15,985,287</u> | <u>\$ 15,817,616</u> |

Fair values of investments are determined as follows:

Bonds and equities are valued at year-end quoted market prices, where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

Guaranteed investment certificates, term deposits maturing after a year, mortgages and real estate debentures are valued at the present value of estimated future cash flows discounted at interest rates in similar type, quality and maturity.

The associated risks with the investments are as follows:

(a) Liquidity risk:

Money market investments represent instruments in highly liquid investments that are readily converted into known amounts of cash.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Short-term investments and restricted cash and investments for endowments, bursaries and other (continued):

(b) Credit, interest rate and maturity risks:

Fixed income securities have yields varying from 1.0% to 7.7% (2010 - 0.6% to 9.0%) with maturity dates ranging from April 7, 2011 to January 15, 2027 (2010 - April 17, 2010 to June 30, 2039). The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. The value of securities will vary with developments within the specific companies or governments which issue the securities.

(c) Equity risk:

The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. Changes in interest rates may also affect the value of equity securities.

(d) Foreign exchange risk:

The value of securities denominated in a currency other than the Canadian dollar will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated.

3. Notes receivable:

The notes receivable balance includes \$449,830 (2010 - \$585,973) and \$818,806 (2010 - \$1,033,868) due from the Student Association, Frost Campus ("SA") and from the Sir Sandford Fleming College Student Administrative Council, Peterborough Campus ("SAC"), respectively.

The funds were utilized by SA to construct a Student Centre at the Frost Campus and by SAC for their contribution to The Peterborough Sport and Wellness Centre construction.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

3. Notes receivable (continued):

The notes receivable bear interest at the average interest rate earned on the College bank account of 1.0% (2010 - 0.5%). The repayments will vary year to year as the Building Fund Fee is based on enrolment at the respective campuses. The repayment period will continue indefinitely until the balances of the notes receivable plus accrued interest are fully paid. The current portions of the notes receivable are estimated by using the repayments, net of projected interest received during the year.

Total interest earned during the year is \$16,617 (2010 - \$10,089) and principal repayments received during the year totalled \$367,822 (2010 - \$336,837).

4. Restricted cash and investments for endowments, bursaries and other:

Cash and investments in the amount of \$7,117,418 (2010 - \$5,834,836) are restricted as to use and are not available for general operations. Fair value is described in note 2.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

5. Capital assets:

| | | | 2011 | 2010 |
|-------------------------------------|----------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 2,359,937 | \$ – | \$ 2,359,937 | \$ 2,359,937 |
| Buildings | 100,519,545 | 32,529,531 | 67,990,014 | 64,774,593 |
| Site improvements | 3,726,370 | 2,033,473 | 1,692,897 | 1,627,689 |
| Furniture and equipment | 17,294,459 | 13,366,026 | 3,928,433 | 4,023,347 |
| Computer equipment | 8,107,492 | 6,527,441 | 1,580,051 | 1,740,865 |
| Residence furniture | 1,086,301 | 691,928 | 394,373 | 466,793 |
| Fibre optic system | 1,560,459 | 502,626 | 1,057,833 | 1,135,856 |
| Enterprise Resource Planning System | 3,879,358 | 2,652,819 | 1,226,539 | 1,781,545 |
| Leasehold improvements | 789,488 | 311,976 | 477,512 | 9,467 |
| Sport and Wellness Centre | 2,470,079 | 286,096 | 2,183,983 | 2,211,408 |
| | \$ 141,793,488 | \$ 58,901,916 | \$ 82,891,572 | \$ 80,131,500 |

The total capital asset additions purchased and donated during the year was \$8,582,360 (2010 - \$8,086,170). The Ministry of Training, Colleges and Universities ("MTCU") contributed \$6,837,704 (2010 - \$6,135,772), other provincial ministries nil (2010 - \$2,953), the federal government \$64,273 (2010 - \$11,552), private companies \$291,400 (2010 - \$411,978), fundraising \$119,350, (2010 - \$287,563), Frost Student Association \$230,149 (2010 - nil) and internal funds \$1,039,484 (2010 - \$1,236,352).

Included in buildings is capital in progress in the amount of \$2,103,050 (2010 - \$1,970,075).

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

6. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of financial activities. The changes in the deferred capital contributions balance are as follows:

| | 2011 | 2010 |
|---|---------------|---------------|
| Balance, beginning of year | \$ 54,559,805 | \$ 50,989,970 |
| Less amounts amortized to revenue | 3,644,008 | 3,253,160 |
| | 50,915,797 | 47,736,810 |
| Contributions received for capital purposes | 7,037,460 | 6,822,995 |
| Balance, end of year | \$ 57,953,257 | \$ 54,559,805 |

As at March 31, 2011, there was \$918,130 (2010 - \$1,423,544) of deferred capital contributions received that were not spent.

