Financial Statements of

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year ended March 31, 2012

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

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Year ended March 31, 2012

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INDEPENDENT AUDITORS' REPORT

To Board of Governors of The St. Lawrence College of Applied Arts and Technology

We have audited the accompanying financial statements of The St. Lawrence College of Applied Arts and Technology, which comprise the balance sheet as at March 31, 2012, the statements of operations, 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 an 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 The St. Lawrence College of Applied Arts and Technology as at March 31, 2012, and its results of operations 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 12, 2012

Kingston, Canada

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position — Statement 1

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

	2012	2011
Assets		
Current assets:		
Cash	$ 12,857,286	$ 7,775,210
Short-term investments (note 2)	1,030,804	8,016,894
Grants and accounts receivable	3,948,404	3,201,168
Inventory	-	88,308
Prepaid expenses	695,388	705,768
	18,531,882	19,787,348
Investments (note 2)	7,560,064	6,116,208
Advances to First Nations Technical Institute (note 3)	973,638	1,087,466
Capital assets (note 4)	94,436,608	97,239,657
	$ 121,502,192	$ 124,230,679
Liabilities, Deferred Contributions and Net Assets (Deficiency)		
Current liabilities:		
Demand bank loan (note 3)	$ 973,638	$ 1,087,466
Accounts payable and accrued liabilities	11,083,088	14,396,698
Deferred revenue (note 5)	8,178,466	7,853,440
Current portion of long-term debt (note 8)	1,023,212	1,054,794
	21,258,404	24,392,398
Trust funds for student enhancement fees (note 6)	219,101	296,732
Employment-related obligations (note 7)	1,089,616	798,656
Long-term debt (note 8)	24,012,110	25,035,321
Interest rate swaps (note 8(e))	6,193,562	3,843,220
Deferred contributions (note 9):		
Capital assets	51,286,043	54,442,035
Net assets (deficiency):		
Invested in capital assets (note 10)	18,124,444	16,716,709
Restricted for endowments (note 11)	7,087,471	6,128,537
Internally restricted (note 12)	2,469,909	2,651,148
Unrestricted deficiency (note 13)	(10,238,468)	(10,074,077)
	17,443,356	15,422,317
Commitments (note 14)		
Contingent liabilities (note 15)		
	$ 121,502,192	$ 124,230,679

See accompanying notes to financial statements.

Approved by the Board of Governors:

Chair

President

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

Statement 2

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

	2012	2011
Revenue:		
Grants and reimbursements (schedule 1)	$ 53,594,831	$ 55,963,854
Tuition fees	27,256,082	25,165,193
Ancillary (schedule 1)	6,196,082	6,126,961
Other	6,026,058	3,664,919
Amortization of deferred contributions related to capital assets	4,759,438	4,784,342
Donations	362,977	328,833
Interest	628,546	315,327
Total revenue	98,824,014	96,349,429
Expenses:		
Salaries, wages and benefits (schedule 2)	56,999,264	56,811,907
Non-payroll (schedule 3)	29,770,299	27,698,225
Amortization of capital assets	8,217,622	7,933,792
Employment-related obligations	290,960	(103,685)
Total expenses	95,278,145	92,340,239
Excess of revenue over expenses before the undernoted item	3,545,869	4,009,190
Unrealized gain (loss) on interest rate swaps (note 8(e))	(2,350,342)	112,670
Excess of revenue over expenses	$ 1,195,527	$ 4,121,860

See accompanying notes to financial statements.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

Statement 3

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

	Invested in capital assets	Restricted for endowments	Internally restricted	Unrestricted deficiency	2012 Total	2011 Total
Balance, beginning of year	16,716,709	6,128,537	2,651,148	(10,074,077)	15,422,317	10,337,466
Excess (deficiency) of revenue over expenses (note 10)	(3,458,184)			4,653,711	1,195,527	4,121,860
Net change in investment in capital assets (note 10)	4,865,919			(4,865,919)	–	–
Transfer between funds (note 12)			(181,239)	181,239	–	–
Endowment contributions		888,282			888,282	859,979
Change in unrealized gain (loss) on available for sale investments arising during the year		70,652		(133,422)	(62,770)	103,012
Balance, end of year	$18,124,444	$ 7,087,471	$ 2,469,909	$ (10,238,468)	$17,443,356	$ 15,422,317

