Consolidated Financial Statements of

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year Ended March 31, 2014

Financial Statements

March 31, 2014

June 26, 2014

Independent Auditor's Report

To the Board of Governors of the
Fanshawe College of Applied Arts and Technology

We have audited the accompanying consolidated financial statements of the Fanshawe College of Applied Arts and Technology, which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of operations, changes in net assets, cash flows, and remeasurement gains and losses for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Fanshawe College of Applied Arts and Technology as at March 31, 2014 and the results of its operations, changes in net assets, cash flows and remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licenced Public Accountants

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position

As at March 31, 2014, with comparative figures for 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents (Note 3)	$ 61,993,905	$ 69,692,384
Short term investments greater than 90 days	35,000,000	26,650,312
Accounts receivable (Note 4)	10,000,464	8,760,717
Grants receivable	2,118,016	1,549,847
Inventories	2,109,346	1,983,982
Prepaid expenses	109,418	131,848
Current portion of receivable from Student Union (Note 5)	128,859	153,405
	111,460,008	108,922,495
Receivable from Student Union (Note 5)	2,933,329	3,798,174
Investments (Note 6)	42,737,972	37,541,280
Capital assets (Note 7)	260,790,934	253,959,035
	$ 417,922,243	$ 404,220,984
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 18,692,649	$ 13,331,899
Accrued vacation pay	8,661,324	8,919,055
Deferred revenue	39,286,263	44,945,592
Current portion of bank loans (Note 8)	1,468,392	1,414,658
	68,108,628	68,611,204
Bank loans (Note 8)	39,567,622	41,772,000
Derivative financial instruments	5,417,982	6,940,295
Post-employment benefits and compensated absences (Note 9)	8,342,806	8,994,975
	53,328,410	57,707,270
Deferred contributions		
Restricted contributions (Note 10)	16,044,841	15,107,155
Capital assets (Note 11)	141,241,917	135,905,500
	157,286,758	151,012,655
Net assets		
Investment in capital assets (Note 12)	81,575,189	78,818,455
Endowments	19,383,863	17,126,028
Internally restricted (Note 13)	30,784,353	29,208,935
Unrestricted	9,115,813	6,619,736
Accumulated remeasurement loss	(1,660,771)	(4,883,299)
	139,198,447	126,889,855
Commitments (Note 14 and Note 15)		
Contingencies (Note 16)		
	$ 417,922,243	$ 404,220,984

See accompanying notes to consolidated financial statements.

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations

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

	2014	2013
Revenue		
Government grants	$ 96,447,731	$ 99,644,549
Enrolment revenue	83,603,517	73,992,828
Ancillary revenue	21,241,913	21,984,335
Other revenue		
Restricted contributions	1,756,218	1,630,678
Investment income	684,902	661,824
Amortization of deferred contributions related to capital assets (Note 12)	7,956,925	7,408,559
Miscellaneous	7,800,740	8,017,830
	219,491,946	213,340,603
Expenditures		
Instructional service	106,536,437	101,331,743
Instructional support service	27,446,819	24,589,899
Student service	23,841,890	22,676,014
College service	19,813,070	18,720,935
Ancillary service	17,955,815	17,774,066
Facility service	17,075,648	15,702,465
(Schedule 1)	212,669,679	200,795,122
Excess of revenue over expenditures	$ 6,822,267	$ 12,545,481

See accompanying notes to consolidated financial statements.

THE FANSHAWE COLLEGE OF
APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets

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

	Investment in Capital Assets	Endowments	Internally Restricted	Unrestricted	Accumulated Remeasurement Loss	2014 Total
Balance, beginning of year	$ 78,818,455	$ 17,126,028	$ 29,208,935	$ 6,619,736	$ (4,883,299)	$ 126,889,855
Excess (deficiency) of revenue over expenditures (Note 12)	(7,652,041)	-	-	14,474,308	-	6,822,267
Unrealized gains attributable to:						
Investments	-	-	-	-	1,700,215	1,700,215
Derivative financial instruments	-	-	-	-	1,522,313	1,522,313
Endowments						
Donations	-	312,725	-	-	-	312,725
Return on investment	-	2,335,110	-	-	-	2,335,110
Awards	-	(445,332)	-	-	-	(445,332)
Net transfers from the College and Foundation	-	55,332	-	-	-	55,332
Internally restricted						
Deferred operating expenditures	-	-	6,000,000	(6,000,000)	-	-
Capital reserve	-	-	600,000	(600,000)	-	-
Interfund transfer			(5,030,544)	5,030,544		-
Return on investment	-	-	8,461	-	-	8,461
Net transfers from the College	-	-	(2,499)	-	-	(2,499)
Net change in investment in capital assets (Note 12)	10,408,775	-	-	(10,408,775)	-	-
Balance, end of year	$ 81,575,189	$ 19,383,863	$ 30,784,353	$ 9,115,813	$ (1,660,771)	$ 139,198,447

See accompanying notes to consolidated financial statements.

	Investment in Capital Assets	Endowments	Internally Restricted	Unrestricted	Accumulated Remeasurement Loss	2013 Total
Balance, beginning of year	$ 80,428,011	$ 15,905,602	$ 22,114,592	$ (4,046,597)	$ -	$ 114,401,608
Excess (deficiency) of revenue over expenditures (Note 12)	(7,992,265)	-	-	20,537,746	-	12,545,481
Adjustment upon adoption of PS 3450	-	-	-	3,611,296	(6,034,682)	(2,423,386)
Unrealized gains attributable to:						
Investments	-	-	-	-	1,015,614	1,015,614
Derivative financial instruments	-	-	-	-	135,769	135,769
Endowments						
Donations	-	148,614	-	-	-	148,614
Return on investment	-	1,368,203	-	-	-	1,368,203
Awards	-	(399,929)	-	-	-	(399,929)
Net transfers from the College and Foundation	-	103,538	-	-	-	103,538
Internally restricted						
Deferred operating expenditures	-	-	9,500,000	(9,500,000)	-	-
Capital reserve	-	-	(2,400,000)	2,400,000	-	-
Return on investment	-	-	6,844	-	-	6,844
Net transfers from the College	-	-	(12,501)	-	-	(12,501)
Net change in investment in capital assets (Note 12)	6,382,709	-	-	(6,382,709)	-	-
Balance, end of year	$ 78,818,455	$ 17,126,028	$ 29,208,935	$ 6,619,736	$ (4,883,299)	$ 126,889,855

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

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

	2014	2013
Cash provided by (used in):		
Cash flows from operating activities		
Excess of revenue over expenditures	$ 6,822,267	$ 12,545,481
Change in non-cash working capital items (Note 17)	(2,467,160)	5,047,316
Items not involving cash:		
Amortization of capital assets	15,608,966	15,400,824
Amortization of deferred contributions related to capital assets	(7,956,925)	(7,408,559)
Net increase in deferred contributions related to restricted contributions	937,686	1,611,090
Decrease in other post-employment benefits and compensated absences	(652,169)	(1,011,465)
	12,292,665	26,184,687
Cash flows from investing activities		
Short term investments greater than 90 days	(8,349,688)	16,156,977
Long term investments	(3,496,477)	2,047,192
Increase (decrease) in internally restricted net assets	5,962	(5,657)
	(11,840,203)	18,198,512
Cash flows from capital activities		
Increase in deferred contributions related to capital assets	13,293,342	11,792,220
Additions to capital assets	(22,440,865)	(16,987,358)
Repayment of bank loans	(1,261,253)	(1,187,571)
	(10,408,776)	(6,382,709)
Cash flows from financing activities		
Repayments from Student Union	889,391	538,892
Repayment of bank loans	(889,391)	(144,364)
Net increase in endowments	2,257,835	1,220,426
	2,257,835	1,614,954
(Decrease) increase in cash and cash equivalents	(7,698,479)	39,615,444
Cash and cash equivalents, beginning of year	69,692,384	30,076,940
Cash and cash equivalents, end of year	$ 61,993,905	$ 69,692,384

See accompanying notes to consolidated financial statements.