7. Employee future benefits other than pension:

The College pays certain benefits on behalf of its retired employees in addition to pension (note 8). As well, current employee compensated absence for short-term disability and maternity leave benefits are included. Information regarding the College's liability is as follows:

| | 2011 | 2010 |
|---|--------------|--------------|
| Balance, beginning of year | \$ 1,063,000 | \$ 1,058,000 |
| Employee future benefits expense (income) | (6,000) | 5,000 |
| Balance, end of year | \$ 1,057,000 | \$ 1,063,000 |

A discount rate of 4.75% was used as the actuarial assumption in the valuation of retired employee benefits. Compensated absences are not actuarially determined.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

8. Pension plan:

Employees of the College are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), which is a multi-employer jointly-sponsored defined benefit plan for eligible employees of the Colleges of Applied Arts and Technology in Ontario. The College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long-term viability of the Plan.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2011 indicated an actuarial surplus of \$88 million. The College made contributions to the Plan and its associated retirement compensation arrangement of \$4,391,598 (2010 - \$3,960,570), which has been included in the statement of financial activities.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

9. Long-term debt:

| | 2011 | 2010 |
|---|--------------|---------------|
| Lindsay Student Residence loan, payable \$26,701 monthly, including interest at 4.514%, due June 2015, secured by specific property | \$ 1,236,978 | \$ 1,495,193 |
| Less principal repayments due within one year | 270,115 | 258,215 |
| | 966,863 | 1,236,978 |
| Brealey Student Residence loan payable, secured by specific property | 15,917,000 | 16,491,000 |
| Less principal repayment due within one year | 15,917,000 | 574,000 |
| | – | 15,917,000 |
| The Peterborough Sport and Wellness Centre loan payable, secured by specific property | 1,269,000 | 1,322,000 |
| Less principal repayment due within one year | 1,269,000 | 53,000 |
| | – | 1,269,000 |
| Enterprise Resource Planning System loan payable, secured by specific property | 1,256,000 | 1,772,000 |
| Less principal repayment due within one year | 1,256,000 | 516,000 |
| | – | 1,256,000 |
| | \$ 966,863 | \$ 19,678,978 |

The College has entered into interest rate swaps for the Brealey Student Residence, The Peterborough Sport and Wellness Centre and the Enterprise Resource Planning System. The fair values of the interest rate swaps have been recorded as a deferred derivative liability.

The swap for the Brealey Student Residence has a total notional value of \$20,000,000, whereby that portion of the loan payable is fixed at 7.05%, inclusive of the stamping fee. Principal repayments are due quarterly with the swap agreement expiring on October 31, 2011. The Brealey Student Residence loan also matures on October 31, 2011. The fair value of this swap liability is \$631,000 (2010 - \$1,467,677).

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

9. Long-term debt (continued):

The Peterborough Sport and Wellness Centre swap has a notional value of \$1,500,000, whereby that portion of the loan payable is fixed at 5.34%, inclusive of the stamping fee. Principal repayments are due quarterly with the swap agreement expiring on June 13, 2026. The fair value of this swap liability is \$125,456 (2010 - \$129,750).

The Enterprise Resource Planning System swap has a notional value of \$3,500,000, whereby that portion of the loan payable is fixed at 5.05%, inclusive of the stamping fee. Principal repayments are due quarterly with the swap agreement expiring on June 13, 2013. The fair value of this swap liability is \$46,544 (2010 - \$88,573).

The principal repayments due in the next five years are as follows:

| | |
|------|---------------|
| 2012 | \$ 18,712,115 |
| 2013 | 282,564 |
| 2014 | 295,586 |
| 2015 | 309,208 |
| 2016 | 79,505 |
| | <hr/> |
| | \$ 19,678,978 |

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

10. Net assets invested in capital assets:

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

| | 2011 | 2010 |
|---|---------------------|---------------------|
| Capital assets, at cost (note 5) | \$ 141,793,488 | \$ 141,983,614 |
| Accumulated amortization (note 5) | (58,901,916) | (61,852,114) |
| Long-term debt: | | |
| Long-term portion (note 9) | (966,863) | (19,678,978) |
| Current portion (note 9) | (18,712,115) | (1,401,215) |
| Deferred contributions related to capital assets (note 6) | (57,035,127) | (53,136,261) |
| Balance, end of year | \$ 6,177,467 | \$ 5,915,046 |

