

Financial Statements of

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

Year ended March 31, 2012



KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

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, 2012, 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, 2012, 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.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 13, 2012
Toronto, Canada

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash	\$ 4,065,188	\$ 4,249,015
Short-term investments (note 2)	5,494,143	12,035,178
MTCU grants and reimbursements receivable	4,891,967	4,429,357
Accounts receivable	6,113,310	3,541,383
Inventory and prepaid expenses	704,808	582,945
Notes receivable (note 3)	478,587	378,000
	<u>21,748,003</u>	<u>25,215,878</u>
Restricted cash and investments for endowments, bursaries and other (notes 2 and 4)	8,140,785	7,117,418
Notes receivable (note 3)	65,799	890,636
Capital assets (note 5)	83,856,286	82,891,572
	<u>\$ 113,810,873</u>	<u>\$ 116,115,504</u>

	2012	2011
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Demand loan, 2.5% (note 9)	\$ 15,268,000	\$ —
Accounts payable and accrued liabilities	6,829,853	8,361,943
Accrued payroll and employee benefits	10,980,579	9,799,628
MTCU grants received in excess of entitlements	1,021,285	1,342,851
Deferred revenue	5,620,885	4,750,898
Current portion of long-term debt (note 9)	910,564	18,712,115
	<u>40,631,166</u>	<u>42,967,435</u>
Long-term debt (note 9)	1,983,298	966,863
Deferred derivative liability (note 9)	241,000	803,000
Employee future benefits (note 7)	1,119,000	1,057,000
	<u>3,343,298</u>	<u>2,826,863</u>
Deferred contributions:		
Bursaries and other	1,929,064	1,480,630
Deferred capital contributions (note 6)	55,806,980	57,953,257
	<u>57,736,044</u>	<u>59,433,887</u>
Net assets:		
Invested in capital assets (note 10)	10,657,333	6,177,467
Internally restricted (note 16)	1,309,200	999,800
Unrestricted net assets:		
Operating	1,680,833	6,285,973
Employee future benefits	(1,119,000)	(1,057,000)
Vacation pay accrual	(5,515,722)	(5,313,709)
Sick leave gratuity	(883,000)	(1,039,000)
Deferred derivative liability	(241,000)	(803,000)
	<u>(6,077,889)</u>	<u>(1,926,736)</u>
Restricted for endowment	6,211,721	5,636,788
	<u>12,100,365</u>	<u>10,887,319</u>
Commitments (note 17)		
	<u>\$ 113,810,873</u>	<u>\$ 116,115,504</u>

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, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
MTCU grants and reimbursements	\$ 48,531,161	\$ 51,678,287
Student tuition	21,491,768	20,472,338
Other	13,964,812	12,565,310
Ancillary operations	3,862,767	3,872,093
Amortization of deferred capital contributions (note 6)	3,778,288	3,644,008
Adjustment to deferred derivative liability (note 9)	562,000	883,000
	<u>92,190,796</u>	<u>93,115,036</u>
Expenditures:		
Salaries	51,241,135	51,247,819
Benefits	10,285,301	10,027,426
Instructional support	5,471,509	5,521,810
Travel and professional development	1,220,845	1,378,574
Advertising	887,029	881,134
Telephone, legal and audit	1,046,870	1,022,594
Equipment maintenance	443,905	477,414
Plant and security	2,937,807	3,339,293
Rental and taxes	1,101,903	973,952
Utilities	2,228,481	2,235,918
Contract services and other	4,913,350	4,594,696
Bursaries	2,625,020	2,806,495
Supplementary	336,328	1,121,528
Interest on long-term debt	820,171	1,351,205
Amortization of capital assets (note 10)	6,058,029	5,822,288
	<u>91,617,683</u>	<u>92,802,146</u>
Excess of revenue over expenditures	<u>\$ 573,113</u>	<u>\$ 312,890</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, 2012, with comparative figures for 2011