See accompanying notes to financial statements.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows — Statement 4

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

	2012	2011
Cash provided by (used for):		
Operations:		
Excess of revenue over expenses	$ 1,195,527	$ 4,121,860
Items not involving cash:		
Amortization of deferred contributions related to capital assets	(4,759,438)	(4,784,342)
Amortization of capital assets	8,217,622	7,933,792
Employment-related obligations	290,960	(103,685)
Unrealized (gain) loss on interest rate swaps	2,350,342	(112,670)
Change in unrealized gain (loss) on available for sale investments	(62,770)	103,012
	7,232,243	7,157,967
Changes in non-cash operating working capital:		
(Increase) decrease in short-term investments	6,986,090	(3,672,454)
(Increase) decrease in grants and accounts receivable	(747,236)	981,938
(Increase) decrease in inventory	88,308	(18,384)
(Increase) decrease in prepaid expenses	10,380	(134,889)
Increase (decrease) in accounts payable and accrued liabilities	(3,313,610)	2,986,133
Increase (decrease) in deferred revenue	325,026	(231,853)
	10,581,201	7,068,458
Financing:		
Decrease in demand bank loan	(113,828)	(9,946)
Increase (decrease) in trust funds for student enhancement fees	(77,631)	72,444
Principal payments on long-term debt	(1,054,793)	(1,063,568)
Contributions, enhancement fees and donations used for additions to capital assets	1,603,446	11,973,599
Decrease in unspent capital contributions	-	(1,177,330)
	357,194	9,795,199
Investments:		
Increase in long-term investments	(1,443,856)	(684,164)
Increase in advances to First Nations Technical Institute	113,828	9,842
Additions to capital assets	(5,414,573)	(19,456,840)
Endowment contributions	888,282	859,979
	(5,856,319)	(19,271,183)
Increase (decrease) in cash	5,082,076	(2,407,526)
Cash, beginning of year	7,775,210	10,182,736
Cash, end of year	$ 12,857,286	$ 7,775,210

Supplemental cash flow information:

	2012	2011
Interest paid	$ 1,815,313	$ 1,892,673
Interest received	$ 544,528	$ 478,678

See accompanying notes to financial statements.

The St. Lawrence College of Applied Arts and Technology (the “College”) was established as a community college in 1967 and operates under the authority of the Province of Ontario. The College offers full-time, post-secondary programs and part-time courses and certificate programs at campuses located in Kingston, Brockville and Cornwall. The College is a registered charity and is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The St. Lawrence College Foundation (the “Foundation”) is incorporated without share capital under the Ontario Corporations Act. The Foundation operates under a memorandum of understanding with the College’s Board of Governors. Accordingly, the results and operations of the Foundation are included in the College’s financial statements. The objectives of the Foundation are to solicit, receive, manage and distribute money and other funds to support the educational services provided by the College and its affiliated institutions.

1. Significant accounting policies:

(a) General:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Revenue recognition:

The College follows the deferral method of accounting for contributions which include government grants and donations.

The College is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ministry of Training, Colleges and Universities. Grants are recorded as revenue in the period to which they relate. Grants approved but not received by the end of the fiscal year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in that subsequent year.

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.

Tuition fees are recorded as revenue based on the academic period of the specific courses. Tuition fees are deferred to the extent that the courses extend beyond the fiscal year of the College. Revenue from contract educational services, federal training and ancillary operations is recognized when the services are provided.

Externally restricted contributions other than endowment contributions are deferred and recognized as revenue in the year 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 a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets in the year in which the contributions are received.

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Donations of assets are recorded at fair value when a fair value can be reasonably estimated. Pledges receivable are not recorded as an asset in the accompanying financial statements.

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

Unrealized gains and losses on available for sale financial assets are included directly in net assets.

(c) Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. When circumstances which previously caused inventories to be written down no longer exist, the previous impairment is reversed.