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Remeasurement Gains and Losses

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

	2014	2013
Balance, beginning of year	$ (4,883,299)	$ -
Adjustment upon adoption of financial instruments section	-	(6,034,682)
Unrealized gains attributable to:		
Investments	1,700,215	1,015,614
Derivative financial instrument-interest rate swap	1,522,313	135,769
Net remeasurement gain for the year	3,222,528	1,151,383
Balance, end of year	$ (1,660,771)	$ (4,883,299)

See accompanying notes to consolidated financial statements.

The Fanshawe College of Applied Arts and Technology ("the College") is an incorporated entity that provides quality education and learning for employment to its communities. The College is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

(a) General:

The financial statements of the College have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPO's").

(b) Revenue recognition:

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

Under the Ontario Colleges of Applied Arts and Technology Act, the College is funded by the Ministry of Training, Colleges and Universities ("MTCU"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Revenue from student fees, ancillary operations and other revenue is recognized when the services are provided or the products are sold.

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.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred, and when expended, are amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Deferred restricted contributions represent unspent donations for bursaries and scholarships, programs and other purposes. Deferred contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets.

Endowment contributions, having externally imposed restrictions requiring that the principal be maintained intact, are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Restricted investment income that must be maintained as an endowment is credited to net assets. Unrestricted investment income is recognized as revenue when earned.

(c) Inventories:

Inventories are stated at the lower of cost and net realizable value.

(d) Financial instruments:

The College classifies its financial instruments as either fair value or amortized cost. The College's accounting policy for each category is as follows:

Financial assets and financial liabilities are initially recognized at cost and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the College's designation of such instruments. Settlement date accounting is used.

Fair Value

This category includes instruments quoted in an active market.

They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the Statement of Operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the Statement of Operations.

Amortized Cost

This category includes accounts receivable, grants receivable, receivable from the Student Union, accounts payable and accrued liabilities and bank loans. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the Statement of Operations.

(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 expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value.

Buildings occupied and equipment used by the former Ontario Vocational Centre, London were donated to the College as of September 1, 1967 by the Ontario Department of Works and Education and have been recorded at the original capital cost incurred by those departments. Land donated to the College by the Department of Public Works has been recorded at the nominal value of $6. Subsequent additions to capital assets have been recorded at cost.

Capital assets are amortized on a straight line basis using the following estimated useful lives:

Buildings	40 years
Site improvements	10 years
Furniture and equipment	5 years
Library books	15 years

(f) Cost allocation:

Expenditures are recorded on the accrual basis and allocated among academic programs on the basis of direct charges wherever possible and otherwise on the basis of full time equivalent students or teaching contact hours.

(g) Vacation pay:

Vacation pay is accrued, as entitlement is earned.

(h) Retirement and post-employment benefits and compensated absences:

The College provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, vesting sick leave and non-vesting sick leave. The College has adopted the following policies with respect to accounting for these employee benefits:

(i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.

(ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.

(iii) The cost of vesting and non-vesting sick leave benefits are actuarially determined using management's best estimate and salary escalation, employee's use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.

(iv) The discount rate used in the determination of the above mentioned liabilities is equal to the College's internal rate of borrowing.

(i) Measurement uncertainty:

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates. Areas of key estimation include determination of fair value investments as outlined in Note 6, allowance for doubtful accounts, and actuarial estimation of post-employment benefits and compensated absence liabilities as outlined in Note 9.

(j) Principles of consolidation:

The consolidated financial statements reflect the operations of the College and its wholly owned subsidiaries Fanshawe International Corporation and the Fanshawe College Foundation.