					2012	2011
	Invested in capital assets (note 10(a))	Internally restricted (note 16)	Restricted for endowment	Unrestricted	Total	Total
Net assets, beginning of year	\$ 6,177,467	\$ 999,800	\$ 5,636,788	\$ (1,926,736)	\$ 10,887,319	\$ 9,658,818
Excess (deficiency) of revenue over expenditures (note 10(b))	(2,279,741)	–	–	2,852,854	573,113	312,890
Endowment contributions	–	–	574,933	–	574,933	915,611
Net change in investment in capital assets (note 10(b))	6,694,607	–	–	(6,694,607)	–	–
Donation of land	65,000	–	–	–	65,000	–
Interfund transfers (note 16)	–	309,400	–	(309,400)	–	–
Net assets, end of year	\$ 10,657,333	\$ 1,309,200	\$ 6,211,721	\$ (6,077,889)	\$ 12,100,365	\$ 10,887,319

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 573,113	\$ 312,890
Items not involving cash:		
Amortization of capital assets	6,058,029	5,822,288
Gain on disposal of capital assets	—	(97,307)
Amortization of deferred capital contributions	(3,778,288)	(3,644,008)
Sick leave gratuity	(156,000)	(237,000)
Employee future benefits	62,000	(6,000)
Deferred derivative liability	(562,000)	(883,000)
Donation of land	65,000	—
Donation of capital assets	(518,884)	(291,400)
	1,742,970	976,463
Change in non-cash operating working capital:		
MTCU grants and reimbursements receivable	(462,610)	4,875,509
Accounts receivable	(2,571,927)	(1,682,684)
Inventory and prepaid expenses	(121,863)	(85,456)
Accounts payable and accrued liabilities	(1,532,090)	(627,412)
Accrued payroll and employee benefits	1,336,951	(151,663)
MTCU grants received in excess of entitlements	(321,566)	(1,041,418)
Deferred revenue	869,987	579,617
	(1,060,148)	2,842,956
Financing activities:		
Deferred capital contributions	1,632,011	7,037,460
Deferred contributions, bursaries and other	448,434	366,971
Endowment contributions	574,933	915,611
Issuance of demand loan	15,615,000	—
Principal payments on long-term debt	(17,132,116)	(1,401,215)
	1,138,262	6,918,827
Investing activities:		
Invested in short-term investments, net	6,541,035	(1,884,727)
Increase in restricted cash and investments for endowments, bursaries and other	(1,023,367)	(1,282,582)
Purchase of capital assets	(6,503,859)	(8,290,960)
Proceeds on disposal of capital assets	—	97,307
Notes receivable	724,250	351,205
	(261,941)	(11,009,757)

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows (continued)

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Decrease in cash	(183,827)	(1,247,974)
Cash, beginning of year	4,249,015	5,496,989
Cash, end of year	\$ 4,065,188	\$ 4,249,015
Supplemental cash flow information:		
Interest paid	\$ 820,171	\$ 1,351,205

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2012

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 generally accepted accounting principles.

(b) 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.

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

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2012

1. Significant accounting policies (continued):

- (c) 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.

- (d) Library books:

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

- (e) 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, 2012

1. Significant accounting policies (continued):

(f) 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 \$883,000 (2011 - \$1,039,000) for sick leave accruals.

(g) 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.

(h) 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, 2012

1. Significant accounting policies (continued):

(i) Employee future benefits:

The cost of post-retirement benefits is recognized over the periods in which the employees render 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.

(j) 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, 2012

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

	2012		2011	
	Market value	Cost	Market value	Cost
Money market	\$ 379,238	\$ 379,238	\$ 113,309	\$ 113,309
Fixed income	11,953,366	11,750,758	18,142,976	18,042,686
Canadian equity	1,302,324	1,252,845	560,258	487,859
Global equity	–	–	336,053	305,337
	\$ 13,634,928	\$ 13,382,841	\$ 19,152,596	\$ 18,949,191

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, 2012

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 1.3% to 7.4% (2011 - 1.0% to 7.7%) with maturity dates ranging from April 9, 2012 to January 15, 2027 (2011 - April 7, 2011 to January 15, 2027). 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 \$108,587 (2011 - \$449,830) and \$435,799 (2011 - \$818,806) 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, 2012

3. Notes receivable (continued):

The notes receivable bear interest at the average interest rate earned on the College bank account of 1.25% (2011 - 1.0%). 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 \$15,993 (2011 - \$16,617) and principal repayments received during the year totalled \$724,250 (2011 - \$367,822).