(d) Investments:

Investments are designated as available for sale and are recorded at fair value. Fair values are determined by reference to published price quotations in an active market at the year end. The calculation of fair value is based upon market conditions at a specific point in time and may not be reflective of future fair values. Sales and purchases of investments are recorded on the settlement date. Transaction costs and investment management fees related to the acquisition and disposal of investments are recorded against the realized investment income.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives as follows:

Buildings	10 and 40 years
Site improvements and parking	10 years
Equipment	2 to 10 years

Costs of construction in progress are capitalized. Amortization is not recognized until construction is complete and the assets are ready for productive use.

1. Significant accounting policies (continued):

(f) Employee benefits obligations:

The College accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

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

(g) Interest rate swaps:

The College is party to interest rate swap agreements used to manage the exposure to market risks from changing interest rates. Interest rate swaps are derivative financial instruments and are recorded on the Statement of Financial Position as assets or liabilities and are measured at fair value. Changes in the fair value of interest rate swap agreements are recorded in the Statement of Operations. The fair values of interest rate swaps are based on estimated market prices.

Payments and receipts under interest rate swap agreements are recognized as adjustments to interest expense on long-term debt.

(h) Student organizations:

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

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the reporting period they become known.

2. Investments:

Investments consist of:

	2012	2011
Short-term investments	$ 1,030,804	$ 8,016,894
Long-term investments	7,560,064	6,116,208
	$ 8,590,868	$14,133,102

	2012	2011
Fixed income and cash	$ 6,595,850	$12,096,940
Equities and trust units	1,995,018	2,036,162
	$ 8,590,868	$14,133,102

Interest rate price risk

The College manages the interest rate price risk exposure of its fixed income investments by using a laddered portfolio with varying terms to maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations. Investments in equity securities are not exposed to significant interest rate price risk.

Currency risk

The College mitigates the currency risk exposure of its foreign equity securities through diversification of its investments into highly liquid securities of companies in various countries.

Credit and market risk

The risk and volatility of the College's investment returns are mitigated through diversification of investments in various business sectors and countries.

3. Advances to First Nations Technical Institute and demand bank loan:

	2012	2011
Balance, beginning of year	$ 1,087,466	$ 1,097,308
Advances during the year	296,225	400,543
Repayment of advances from operating grants	(410,053)	(410,385)
Balance, end of year	$ 973,638	$ 1,087,466

In May 2001, the College entered into a partnership agreement with the First Nations Technical Institute (F.N.T.I.) pertaining to educational and training services and activities that will benefit aboriginal students. The financial terms of the agreement were revised in September 2011.

For students enrolled in programs prior to August 2011, the financial terms of the partnership agreement state that the Ministry of Training, Colleges and Universities (MTCU) operating grants and the tuition fees generated from accredited programs delivered pursuant to the agreement is shared in the ratio of 90% to the F.N.T.I. and 10% to the College.

The partnership agreement stipulates that the College will annually advance funds to the F.N.T.I. for the 90% share of the MTCU operating grants that will be distributed in future years pursuant to MTCU's funding formula. The partnership agreement states that the advances will be repaid to the College in the year of receipt of the operating grants.

For students enrolled in programs commencing September 2011, the tuition fees and operating grants is shared in the ratio of 80% to the F.N.T.I. and 20% to the College. The College no longer advances the grant from MTCU to F.N.T.I. but distributes the funds as received from MTCU.

The College is financing the advances to the F.N.T.I. with a demand bank loan, the interest on which is being paid by the F.N.T.I. Currently there are no principal repayment terms for this demand bank loan and it is the College's intent to repay the demand bank loan as the operating grants relating to the advances are received.

4. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 745,393	$ -	$ 745,393	$ 745,393
Buildings	133,436,474	51,683,850	81,752,624	86,158,192
Construction in progress	2,506,557	-	2,506,557	391,058
Site improvements and parking	4,958,428	3,331,835	1,626,593	1,563,838
Equipment	42,913,380	35,107,939	7,805,441	8,381,176
	$ 184,560,232	$ 90,123,624	$ 94,436,608	$ 97,239,657

Cost and accumulated amortization at March 31, 2011 amounted to $ 179,545,094 and $ 82,305,437 respectively.