2. Financial instrument classification:

The following table provides fair value and cost information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as show below:

	2014		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 61,993,905	$ -	$ 61,993,905
Short term investments greater than 90 days	35,000,000	-	35,000,000
Accounts receivable	-	10,000,464	10,000,464
Grants receivable	-	2,118,016	2,118,016
Receivable from Student Union	-	3,062,188	3,062,188
Investments	42,737,972	-	42,737,972
Accounts payable and accrued liabilities	-	18,692,649	18,692,649
Bank loans	-	41,036,014	41,036,014
Derivative financial instruments	5,417,982	-	5,417,982
	$ 145,149,859	$ 74,909,331	$ 220,059,190

The amortized cost of accounts receivable, grants receivable and accounts payable and accrued liabilities approximate fair value because of their short terms to maturity. The receivable from Student Union and bank loans have an insignificant interest rate differential, therefore, recording at fair value is unnecessary.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:
Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 61,993,905	$ -	$ -	$ 61,993,905
Short term investments greater than 90 days	35,000,000	-	-	35,000,000
Investments	-	42,737,972	-	42,737,972
Derivative financial instruments	-	-	5,417,982	5,417,982
	$ 96,993,905	$ 42,737,972	$ 5,417,982	$ 145,149,859

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2014. There were also no transfers in or out of Level 3.

3. Cash and cash equivalents:

Includes guaranteed investment certificates and other investments with a maturity date of less than 90 days of $39,958,442 (2013-$55,245,980).

4. Accounts receivable:

Includes a balance owing from the Student Union for March 2014 expenditures of $874,531 (2013-$62,416) which includes the fixed loan repayment in full of $738,758.

5. Receivable from Student Union:

The receivable represents the Student Union's share in support of the construction costs related to the student centre located on the London campus.

Principal repayments are due in accordance to the amortization schedule relating to the long term debt identified in Note 8. The following is a summary of the total amount receivable from the Student Union:

	2014	2013
Loan receivable from the London Campus Student Union with an effective fixed interest rate of 7.17% repayable over 25 years. No specific security has been received.	$ 3,062,188	$ 3,183,055
Loan receivable from the London Campus Student Union with an effective fixed interest rate of 4.87% repayable over 25 years. Loan was repaid in March 2014.	-	768,524
	3,062,188	3,951,579
Less current portion	128,859	153,405
	$ 2,933,329	$ 3,798,174

The principal repayments required during the next 5 years are as follows:

2015	$	128,859
2016		137,380
2017		146,464
2018		156,148
2019		166,474

6. Investments:

The estimated fair and book values, held indirectly through pooled funds, as at March 31 were:

	2014		2013	
	Estimated Fair Value	Book Value	Estimated Fair Value	Book Value
Bonds	$ 19,755,652	$ 19,274,568	$ 19,703,680	$ 18,795,288
Canadian equities	12,652,687	9,841,240	9,879,344	8,710,547
U.S. equities	6,858,170	4,083,021	5,731,533	4,408,160
International equities	3,102,302	2,430,424	1,853,286	1,659,441
Short term	369,161	368,177	373,437	372,431
	$ 42,737,972	$ 35,997,430	$ 37,541,280	$ 33,945,867

7. Capital assets:

			2014	2013
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 5,474,471	$ -	$ 5,474,471	$ 5,474,471
Buildings	319,458,616	87,344,079	232,114,537	213,573,873
Construction in progress	175,865	-	175,865	10,760,617
Site improvements	22,145,676	21,477,703	667,973	896,823
Furniture and equipment	133,221,070	114,615,678	18,605,392	19,666,126
Library books	6,812,824	3,060,128	3,752,696	3,587,125
	$ 487,288,522	$ 226,497,588	$ 260,790,934	$ 253,959,035

8. Bank loans:

The debt noted below is structured with fixed repayment terms which will retire the debt over an agreed period of time. The College is not in violation of any covenants as at March 31, 2014 and it is the intent of the College to repay the debt in accordance with the repayment schedules.

