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2014 Financial Statements

MARCH 31, 2014

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FUTURE READY

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

I N D E X

FINANCIAL STATEMENTS:

SUPPLEMENTARY SCHEDULES:

KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mohawk College of Applied Arts and Technology as at March 31, 2014 and its results of operations, changes in net assets, cash flows and its remeasurement gains and losses for the year then ended, in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
June 4, 2014

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

STATEMENT OF FINANCIAL POSITION

March 31, 2014, with comparative figures for 2013 **Statement 1**

		2014	2013
		$	$
ASSETS			
CURRENT			
Cash	(note 2)	4,534,210	9,101,416
Investments	(note 3)	59,803,990	51,547,962
Accounts receivable		12,133,135	11,907,905
Grants receivable		5,118,468	5,141,794
Inventories		1,231,007	1,567,201
Prepaid expenses and other assets		2,617,721	1,329,749
Current portion of long-term receivable	(note 5)	747,682	-
		86,186,213	80,596,027
LONG-TERM			
Long-term investment	(note 4)	873,472	873,472
Long-term receivable	(note 5)	34,548,308	565,115
Construction in progress		551,117	23,556,213
Capital assets	(note 6)	165,399,462	117,903,060
		201,372,359	142,897,860
		287,558,572	223,493,887
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		21,512,694	22,913,379
Deferred revenue	(note 7)	19,719,948	18,389,713
Vacation pay		9,064,372	8,803,347
Current portion of long-term debt	(note 8)	1,541,877	293,647
Demand loan	(note 9)	9,354,878	9,865,301
		61,193,769	60,265,387
LONG-TERM LIABILITIES			
Long-term debt	(note 8)	50,293,418	24,114,014
Interest rate swap	(note 9)	2,469,837	3,132,469
Post-employment benefits and compensated absences	(note 10)	7,668,000	8,263,000
		60,431,255	35,509,483
DEFERRED CONTRIBUTIONS			
Deferred contributions	(note 11a)	5,091,951	4,564,058
Deferred contributions related to construction in progress	(note 11b)	94,687	760,687
Deferred contributions related to expenses of future periods	(note 11c)	3,388,336	1,937,719
Deferred contributions related to capital assets	(note 11d)	113,282,519	81,381,494
		121,857,493	88,643,958
NET ASSETS (statement 3)			
Net assets invested in capital assets	(note 12)	27,060,042	24,273,861
Unrestricted net assets:			
Operating		5,023,414	4,777,501
Vacation pay		(9,064,372)	(8,803,347)
Post-employment benefits and compensated absences		(7,668,000)	(8,263,000)
Restricted net assets:			
Endowment contributions	(note 13)	15,135,514	14,619,252
Internally restricted assets	(note 14)	16,285,000	15,847,000
		46,771,598	42,451,267
Accumulated remeasurement losses **(statement 5)**		(2,695,543)	(3,376,208)
		44,076,055	39,075,059
		287,558,572	223,493,887

SIGNED ON BEHALF OF THE BOARD:

Approved at meeting of June 4, 2014

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED March 31, 2014, with comparative figures for 2013 **Statement 2**

		2014 $	2013 $
REVENUE			
Grants	(schedule 1)	89,317,587	90,448,837
Tuition fees		64,920,017	58,909,588
Ancillary	(schedule 1)	13,227,593	12,902,286
Amortization of deferred contributions		4,392,438	3,916,448
Amortization of deferred contributions related to capital assets		6,073,847	4,994,778
Other	(schedule 1)	11,749,524	10,412,167
		189,681,006	181,584,104
EXPENDITURES			
Salaries and benefits		117,249,920	114,133,185
Contracted services and professional fees		13,620,631	13,579,232
Supplies and other expenses		12,712,863	12,548,919
Utilities, maintenance and taxes		9,446,468	9,639,014
Instructional supplies		5,320,074	5,410,429
Ancillary	(schedule 2)	9,595,243	9,012,549
Scholarship, bursary and award payments		4,392,438	3,916,448
Amortization expense		11,819,362	9,646,008
Interest on long-term liabilities		1,719,938	1,062,791
		185,876,937	178,948,575
EXCESS OF REVENUE OVER EXPENDITURES		3,804,069	2,635,529