5. Deferred revenue:

	2012	2011
Student tuition fees	$ 3,376,274	$ 3,280,107
Externally restricted donations	850,019	748,788
Expenses of future periods	3,952,173	3,824,545
	$ 8,178,466	$ 7,853,440

(a) Student tuition fees:

Deferred contributions related to student tuition fees represent fees collected by the College for which the term of the program or course extends beyond the fiscal year of the College.

(b) Externally restricted donations:

Deferred contributions related to externally restricted donations represent unspent donations that have been restricted by the donors for additions to capital assets and for student bursaries and other financial assistance.

	2012	2011
Donations	$ 810,587	$ 651,568
Restricted investment income net of fees	6,480	10,032
	817,067	661,600
Amount recognized as revenue in the year	(269,170)	(282,590)
	547,897	379,010
Donations utilized for additions to capital assets	(446,666)	(408,008)
Net increase (decrease)	101,231	(28,998)
Balance, beginning of year	748,788	777,786
Balance, end of year	$ 850,019	$ 748,788
Represented by:		
Foundation fund for bursaries and capital assets	$ 561,940	$ 480,399
Funds for bursaries	288,079	268,389
	$ 850,019	$ 748,788

5. Deferred revenue (continued):

(c) Expenses of future periods:

Deferred contributions related to expenses of future periods include unspent grants and reimbursements, the employment stability funds maintained pursuant to the collective union agreements and the unspent investment income earned on the Ontario Student Opportunity Trust Fund and the Ontario Trust for Student Support (see note 11).

	2012	2011
Balance, beginning of year	$ 3,824,545	$ 4,194,548
Amount recognized as revenue in the year	(2,299,163)	(3,497,680)
Amount received related to future years	2,445,644	2,970,438
Restricted investment income (note 11)	192,056	265,559
Investment income used to pay bursaries (note 11)	(210,909)	(108,320)
Balance, end of year	$ 3,952,173	$ 3,824,545

6. Trust funds for student enhancement fees:

The College holds student enhancement fees in trust for the student associations. Representatives of the student associations determine the disbursement of the funds.

	2012	2011
Balance, beginning of year	$ 296,732	$ 224,288
Student enhancement fees	257,773	241,768
	554,505	466,056
Portion of student enhancement fees utilized for additions to capital assets (note 9)	(12,653)	(25,675)
Enhancement fees paid to student associations	(200,230)	(88,374)
Enhancement fees utilized for student approved activities and recognized as revenue	(101,701)	(55,275)
Enhancement fees donated to Cornwall revitalization	(20,820)	-
	(335,404)	(169,324)
Balance, end of year	$ 219,101	$ 296,732

7. Employee benefits plans:

(a) Pension plan:

Substantially all of the employees of the College are members of the Colleges of Applied Arts and Technology ("CAAT") Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the CAAT. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the highest five consecutive years prior to retirement, termination or death.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan and by placing Plan assets in trust and through the Plan investment policy.

The College's pension expense is calculated in accordance with the contribution formula contained in the Plan text, using Plan management's best estimates, in consultation with its actuaries. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent triennial actuarial valuation of the plan as at January 1, 2011 indicates a Plan surplus of $153,700,000 on a going-concern basis. Contributions to the Plan made during the year by the College on behalf of its employees amounted to $3,822,726 (2011 - $3,694,259) and are included as an expense in the statement of operations.

(b) Employment-related obligations:

	2012	2011
Post-retirement and post-employment benefits	$ 671,000	$ 694,000
Other non-pension benefits	418,616	104,656
	$ 1,089,616	$ 798,656

The College provides extended health care, dental insurance and life insurance benefits to certain of its employees under a multi-employer plan under CAAT. This coverage may be extended to the post-employment period. The most recent actuarial valuation of employee future benefits was completed March 1, 2011.

7. Employee benefits plans (continued):

(b) Employment-related obligations:

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The College recognizes as expense for current services the amount of its required contribution in a given year and the change in the accrued benefit liability in the year.