	2014	2013
Term loan with a notional amount of $20,000,000 and an effective fixed interest rate of 5.49%. The loan is repayable over 30 years and matures February 2040. No specific security has been pledged. See Note 18.	$ 18,820,776	$ 19,140,114
Demand loan with a notional amount of $10,000,000 and an effective fixed interest rate of 6.46%, facilitated through a SWAP agreement. The loan is being repaid over a 25 year amortization period. The SWAP agreement matures May 2028. No specific security has been pledged. See Note 18.	7,451,673	7,766,431
Term loan with a notional amount of $10,000,000 and an effective fixed interest rate of 6.05%, facilitated through a SWAP agreement. The loan is repayable over 25 years. The SWAP agreement matures September 2024. No specific security has been pledged. See Note 18.	5,970,045	6,370,308
Demand loan with a notional amount of $7,500,000 and an effective fixed interest rate of 6.58%, facilitated through a SWAP agreement. The loan is being repaid over a 25 year amortization period. The SWAP agreement matures November 2028. No specific security has been pledged. See Note 18.	5,731,332	5,958,226
Term loan with a notional amount of $4,000,000 and an effective fixed interest rate of 7.17%, facilitated through a SWAP agreement. The loan is repayable over 25 years. The SWAP agreement matures January 2029. No specific security has been pledged. See Note 18.	3,062,188	3,183,055

Term loan with a notional amount of $1,000,000 and an effective fixed interest rate of 4.87%. The loan is repayable over 25 years with the interest rate being renewed every 10 years. No specific security has been pledged. Loan was repaid in March 2014.	-	768,524
	41,036,014	43,186,658
Less current portion	1,468,392	1,414,658
	$ 39,567,622	$ 41,772,000

Principal payments required in each of the next 5 years are as follows:

2015	$ 1,468,392
2016	1,560,078
2017	1,657,515
2018	1,761,073
2019	1,871,138

While the two demand loans are callable at the lender's discretion, the amounts have been classified as long term and the principal payments required are based on the anticipated 25 year amortization period.

9. Post-employment benefits and compensated absences:

	2014				
	Vesting sick leave	Non-vesting sick leave	Post-employment benefits	WSIB post-employment benefits	Total liability
Accrued employee future benefits obligations	$ 1,555,000	$ 4,199,000	$ 1,615,000	$ 446,806	$ 7,815,806
Value of plan assets	-	-	(255,000)	-	(255,000)
Unamortized actuarial (loss) gain	(388,000)	1,000,000	170,000	-	782,000
Total liability	$ 1,167,000	$ 5,199,000	$ 1,530,000	$ 446,806	$ 8,342,806

	2013				
	Vesting sick leave	Non-vesting sick leave	Post-employment benefits	WSIB post-employment benefits	Total liability
Accrued employee future benefits obligations	$ 1,476,000	$ 5,479,000	$ 1,909,000	$ 487,975	$ 9,351,975
Value of plan assets	-	-	(246,000)	-	(246,000)
Unamortized actuarial gain (loss)	11,000	(76,000)	(46,000)	-	(111,000)
Total liability	$ 1,487,000	$ 5,403,000	$ 1,617,000	$ 487,975	$ 8,994,975

Above amounts exclude pension contributions to the Colleges of Applied Arts and Technology ("CAAT") pension plan, a multi-employer plan, described below.

Retirement Benefits

CAAT 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 public colleges and related employers 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 liability of the Plan.

Any pension surplus or deficit is a joint responsibility of the members and employers which may impact future contribution rates. The College does not recognize any share of the Plan's 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, 2014 indicated an actuarial surplus of $525,000,000. The College made contributions to the Plan and its associated retirement compensation arrangement of $11,184,623 in 2014 (2013-$9,760,652), which has been included in the Statement of Operations.

Post-employment benefits

The College extends post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The College recognizes these benefits as they are earned during the employee's tenure of service. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council ("the Council").

The major actuarial assumptions employed for the valuations are as follows:

(a) Discount rate

The present value as at March 31, 2014 of the future benefits was determined using a discount rate of 2.70% (2013-2.10%).

(b) Drug costs

Drug costs increased 9.0% for 2014 (2013-10.5%) grading down to 4.0% in 2034 for fiscal 2014 (2013-4.0% in 2026).

(c) Hospital and other medical

Hospital and other medical costs increased 4.0% per annum for fiscal 2014 (2013-4.0%).

(d) Dental costs

Dental costs were assumed to increase at 4.0% per annum in 2014 (2013-4.0%).

Compensated absences

Vesting sick leave

The College has provided for vesting sick leave benefits during the year. Eligible employees, after 10 years of service, are entitled to receive 50% of their accumulated sick leave credit on termination or retirement to a maximum of 6 months' salary. The program to accumulate sick leave credits ceased for employees hired after March 31, 1991. The related benefit liability was determined by an actuarial valuation study commissioned by the Council.