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

Cash and investments in the amount of \$8,140,785 (2011 - \$7,117,418) 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, 2012

5. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,424,937	\$ –	\$ 2,424,937	\$ 2,359,937
Buildings	104,547,160	35,198,459	69,348,701	67,990,014
Site improvements	3,726,370	2,354,852	1,371,518	1,692,897
Furniture and equipment	19,337,501	14,233,384	5,104,117	3,928,433
Computer equipment	6,754,115	5,712,384	1,041,731	1,580,051
Residence furniture	1,086,301	764,348	321,953	394,373
Fibre optic system	1,560,459	580,648	979,811	1,057,833
Enterprise Resource Planning System	3,888,562	3,208,613	679,949	1,226,539
Leasehold improvements	883,822	434,786	449,036	477,512
Sport and Wellness Centre	2,470,079	335,546	2,134,533	2,183,983
	\$ 146,679,306	\$ 62,823,020	\$ 83,856,286	\$ 82,891,572

The total capital asset additions purchased and donated during the year was \$7,022,743 (2011 - \$8,582,360). The Ministry of Training, Colleges and Universities ("MTCU") contributed \$488,165 (2011 - \$6,837,704), the federal government \$141,456 (2011 - \$64,273), private companies \$459,765 (2011 - \$291,400), fundraising \$666,173, (2011 - \$119,350), Frost Student Association \$98,953 (2011 - \$230,149) and internal funds \$5,168,232 (2011 - \$1,039,484).

Included in buildings and leasehold improvements is capital in progress in the amount of \$1,965,111 (2011 - \$2,103,050) and \$80,347 (2011 - nil), respectively.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2012

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 deferred capital contributions is recorded as revenue in the statement of financial activities. The changes in the deferred capital contributions balance are as follows:

	2012	2011
Balance, beginning of year	\$ 57,953,257	\$ 54,559,805
Less amounts amortized to revenue	3,778,288	3,644,008
	54,174,969	50,915,797
Contributions received for capital purposes	1,632,011	7,037,460
Balance, end of year	\$ 55,806,980	\$ 57,953,257

As at March 31, 2012, there was \$769,889 (2011 - \$918,130) 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:

	2012	2011
Balance, beginning of year	\$ 1,057,000	\$ 1,063,000
Employee future benefits expense (income)	62,000	(6,000)
Balance, end of year	\$ 1,119,000	\$ 1,057,000

A discount rate of 4.20% 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, 2012

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, 2012 indicated an actuarial surplus of \$154 million. In 2012, the College's contributions amounted to \$4,530,523 (2011 - \$4,391,598) to the Plan.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2012

9. Long-term debt:

	2012	2011
Lindsay Student Residence loan, payable \$26,701 monthly, including interest at 4.514%, due June 2015, secured by specific property	\$ 966,862	\$ 1,236,978
Less principal repayments due within one year	282,564	270,115
	684,298	966,863
Brealey Student Residence loan payable, secured by specific property	–	15,917,000
Less principal repayment due within one year	–	15,917,000
	–	–
The Peterborough Sport and Wellness Centre loan payable, secured by specific property	1,212,000	1,269,000
Less principal repayment due within one year	59,000	1,269,000
	1,153,000	–
Enterprise Resource Planning System loan payable, secured by specific property	715,000	1,256,000
Less principal repayment due within one year	569,000	1,256,000
	146,000	–
	\$ 1,983,298	\$ 966,863

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 had a total notional value of \$20,000,000. The swap agreement expired on October 31, 2011. The Brealey Student Residence loan also matured on October 31, 2011, and was converted to a demand loan, at an interest rate of bank prime minus 0.5%. Total amount outstanding as of March 31, 2012 is \$15,268,000 and is included in current liabilities on the statement of financial position. It is the College's intent to refinance this loan with the Ontario Financing Authority in fiscal 2013.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2012

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 5.49%, 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 \$222,500 (2011 - \$125,456).