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED March 31, 2014, with comparative figures for 2013 **Statement 3**

	Invested in Capital Assets $	Unrestricted Operating $	Vacation & post-employment benefits & compensated absences $	Internally Restricted $	Endowment Contributions $	2014 Total $	2013 Total $
Balance, beginning of year, as restated	24,273,861	4,777,501	(17,066,347)	15,847,000	14,619,252	42,451,267	39,188,756
Excess (deficiency) of revenues over expenditures	(5,745,515)	11,480,983	333,975	(2,265,374)	-	3,804,069	2,635,529
Investment in capital assets	8,531,696	(4,156,712)	-	(4,374,984)	-	-	-
Change in internally imposed restrictions	-	(7,078,358)	-	7,078,358	-	-	-
Endowment contributions	-	-	-	-	516,262	516,262	626,982
Balance, end of year	27,060,042	5,023,414	(16,732,372)	16,285,000	15,135,514	46,771,598	42,451,267

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED March 31, 2014, with comparative figures for 2013 **Statement 4**

	2014	2013
	$	$
Cash provided by (used in):		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	3,804,069	2,635,529
Items not involving cash:		
Amortization expense	11,819,362	9,646,008
Net (income) loss of Mohawk College Enterprise	(225,157)	68,309
Decrease in post-employment benefits and compensated absences	(595,000)	(572,000)
Amortization of deferred contributions related to capital assets	(6,073,847)	(4,994,778)
	8,729,427	6,783,068
Changes in non-cash working capital items:		
Grants receivable	23,326	22,902
Accounts receivable	(225,230)	(1,251,249)
Inventories	336,194	334,867
Prepaid expenses and other assets	(1,287,972)	(299,849)
Current portion of long-term receivable	(747,682)	-
Accounts payable and accrued liabilities	(1,175,528)	6,996,522
Deferred revenue	1,330,235	3,438,641
Vacation pay	261,025	(64,520)
	7,243,795	15,960,382
INVESTING ACTIVITIES		
Purchase of investments, net	(8,237,995)	(832,667)
Long-term receivable	(33,983,193)	(128,180)
	(42,221,188)	(960,847)
CAPITAL ACTIVITIES		
Purchase of capital assets, net	(35,759,551)	(5,799,863)
Contributions for capital purposes, net	35,802,356	1,054,545
Construction in progress, net of deferred contributions	(456,430)	(22,103,881)
	(413,625)	(26,849,199)
FINANCING ACTIVITIES		
Contributions for endowment	516,262	626,982
Contributions for other restricted purposes, net	527,893	674,232
Contributions for expenses of future periods	2,862,446	592,571
Proceeds of long-term debt	27,722,609	18,084,235
Repayment of long-term debt	(294,975)	(881,342)
Repayment of demand loan	(510,423)	(477,196)
	30,823,812	18,619,482
(DECREASE) INCREASE IN CASH	(4,567,206)	6,769,818
CASH, BEGINNING OF YEAR	9,101,416	2,331,598
CASH, END OF YEAR	4,534,210	9,101,416

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED March 31, 2014, with comparative figures for 2013 **Statement 5**

	2014 $	2013 $
Accumulated remeasurement losses, beginning of year	(3,376,208)	-
Adjustment upon adoption of financial instruments standard PS3450	-	(3,604,742)
Unrealized gains (losses) attributable to:		
Investments	(237,718)	(159,240)
Derivative - interest rate swap	662,633	161,140
Amounts reclassified to the statement of operations:		
Disposition of investments	255,750	226,634
Net remeasurement gains for the year	680,665	228,534
Accumulated remeasurement losses, end of year	(2,695,543)	(3,376,208)

See accompanying notes to the financial statements

General
Mohawk College of Applied Arts and Technology, established in 1966, is an Ontario College of Applied Arts and Technology duly established pursuant to Ontario regulation 34/03 made under the Ontario Colleges of Applied Arts and Technology Act, 2002. The College is an agency of the Crown and provides post secondary, vocationally oriented education in the areas of applied arts, business, health sciences and technology.