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

Discount rate		4.2%
Dental benefit cost escalation		7.5%, decreasing to 4.5% in 2023
Medical benefits cost escalation	-hospital and other medical	4.5%
	-drugs	10.5%, decreasing to 4.5% in 2026

Information on the post-retirement and post-employment liability is as follows:

	2012	2011
Accrued benefits obligation	$ 794,000	$ 809,000
Fair value of plan assets	(106,000)	(113,000)
Funded status - plan deficit	688,000	696,000
Unamortized net actuarial loss	(17,000)	(2,000)
Post-retirement and post-employment benefits liability	$ 671,000	$ 694,000

8. Long-term debt:

(a) Long-term debt is comprised of the following:

	2012	2011
Bankers acceptance loans (note 8(b)):		
5.997%, repayable approximately $133,000 quarterly including interest, maturing September 10, 2021	3,973,686	4,268,286
6.01%, repayable approximately $28,000 monthly including interest, maturing July 4, 2028	3,537,619	3,661,453
6.02%, repayable approximately $21,000 monthly including interest, maturing August 1, 2028	2,661,858	2,754,203
6.06%, repayable approximately $13,000 monthly including interest, maturing September 1, 2028	1,619,696	1,675,217
Fixed rate term loans (note 8(c)):		
4.83%, repayable $13,448 monthly including interest, fully paid on October 31, 2011	-	89,568
5.12%, repayable $9,466 monthly including interest, maturing February 1, 2030	1,330,299	1,374,539
5.29%, repayable $15,522 monthly including interest, maturing November 1, 2030	2,206,481	2,274,065
5.35%, repayable $67,895 monthly including interest, maturing March 1, 2031	9,705,683	9,992,784
	25,035,322	26,090,115
Current portion	(1,023,212)	(1,054,794)
	$ 24,012,110	$ 25,035,321

8. Long-term debt (continued):

(b) The 5.997% and 6.01% bankers acceptance loans were used to finance the construction of the student residence on the Kingston campus. The 6.02% and 6.06% bankers acceptance loans were used to finance the construction of a fitness facility and the expansion of the cafeteria, respectively, on the Kingston campus. These loans are economically hedged through interest rate swaps to the fixed interest rates noted above. The College also incurs a bank stamping fee of 0.30% to 0.32% on the outstanding principal balance of each loan which is paid quarterly for the 5.997% loan and monthly for the remaining loans. No specific security has been pledged for these loans.

Based on a detailed analysis and feasibility study it is expected that operational costs of the student residence, including the principal and interest payments on the related bankers acceptance loans, will be financed from operational revenue generated by the residence as required by the Ministry of Training, Colleges and Universities. If an operating deficit is incurred, it will be financed by the excess of revenue over expenses from other ancillary operations.

It is expected that the management fees, utilities and other costs of the fitness facility, including the principal and interest payments on the related bankers acceptance loan, will be financed from student fees.

Principal due on the bankers acceptance loans in each of the next five years is as follows:

2013	602,562
2014	641,147
2015	682,206
2016	725,896
2017	772,388

Loan interest and stamping fees totalling $ 737,557 (2011 - $787,304) have been recorded as an expense in the statement of operations.

(c) The 4.83% fixed rate term loan provided financing of $1,000,000 for the installation of an electrical substation on the Kingston campus. The 5.12% fixed rate term loan was used to finance the construction of the Cornwall student residence, the 5.29% loan was used to finance the construction of the Brockville student residence and the 5.35% loan was used to finance the construction of an addition to the Kingston student residence. The College incurs a monthly bank stamping fee of 0.25% on the outstanding principal balance of the student residence loans which have been economically hedged through interest rate swaps to the fixed interest rates noted above. No specific security has been pledged for these loans.

Based on a detailed analysis and feasibility study it is expected that operational costs of the student residences, including the principal and interest payments on the related loans, will be financed from operational revenue generated by the residences as required by the Ministry of Training, Colleges and Universities. If an operating deficit is incurred, it will be financed by the excess of revenue over expenses from other ancillary operations.