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

| | 2011 | 2010 |
|---|-----------------------|-----------------------|
| Excess (deficiency) of revenue over expenditures: | | |
| Amortization of deferred capital contributions | \$ 3,644,008 | \$ 3,253,160 |
| Amortization of capital assets | (5,822,288) | (5,317,979) |
| Gain on disposal of capital assets | 97,307 | 1,456 |
| | \$ (2,080,973) | \$ (2,063,363) |
| Net change in investment in capital assets: | | |
| Donated and purchased capital assets | \$ 8,582,360 | \$ 8,086,170 |
| Proceeds on disposal of capital assets | (97,307) | (2,550) |
| Amounts funded by deferred capital contributions | (7,542,874) | (6,849,820) |
| Repayment of long-term debt | 1,401,215 | 1,326,840 |
| | \$ 2,343,394 | \$ 2,560,640 |

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

11. Investment income:

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

| | 2011 | 2010 |
|------------------------|-------------------|-------------------|
| Unrestricted resources | \$ 147,423 | \$ 101,928 |
| Endowment funds | 137,355 | 106,976 |
| | <u>\$ 284,778</u> | <u>\$ 208,904</u> |

12. Fair values of financial instruments:

Cash, MTCU grants and reimbursements receivable, accounts receivable, accounts payable and accrued liabilities and accrued payroll and employee benefits are designated as held-for-trading. Their carrying values approximate their fair values due to the relatively short period to maturity of these financial instruments. The fair value of the notes receivable is not determinable as the repayment amounts fluctuate each year and the maturity date is not known.

Fair values of short-term investments are as disclosed in note 2.

The College is exposed to interest rate risk on the financing of the student residence at the Brealey Campus, the Wellness Centre and the Enterprise Resource Planning System. The swaps have been recorded at their fair values, as described in note 9.

Each of the swaps was entered into with a highly rated counterparty, consistent with the College's risk management objectives.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

13. Ontario Student Opportunity Trust Funds:

Net assets restricted for endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund Phase 1 and Phase 2 ("OSOTF") matching program to award student aid as a result of raising an equal amount of endowed donations.

The College has recorded the following amounts under the OSOTF programs:

(a) OSOTF - Phase 1:

Schedule of changes in endowment fund balance:

| | 2011 | 2010 |
|----------------------------------|---------------------|---------------------|
| Fund balance, beginning of year | \$ 1,417,739 | \$ 1,417,620 |
| Preservation of capital | 358 | 119 |
| Fund balance, end of year | \$ 1,418,097 | \$ 1,417,739 |

Schedule of changes in expendable funds available for awards:

| | 2011 | | 2010 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Market | Cost | Market | Cost |
| Balance, beginning of year | \$ 222,860 | \$ 171,650 | \$ 146,968 | \$ 163,598 |
| Realized investment income, net of direct investment-related expenses and preservation of capital contributions | 89,356 | 58,260 | 129,342 | 61,502 |
| Bursaries awarded (2011 - 88; 2010 - 67) | (65,000) | (65,000) | (53,450) | (53,450) |
| Balance, end of year | \$ 247,216 | \$ 164,910 | \$ 222,860 | \$ 171,650 |

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

13. Ontario Student Opportunity Trust Funds (continued):

(b) OSOTF - Phase 2:

Schedule of changes in endowment fund balance:

| | 2011 | 2010 |
|----------------------------------|-------------------|-------------------|
| Fund balance, beginning of year | \$ 473,096 | \$ 472,926 |
| Preservation of capital | 166 | 170 |
| Fund balance, end of year | \$ 473,262 | \$ 473,096 |

Schedule of changes in expendable funds available for awards:

| | 2011 | | 2010 | |
|--|------------------|------------------|------------------|------------------|
| | Market | Cost | Market | Cost |
| Balance, beginning of year | \$ 48,644 | \$ 44,872 | \$ 7,141 | \$ 43,705 |
| Realized investment income, net of direct investment- related expenses and preservation of capital contributions | 30,303 | 19,025 | 59,668 | 19,332 |
| Bursaries awarded (2011 - 18; 2010 - 14) | (18,615) | (18,615) | (18,165) | (18,165) |
| Balance, end of year | \$ 60,332 | \$ 45,282 | \$ 48,644 | \$ 44,872 |

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

14. Ontario Trust for Student Support:

Net assets restricted for endowments include monies provided by the Government of Ontario from the Ontario Trust for Student Support ("OTSS") matching program to award student aid.