The College is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation

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 NPOs").

These financial statements do not reflect the assets, liabilities and results of operations of the various student organizations or The Mohawk College Foundation which is a separate public foundation.

(b) Revenue recognition

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

Operating grants from the Ministry of Training, Colleges and Universities ("MTCU") and other government agencies are recorded as revenue in the year to which they relate. Grants approved but not received at 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 the subsequent year.

Revenue from tuition fees, contracts and sales from ancillary operations is recognized when the services are provided or the goods are sold 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 amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable.

Endowment contributions 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 recognized. Unrestricted investment income is recognized as revenue when earned.

(c) Inventories

Inventories consist primarily of items held for resale in the Campus Stores. Inventories are valued at the lower of cost and net realizable value.

(d) Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Donated capital assets are recorded at their fair market value at the date of donation. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(d) Capital assets (continued):

capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to residual value. Construction in progress is recorded separately on the statement of financial position until construction is complete and the asset is put into operational use. Remaining capital assets are amortized on a straight-line basis over their estimated useful lives using the following rates:

Asset Class	Rate
Land	n/a
Buildings	40 years
Portables & roof replacement	20 years
Site improvements	10 years
Major equipment	10 years
Furniture & equipment	5 years
Vehicles	5 years
Computers & software	3 years

(e) Vacation pay

The College recognizes vacation pay as an expense on the accrual basis.

(f) 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 of salary escalation, employees' 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 based on the effective yield of Ontario bonds (trading on the market) that approximate the weighted average duration of the cashflows for the employee future benefits.

(g) Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at fair value or amortized cost. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight line method.

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(g) Financial Instruments (continued):

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of revenue and expenditures and any unrealized gains/losses are adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of revenue and expenditures.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(h) Management estimates

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 expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of fair value for long-term investments, allowance for doubtful accounts, useful lives of capital assets, interest rate swap and actuarial estimation of post-employment benefits and compensated absences liabilities.

2. CASH:

The College's bank accounts are held at two chartered banks. The bank account earned interest at prime less 1.70%. Cash is carried at fair market value.

3. INVESTMENTS:

Investments are held with the College's investment management firm and consist of the following:

	Level	2014 $	2013 $
Pooled Investments			
Bonds	2	5,135,882	6,026,896
Equities	2	5,245,017	3,317,995
Cash	2	1,100,398	1,013,649
Total Pooled Investments		11,481,297	10,358,540
Segregated Investments			
Bonds	1	47,486,077	32,106,216
Cash	1	836,616	9,083,206
Total Segregated Investments		48,322,693	41,189,422
Total Investments		59,803,990	51,547,962

3. INVESTMENTS (continued):

The total cost of the investment portfolio is $59,275,587 (2013 – $51,523,228).

There were no significant transfers between Levels 1 and 2 for the years ended March 31, 2014 and 2013. There were no transfers in or out of Level 3.

Maturity profile of bonds held is as follows:

	March 31, 2014				
	Within 1 year $	2 to 5 years $	6 to 10 years $	Over 10 years $	Total $
Carrying value	6,617,943	26,837,956	17,221,178	1,944,882	52,621,959
Percent of Total	12%	51%	33%	4%	100%

The College's bond portfolio has interest rates ranging from 1.25% to 8.25% (2013 – 1.24% to 8.10%).

4. LONG TERM INVESTMENT:

Long term investments are carried at cost. As at March 31, 2014 the long term investment consists of investment in land of $873,472 (2013 – $873,472). In October 1995, the College purchased land in conjunction with Hillfield-Strathallan College for undetermined future use.