8. Long-term debt (continued):

(d) Principal due on the fixed rate term loans in each of the next five years is as follows:

2013	420,650
2014	443,557
2015	467,712
2016	493,183
2017	520,042

Loan interest and stamping fees totalling $ 749,036 (2011 - $777,490) have been recorded as an expense in the statement of operations.

(e) Interest rate swaps:

The College is party to interest rate swap contracts to manage interest rate exposures for economic hedging and risk management purposes.

The use of the agreement effectively enables the College to convert the floating rate interest obligations of the loans into fixed rate obligations and thus manage its exposure to interest rate risk. The fixed rates received under the interest rate swaps are disclosed in notes 8(b) and (c). The maturity dates of the interest rate swaps are the same as the maturity dates of the associated long-term debt, ranging from 2021 to 2031 and therefore the loss will not impact cash flow. The fair value of the interest rate swaps will vary based on prevailing market interest rates and the remaining term to maturity. The change in fair value of the interest rate swaps was $2,350,342 (2011 - $112,670) for the year ended March 31, 2012.

9. Deferred contributions:

Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of contributions, enhancement fees and donations utilized for additions to capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2012	2011
Balance, beginning of year	$ 54,442,035	$ 47,252,778
Amounts used for capital purposes:		
Contributions from Ministry of Training, Colleges and Universities	1,058,293	11,306,587
Donations	519,631	504,750
Other contributions	12,869	136,587
Enhancement fees (note 6)	12,653	25,675
Less amortization of deferred capital contributions	(4,759,438)	(4,784,342)
Balance, end of year	$ 51,286,043	$ 54,442,035

The balance of deferred contributions related to capital assets consists of the following:

	2012	2011
Unamortized capital contributions	$ 51,286,043	$ 54,442,035
Unspent capital contributions	-	-
	$ 51,286,043	$ 54,442,035

10. Invested in capital assets:

(a) Investment in capital assets is calculated as follows:

	2012	2011
Capital assets	$ 94,436,608	$ 97,239,657
Less amounts financed by:		
Bankers acceptance loans	(11,783,658)	(12,349,958)
Term bank loans	(13,242,463)	(13,730,955)
Deferred capital contributions	(51,286,043)	(54,442,035)
	$ 18,124,444	$ 16,716,709

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

	2012	2011
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	$ 4,759,438	$ 4,784,342
Amortization of capital assets	(8,217,622)	(7,933,792)
	$ (3,458,184)	$ (3,149,450)
Net change in investment in capital assets:		
Additions to capital assets	$ 5,414,573	$ 19,456,840
Amount funded by deferred capital contributions	(1,603,446)	(11,973,599)
Repayment of:		
Bankers acceptance loans	566,300	532,226
Term bank loans	488,492	531,343
	$ 4,865,919	$ 8,546,810

11. Net assets restricted for endowments:

	2012	2011
Ontario Student Opportunity Trust Fund (OSOTF):		
Phase 1	$ 943,751	$ 943,751
Phase 2	1,103,095	1,103,095
Ontario Trust for Student Support (OTSS)	4,901,309	4,013,027
Unrealized gain on available for sale investments	139,316	68,664
	$ 7,087,471	$ 6,128,537

Ontario Student Opportunity Trust Fund:

The externally restricted endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund 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 program:

(a) Phase I:

Schedule of Changes in Endowment Fund Balance for the year ended March 31, 2012

Fund balance at beginning of year	$ 943,751
Cash donations received	-
Fund balance at end of year	$ 943,751(A)

Schedule of Changes in Expendable Funds Available for Awards for the year ended March 31, 2012

Balance, beginning of year	$ 37,683
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	20,532
Bursaries awarded (total number 48)	(24,366)
Balance, end of year	$ 33,849(B)
Endowment total based on book value (=A+B)	$ 977,600

The fair value of this endowment as at March 31, 2012 is $1,019,853 (2011 - $992,661).