Schedule of donations received during the year:

| | 2011 | 2010 |
|------------------------|------------|------------|
| Cash donations matched | \$ 276,443 | \$ 300,274 |

Schedule of changes in endowment fund balances during the year:

| | 2011 | 2010 |
|---|---------------------|---------------------|
| Fund balance, beginning of year | \$ 2,389,637 | \$ 1,402,565 |
| Eligible cash donations received in compliance with the November 2005 Program Guidelines and Reporting Requirements | 276,443 | 300,274 |
| Matching funds received/receivable from MTCU in 2010/11 | 561,699 | 686,784 |
| Preservation of capital | 73 | 14 |
| Matching funds receivable from MTCU, other | 10,600 | - |
| Fund balance, end of year | \$ 3,238,452 | \$ 2,389,637 |

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

14. Ontario Trust for Student Support (continued):

Schedule of changes in expendable funds available for awards:

| | 2011 | | 2010 | |
|--|------------|------------|-------------|-----------|
| | Market | Cost | Market | Cost |
| Balance, beginning of year | \$ 133,239 | \$ 56,206 | \$ (31,810) | \$ 4,959 |
| Realized investment income, net of direct investment- related expenses and preservation of capital contributions | 86,417 | 90,165 | 196,799 | 82,997 |
| Bursaries awarded (2011 - 66; 2010 - 50) | (41,990) | (41,990) | (31,750) | (31,750) |
| Balance, end of year | \$ 177,666 | \$ 104,381 | \$ 133,239 | \$ 56,206 |

15. Fleming College Foundation:

The College exercised significant influence over the Foundation during the year. The Foundation was established to raise funds for the use of the College. The Foundation was incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act (Canada). Net resources of the Foundation amount to \$135,000 (2010 - \$496,319), of which \$120,000 (2010 - \$465,596) is restricted.

The net assets and results from operations of the Foundation are not included in the financial statements of the College. Separate financial statements of the Foundation are available upon request.

Related party transactions during the year not separately disclosed in the financial statements include the College's contribution of \$403,450 (2010 - \$399,500) toward the Foundation's administrative expenses.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

15. Fleming College Foundation (continued):

The College received \$35,235 in donations from the Foundation during the year (2010 - \$119,701) and transfers of \$266,443 for OTSS (2010 - \$95,274).

On March 31, 2011, the Board of Directors of the Foundation resolved to transfer all the assets and donor agreements to the College except one piece of property, all other assets containing donor restrictions prohibiting them from being transferred and \$15,000 in operating funds. The assets of the Foundation were valued at \$358,114 on the date of transfer to the College. On March 31, 2011, the College's Board of Governors resolved to accept the assets and agreements transferred by the Foundation and to be bound by the terms and conditions of all agreements entered into between the donors and the Foundation. The transfer has been measured in the College financial statements at the carrying value of the assets previously recognized in the accounts of the Foundation.

The balance due to the Foundation of \$4,542 (2010 - \$191,829) bears interest at the College rates earned on their short-term investments (note 2). Interest paid during the year amounted to \$4,327 (2010 - \$5,106). This related party balance arose as the College holds funds for investments on behalf of the Foundation.

Effective April 1, 2011, due to the change in the Board of Directors of the Foundation, the College will control the Foundation on a go forward basis.

16. Commitments:

The College entered into an agreement during the year to renovate the Food Service areas at the Brealey, Frost and McRae campuses. The contract is expected to be completed by September 2011, at a total cost of \$6,576,049. During the year, the College has spent \$480,339 resulting in a commitment at March 31, 2011 of \$6,095,710. The project will be partially funded by SA and SAC, contract negotiations will take place in the 2011/12 fiscal year.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

16. Commitments (continued):

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

| | |
|------|------------|
| 2012 | \$ 631,088 |
| 2013 | 572,564 |
| 2014 | 499,529 |
| 2015 | 286,624 |
| 2016 | 261,100 |

17. Internally restricted net assets:

| | 2011 | 2010 |
|---|-------------------|-------------------|
| Residence and other direct student services | \$ 999,800 | \$ 655,500 |
| Other | – | 148,500 |
| | <u>\$ 999,800</u> | <u>\$ 804,000</u> |

Internally restricted net assets represent funds restricted by Board motion. Board approval is required for expenditures. On June 10, 2011, the Board approved a transfer of \$344,300 from unrestricted to internally restricted net assets for the purpose of residence and other direct student services and reduced internally restricted net assets by \$148,500 for other items.

18. Comparative figures:

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