Non-vesting sick leave

The College allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that the employees' illness or injury exceeds the current year's allocation of days. Sick days are paid out at the salary in effect at the time of usage. The related benefit liability was determined by an actuarial valuation study commissioned by the Council.

The assumptions used in the valuation of vesting and non-vesting sick leave are the College's best estimates of expected rates of:

	2014	2013
Wage and salary escalation		
Support staff	1.75%	1.75%
Academic	1.75%	2.00%
Discount rate	2.70%	2.10%

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 24% and 0 to 40.6 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

10. Deferred restricted contributions:

Deferred contributions represent unspent externally restricted funding that has been received and relates to a subsequent year. Changes in the contributions deferred to future periods are as follows:

	2014	2013
Balance, beginning of year	$ 15,107,155	$ 13,496,065
Add amounts received during the year	13,836,373	13,341,792
Less amounts disbursed in the year	(12,898,687)	(11,730,702)
Balance, end of year	$ 16,044,841	$ 15,107,155

Deferred contributions are comprised of:

	2014	2013
Scholarships and bursaries	$ 532,139	$ 512,215
Student activity fees	1,226,717	677,270
Fundraising campaigns	12,113,761	11,819,684
Alumni activities	245,234	177,385
Employee stability fund	471,104	424,207
Other	1,455,886	1,496,394
	$ 16,044,841	$ 15,107,155

11. 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 Operations. Changes in the deferred capital contributions balances are as follows:

	2014	2013
Balance, beginning of year	$ 135,905,500	$ 131,521,839
Add contributions received for capital progress	13,293,342	11,792,220
Less amortization of deferred capital contributions	(7,956,925)	(7,408,559)
Balance, end of year	$ 141,241,917	$ 135,905,500

12. Investment in capital assets:

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

		2014	2013
Capital assets		$ 260,790,934	$ 253,959,035
Amounts financed by:	Deferred contributions	(141,241,917)	(135,905,500)
	Bank loans	(37,973,828)	(39,235,080)
		$ 81,575,189	$ 78,818,455

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

	2014	2013
Excess of expenditures over revenue:		
Amortization of deferred contributions related to capital assets	$ 7,956,925	$ 7,408,559
Amortization of capital assets	(15,608,966)	(15,400,824)
	$ (7,652,041)	$ (7,992,265)
Net change in investment in capital assets:		
Additions to capital assets	$ 22,440,865	$ 16,987,358
Amount financed by: Deferred contributions	(13,293,342)	(11,792,220)
Bank loans	1,261,253	1,187,571
	$ 10,408,776	$ 6,382,709

13. Internally restricted net assets:

Internally restricted net assets represent funds set aside for future expenditures. Details of the internally restricted net asset balances are as follows:

	2014	2013
Deferred capital expenditures	$ 22,445,160	$ 21,866,296
Deferred operating expenditures	1,924,296	1,533,704
Capital reserves	6,200,000	5,600,000
Student awards	214,897	208,935
Balance, end of year	$ 30,784,353	$ 29,208,935

14. Operating leases:

The College leases premises and equipment. The remaining aggregate minimum rental payments under operating leases for the next 5 years are as follows:

2015	$ 642,266
2016	222,108
2017	187,108
2018	115,479
2019	85,496

15. Commitments:

As at March 31, 2014, outstanding capital asset commitments approximate $4,185,323 (2013- $9,389,401) primarily relating to the construction and expansion of various facilities.

16. Contingencies:

In the normal course of operations there are outstanding claims against the College, primarily as a result of grievances filed under the provisions of the collective agreements between the College and The Ontario Public Services Employees Union ("OPSEU"). The amount of these claims is not determinable at this time, and accordingly losses, if any, as a result of these claims will be expensed in the period in which the claims are known.