11. Net assets restricted for endowments (continued):

Ontario Student Opportunity Trust Fund (continued):

(b) Phase II:

Schedule of Changes in Endowment Fund Balance

Fund balance at beginning of year	$	1,103,095
Cash donations received		-
Fund balance at end of year	$	1,103,095(A)

Schedule of Changes in Expendable Funds Available for Awards for the year ended March 31, 2012

Balance, beginning of year	$	66,296
Realized investment income (loss), net of direct investment-related expenses and preservation of capital contributions		26,262
Bursaries awarded (total number 44)		(36,646)
Balance, end of year	$	55,912(B)
Endowment total based on book value (=A+B)	$	1,159,007

The fair value of this endowment as at March 31, 2012 is $1,217,170 (2011 - $1,182,263).

11. Net assets restricted for endowments (continued):

(c) Ontario Trust for Student Support:

Schedule of donations received between April 1, 2011 and March 31, 2012

Cash donations matched between April 1, 2011 and March 31, 2012	$	512,968
Total cash donations	$	512,968

Schedule of Changes in Endowment Fund Balance for the year ended March 31, 2012

Fund balance at beginning of year	$	4,013,027
Eligible cash donations received between April 1, 2011 and March 31, 2012 in compliance with the November 2005 Program Guidelines and Reporting Requirements		512,968
Matching funds received/receivable		375,314
Fund balance at end of year	$	4,901,309(A)

Schedule of Changes in Expendable Funds Available for Awards for the year ended March 31, 2012

Balance, beginning of year	$	203,202
Realized investment income, net of direct investment-related expenses and preservation of capital contributions		145,262
Bursaries awarded (total number 165, all full-time, 104 OSAP recipients)		(149,897)
Balance, end of year	$	198,567(B)

Endowment total based on book value (=A+B)	$	5,099,876

The fair value of this endowment as at March 31, 2012 is $5,244,941 (2011 - $4,257,592).

12. Net assets internally restricted:

	Funds for Student Assistance	College Residences	Pay Parking	2012 Total	2011 Total
Balance, beginning of year	$ 9,911	$ 1,781,374	$ 859,863	$ 2,651,148	$ 2,231,486
Transfer from (to) unrestricted net assets	-	(343,416)	162,177	(181,239)	419,662
Balance, end of year	$ 9,911	$ 1,437,958	$1,022,040	$ 2,469,909	$ 2,651,148

13. Unrestricted net assets deficiency:

	2012	2011
Unrestricted net assets deficiency:		
Operating	$ 5,315,711	$ 4,827,977
Vacation pay accrued liability	3,833,141	4,447,444
Employment-related obligations	1,089,616	798,656
	$ 10,238,468	$ 10,074,077

14. Commitments:

(a) The College rents equipment and premises under long-term operating leases expiring up to the 2016 fiscal year. Future minimum payments, by year and in aggregate, under these operating leases as at March 31, 2012 are as follows:

2013	$ 810,213
2014	790,414
2015	152,222
2016	34,620
	$ 1,787,469

(b) The College entered into a three year contract ending in July 2012 for the installation of Solar Panels on the Kingston and Brockville campuses. The total cost is approximately $3,500,000 with approximately $1,116,000 of remaining costs to be incurred in fiscal 2012/2013.

15. Contingent liabilities:

(a) The College is involved with outstanding and pending litigation and claims which arise in the normal course of operations, primarily as a result of grievances filed under the provisions of the union collective agreements. In management's opinion any liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the College. Losses in excess of the provision recorded in the financial statements, if any, arising from these contingencies will be accounted for in the year in which they are determined.

(b) The College issues letters of guarantee through its financial institution to provide guarantees to certain vendors. Outstanding letters of guarantee amount to $23,068 as at March 31, 2012 (2011 - $237,248).

16. Other financial instruments:

The carrying values of cash, grants and accounts receivable, demand bank loan and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods of the maturities of the instruments.

The carrying value of the 4.83% fixed rate term loan included in long-term debt approximates its fair value since the interest rates for this debt is similar to rates currently available to the College. The other fixed rate term loans are hedged with interest rate swap agreements which are recorded at fair value. The carrying value of the variable rate bank loan facility approximates its fair value.

The College has an authorized line of credit of $3,500,000 available for working capital financing which was unused as at March 31, 2012. Borrowings on this line of credit bear interest at Canadian Imperial Bank of Commerce prime rate less 0.25%.