The Enterprise Resource Planning System swap has a notional value of \$3,500,000, whereby that portion of the loan payable is fixed at 5.35%, 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 \$18,500 (2011 - \$46,544).

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

2013	\$	910,564
2014		503,586
2015		375,209
2016		148,503
2017		73,000
Thereafter		883,000
		<hr/>
	\$	2,893,862

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2012

10. Net assets invested in capital assets:

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

	2012	2011
Capital assets, at cost (note 5)	\$ 146,679,306	\$ 141,793,488
Accumulated amortization (note 5)	(62,823,020)	(58,901,916)
Long-term debt:		
Long-term portion (note 9)	(1,983,298)	(966,863)
Current portion (note 9)	(910,564)	(18,712,115)
Demand loan	(15,268,000)	-
Deferred contributions related to capital assets (note 6)	(55,037,091)	(57,035,127)
Balance, end of year	\$ 10,657,333	\$ 6,177,467

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

	2012	2011
Excess (deficiency) of revenue over expenditures:		
Amortization of deferred capital contributions	\$ 3,778,288	\$ 3,644,008
Amortization of capital assets	(6,058,029)	(5,822,288)
Gain on disposal of capital assets	-	97,307
	\$ (2,279,741)	\$ (2,080,973)
Net change in investment in capital assets:		
Donated and purchased capital assets	\$ 6,957,743	\$ 8,582,360
Proceeds on disposal of capital assets	-	(97,307)
Amounts funded by deferred capital contributions	(1,780,252)	(7,542,874)
Issuance of demand loan	(15,615,000)	-
Repayment of long-term debt	17,132,116	1,401,215
	\$ 6,694,607	\$ 2,343,394

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2012

11. Investment income:

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

	2012	2011
Unrestricted resources	\$ 183,887	\$ 147,423
Endowment funds	189,790	137,355
	<u>\$ 373,677</u>	<u>\$ 284,778</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 investments are as disclosed in note 2.

The College is exposed to interest rate risk on the financing of 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, 2012

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:

	2012	2011
Fund balance, beginning of year	\$ 1,418,097	\$ 1,417,739
Preservation of capital	103	358
Fund balance, end of year	\$ 1,418,200	\$ 1,418,097

Schedule of changes in expendable funds available for awards:

	2012		2011	
	Market	Cost	Market	Cost
Balance, beginning of year	\$ 247,216	\$ 164,910	\$ 222,860	\$ 171,650
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	74,875	63,291	89,356	58,260
Bursaries awarded (2012 - 81; 2011 - 88)	(62,925)	(62,925)	(65,000)	(65,000)
Balance, end of year	\$ 259,166	\$ 165,276	\$ 247,216	\$ 164,910

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2012

13. Ontario Student Opportunity Trust Funds (continued):

(b) OSOTF - Phase 2:

Schedule of changes in endowment fund balance:

	2012	2011
Fund balance, beginning of year	\$ 473,262	\$ 473,096
Preservation of capital	44	166
Fund balance, end of year	\$ 473,306	\$ 473,262

Schedule of changes in expendable funds available for awards:

	2012		2011	
	Market	Cost	Market	Cost
Balance, beginning of year	\$ 60,332	\$ 45,282	\$ 48,644	\$ 44,872
Realized investment income, net of direct investment- related expenses and preservation of capital contributions	15,544	10,760	30,303	19,025
Bursaries awarded (2012 -17; 2011 - 18)	(20,350)	(20,350)	(18,615)	(18,615)
Balance, end of year	\$ 55,526	\$ 35,692	\$ 60,332	\$ 45,282

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2012

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:

	2012	2011
Cash donations matched	\$ 226,996	\$ 276,443

Schedule of changes in endowment fund balances during the year:

	2012	2011
Fund balance, beginning of year	\$ 3,238,452	\$ 2,389,637
Eligible cash donations received in compliance with the November 2005 Program Guidelines and Reporting Requirements	226,996	276,443
Matching funds received/receivable from MTCU in 2010/11	347,509	561,699
Preservation of capital	10	73
Matching funds receivable from MTCU, other	-	10,600
Fund balance, end of year	\$ 3,812,967	\$ 3,238,452

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2012

14. Ontario Trust for Student Support (continued):

Schedule of changes in expendable funds available for awards:

	2012		2011	
	Market	Cost	Market	Cost
Balance, beginning of year	\$ 177,666	\$ 104,381	\$ 133,239	\$ 56,206
Realized investment income, net of direct investment- related expenses and preservation of capital contributions	143,448	134,198	86,417	90,165
Bursaries awarded (2012 - 122; 2011 - 66)	(89,090)	(89,090)	(41,990)	(41,990)
Balance, end of year	\$ 232,024	\$ 149,489	\$ 177,666	\$ 104,381

15. Fleming College Foundation:

Fleming College Foundation (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).

As defined by The Canadian Institute of Chartered Accountants' ("CICA") Accounting Standards Board's accounting recommendations for not-for-profit organizations, the College controls the Foundation operations. In that they have common board members controlling both entities. Control became effective April 1, 2011, when the Board composition changed.

The Foundation's financial statements have not been consolidated in the College's financial statements. Separate financial statements of the Foundation are available upon request.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2012

15. Fleming College Foundation (continued):

Financial summaries of the Foundation as at and for the year ended March 31 are as follows:

	2012	2011
Financial position		
Total assets	\$ 70,947	\$ 140,301
Total liabilities	6,163	5,301
Fund balances	\$ 64,784	\$ 135,000
Results of operations		
Total revenue	\$ 19,669	\$ 831,654
Total expenses and bursaries	5,358	533,181
Transfers to Fleming College	84,527	659,792
Excess of expenditures over revenue	\$ (70,216)	\$ (361,319)

The net resources of the Foundation amount to \$64,784 (2011 - \$135,000), of which \$55,000 (2011 - \$120,000) is restricted.

The Foundation transferred the majority of its assets to the College at the end of the prior fiscal year and the majority of the fundraising was carried out by the College in the 2011/12 fiscal. Throughout the year, minimal administrative costs were absorbed by the College related to the Foundation's activity (2011 - \$403,450).

The College received from the Foundation during the year \$65,000 in land and transfers of \$19,327 for OTSS (2011 - \$266,443).

The balance due from the Foundation is \$810 (2011- nil) and the balance due to the Foundation is nil (2011 - \$4,542).

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2012

16. Internally restricted net assets:

	2012	2011
Residence and other direct student services	\$ 1,309,200	\$ 999,800

Internally restricted net assets represent funds restricted by Board motion. Board approval is required for expenditures. On June 13, 2012, the Board approved a transfer of \$309,400 from unrestricted to internally restricted net assets for the purpose of residence and other direct student services.

17. Commitments:

The College is designing the Kawartha Trade and Technology Centre ("KTTC"), an addition to its Sutherland Campus. The College entered into two agreements during the year for architectural services with Perkins + Will Canada at a total cost of \$917,004. The first contract relates to the design of the KTTC and is expected to be completed by July 2012 at a total cost of \$348,249. During the year, the College has spent \$127,810 resulting in a commitment as at March 31, 2012 of \$220,439. The second contract will span the construction period and is expected to be completed during fiscal year 2013/14 at a total cost of \$568,755. During the year, the College has spent \$23,784, resulting in a commitment as at March 31, 2012 of \$544,971.

The College entered into an agreement during the year to purchase a Multi-purpose drill. The drill is expected to be received during the 2012/2013 fiscal year at a total cost of \$265,898. During the year, the College has spent \$79,769, resulting in a commitment at March 31, 2012 of \$186,129.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2012

17. Commitments (continued):

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

2013	\$ 663,849
2014	572,087
2015	283,957
2016	239,819
2017	44,854

18. Comparative figures:

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