17. Supplemental cash flow information:

	2014	2013
Change in non-cash working capital items:		
Accounts receivable	$ (1,239,747)	$ (667,738)
Grants receivable	(568,169)	5,425,256
Inventories	(125,364)	(2,599)
Prepaid expenses	22,430	(95,959)
Accounts payable and accrued liabilities	5,360,750	1,722,485
Accrued vacation pay	(257,731)	106,321
Deferred revenue	(5,659,329)	(1,440,450)
	$ (2,467,160)	$ 5,047,316

During the year, the following cash amounts were received (paid):

	2014	2013
Interest revenue	$ 3,199,665	$ 2,970,434
Interest expense	(2,490,847)	(2,645,138)

18. Financial instrument risk management:

Credit risk

Credit risk is the risk of financial loss to the College if a debtor fails to make payments of interest and principal when due. The College is exposed to this risk relating to its cash and cash equivalents and accounts receivable. The College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up $100,000 (2013-$100,000).

The maximum exposure to investment credit risk is the amount of the investments as shown in Note 6.

The College measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the College's historical experience regarding collections. The amounts outstanding as at March 31, 2014 were as follows:

			Past Due			
	Total	Current	1-30 days	31-60 days	61-90 days	91-120 days
Student receivables	$ 6,543,069	$4,897,603	$ 53,684	$ 78,672	$ 471,197	$1,041,913
Other receivables	5,427,395	3,020,342	444,818	99,192	13,373	1,849,670
Gross receivables	11,970,464	7,917,945	498,502	177,864	484,570	2,891,583
Less: impairment allowances	(1,970,000)	-	-	-	-	(1,970,000)
Net receivables	$10,000,464	$7,917,945	$ 498,502	$ 177,864	$ 484,570	$ 921,583

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

Since it is the College's intent to make payments on the bank loans until maturity, it is not cost effective to determine the fair value of the debt. The fair value of investments included in Note 6 is based on quoted market prices.

The College's investment policy operates within the constraints of the investment guidelines issued by the Ministry of Training, Colleges and Universities. The policy's application is monitored by management, the investment managers and the board of governors. Diversification techniques are utilized to minimize risk.

Currency risk

Currency risk relates to the risk of operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency rates occur.

The College does not have any material transactions or directly hold financial instruments denominated in foreign currencies.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The College is exposed to this risk through its bank loans.

The College mitigates interest rate risk on its bank loans through derivative financial instruments which replace the variable rates inherent in the bank loans for a fixed rate (Note 8). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the bank loans.

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

The College does not have any material transactions or directly hold financial instruments subject to equity risk.

Liquidity risk

Liquidity risk is the risk that the College will not be able to meet all cash outflow obligations as they come due. The College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near term if unexpected cash outflows arise. The following table sets out the contractual maturities (representing undiscounted contractual cash flows of financial liabilities):

	2014			
	Within 6 months	6 months to 1 year	1-5 years	>5 years
Accounts payable and accrued liabilities	$ 18,692,649	$ -	$ -	$ -
Bank loans	723,081	745,311	6,849,804	32,717,818
	$ 19,415,730	$ 745,311	$ 6,849,804	$ 32,717,818

There have been no significant changes from the previous year in the exposure to all risk categories or policies, procedures and methods used to measure the risk.

19. Capital management:

The College's objectives when managing capital are to develop and maintain a financial model and a capital expenditure process which supports the strategic directions of the College, and safeguards the College's ability to continue to provide benefits to the community.

Capital at the College is comprised of net assets. In order to maintain or adjust the capital structure, the College must obtain additional funding.

Endowment contributions have externally imposed restrictions requiring that the principal be maintained intact.

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Expenditures

Schedule 1

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

	2014	2013
Expenditures		
Salaries and benefits	$ 130,450,932	$ 123,775,561
Student assistance	5,522,382	5,365,820
Operating supplies	6,247,623	7,012,534
Ancillary cost of sales	8,852,670	9,975,853
Contract services	15,555,861	13,909,337
Utilities and maintenance	13,053,182	11,355,866
Loan interest	2,490,847	2,645,138
Amortization expense	15,608,966	15,400,824
Other operating costs	14,887,216	11,354,189
	$ 212,669,679	$ 200,795,122