It is management's opinion that the College is not exposed to significant interest, currency or credit risks arising from these financial instruments.

17. Fundraising campaigns:

The College conducted Expanding Opportunities fundraising campaigns in Kingston and Brockville to raise funds to finance capital asset acquisitions and program development for these two campuses. Additionally, in fiscal 2011 and 2012, the College conducted a fundraising campaign for Redevelopment in Cornwall to finance capital asset acquisitions and program development for the Cornwall campus. As at March 31, 2012 pledges receivable arising from these campaigns amounted to $1,941,494 which will be reported in the College's financial statements when collected.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Revenue

Schedule 1

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

	2012	2011
Grants and reimbursement:		
Ministry of Training, Colleges and Universities:		
Operating and supplemental grants	$ 43,391,174	$ 44,708,053
Employment Services and Summer Jobs Service programs	4,123,788	4,192,063
Literacy and Basic Skills program	1,209,655	1,395,568
Apprentice Training grants:		
Per diem rates	1,697,306	1,647,528
Administrative support	41,644	41,644
Enhancement	34,714	90,733
Co-op diploma	1,039,979	1,133,224
Pre-Apprenticeship	-	-
Contract educational services	776,794	1,298,439
Federal training	780,440	1,251,668
Other government grants	499,337	204,934
	$ 53,594,831	$ 55,963,854

	2012	2011
Ancillary operations:		
Residences	$ 4,191,327	$ 4,072,743
Bookstores commission	333,331	363,152
Parking lots	828,653	886,430
Facilities rent	424,073	417,998
Food services contract	396,248	366,703
Other ancillary sales	2,849	2,715
Licensed premises	19,601	17,220
	$ 6,196,082	$ 6,126,961

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Salaries, Wages and Benefits Expenses Schedule 2

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

	2012	2011
Salaries:		
Academic:		
Full-time	$ 16,902,323	$ 17,076,791
Partial load and part-time	8,354,677	8,131,471
Coordinators' allowance	188,057	180,584
Excluded/sessional	1,079,188	1,031,209
Bonus/overtime	131,704	346,123
Administrative	6,709,531	6,196,937
Support:		
Full-time	8,723,162	9,057,606
Part-time	3,742,871	3,783,703
Bonus/overtime	142,100	152,735
Professional development leave	48,066	119,304
Benefits:		
Academic	5,029,422	4,824,700
Administrative	1,498,637	1,328,396
Support	2,947,325	2,876,005
Participant wages and benefits	1,377,033	1,602,070
Special support allowance	125,168	104,273
	$ 56,999,264	$ 56,811,907

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Non-Payroll Expenses

Schedule 3

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

	2012	2011
Instructional supplies	$ 1,774,310	$ 1,971,913
Field work	31,912	42,325
Professional development	250,217	165,079
Travel	953,785	868,433
Promotion/public relations	1,226,061	1,047,089
Equipment maintenance	698,572	560,466
Other supplies	2,328,069	2,268,872
Professional fees	716,178	521,605
Contract teaching services	1,145,243	1,504,444
Other contract services	5,803,576	5,234,527
Equipment rental	1,326,786	1,270,595
Interest on long-term debt	1,486,593	1,564,794
Telecommunications	534,633	482,900
Insurance	293,306	278,707
Approved premises rent	18,000	15,000
Other premises rent	276,783	202,120
Staff employment	16,966	25,037
Membership fees and dues	90,759	80,804
Other interest and bank charges	322,479	323,327
Vehicles	27,316	20,474
Bad debts	125,510	58,885
Scholarships, bursaries and student assistance	3,427,726	3,051,548
Maintenance:		
Building	759,944	633,172
Building equipment	834,158	792,826
Ground	211,905	257,867
Contracted security services	957,145	644,794
Contracted cleaning services	1,502,086	1,418,086
Electricity	1,373,140	1,252,834
Natural gas	455,465	427,482
Water	153,350	141,359
Refuse removal	147,177	103,932
Tax, college property	24,878	23,962
Cost of sales	30,771	25,667
Taxes per capita	445,500	417,300
	$ 29,770,299	$ 27,698,225