In addition, the College controls Mohawk College Enterprise Corporation ("MCE") and is the only registered holder of issued and outstanding MCE shares (2014 – $100; 2013 – $100) and accounts for the investment using the modified equity method. Under the modified equity approach, the College makes no adjustment to the amounts disclosed or recognized in its financial statements for these differences. MCE undertakes and carries out education training programs and consulting projects for and on behalf of businesses and industries. MCE is the exclusive provider of corporate training on behalf of the College. MCE is a for-profit organization and was incorporated under the Business Corporations Act (Ontario) by Certificate of Incorporation dated April 1, 2010. The Board of Directors is approved by the College and the Shareholder Declaration provides for limitations on certain activities and actions on the part of MCE without the express consent of the College.

Mohawk College Enterprise Balance Sheet	**2014 $**	**2013 $**
Total assets	701,260	509,019
Total liabilities	1,033,379	1,066,295
Total net assets	(332,119)	(557,276)
	701,260	509,019

Mohawk College Enterprise Statement of Operations & Retained Deficit	**2014 $**	**2013 $**
Total revenue	2,939,304	2,158,645
Total expenses	2,714,147	2,226,954
Income (loss) before income taxes	225,157	(68,309)
Income taxes	-	-
Net income (loss) for the year	225,157	(68,309)
Retained deficit, beginning of year	(557,376)	(489,067)
Retained deficit, end of year	(332,219)	(557,376)

4. LONG TERM INVESTMENT (continued):

Mohawk College Enterprise Statement of Cash Flows	**2014 $**	**2013 $**
Cash flows from operating activities	47,579	50,203
Cash flows from financing activities	(29,592)	134,724
Net cash flows	17,987	184,927

The loss on the investment in MCE has been included in accounts payable and accrued liabilities.

5. LONG TERM RECEIVABLE:

Long term receivables held by the College consist of the following:

	2014 $	**2013 $**
MCE receivable	409,344	435,689
DBARC student levy receivable	34,803,705	-
Pledges receivable	82,941	129,426
Less: Current portion of long-term receivable	(747,682)	-
	34,548,308	565,115

Included in long-term receivable, the College has entered into a loan agreement with MCE to provide financing up to $500,000 for MCE working capital needs. The total amount borrowed including interest at prime rate plus 3% per annum as at March 31, 2014 is $409,344 (2013 – $435,689). MCE may pay the indebtedness in whole or in part on demand. The College has waived their right to demand repayment during the next fiscal year.

In April 2012, the Mohawk Students Association entered into an agreement with the College to establish a new compulsory student activity fee (the “ARC Fee”) to finance the building of the Athletic and Recreation Center (the “DBARC”). In November 2013, the DBARC construction was completed. The annual principal and interest payments on the long-term debt incurred to finance construction will be provided by the future ARC Fee student levies. The total principal and interest payments amount has been discounted at a rate of 4.762% and the current amount receivable is $34,803,705. The current portion of long-term receivable represents the principal loan payments due within one year.

6. CAPITAL ASSETS:

	Cost $	**Accumulated Amortization $**	**2014 Net Book Value $**	**2013 Net Book Value $**
Land	3,183,775	-	3,183,775	3,172,775
Buildings	148,906,368	38,865,907	110,040,461	80,458,251
Portables & roof replacement	6,466,503	1,229,271	5,237,232	2,533,178
Site improvements	46,946,946	15,160,814	31,786,132	19,409,961
Major equipment	18,480,114	11,173,806	7,306,308	6,219,090
Furniture & equipment	18,220,674	14,049,237	4,171,437	2,692,359
Vehicles	1,100,195	694,811	405,384	511,424
Computers & software	17,980,119	14,711,386	3,268,733	2,906,022
Computers – Leased	12,394	12,394	-	-
	261,297,088	95,897,626	165,399,462	117,903,060

7. DEFERRED REVENUE:

Deferred revenue consists of the following:

	2014 $	2013 $
MTCU grants	292,047	225,817
Student fees	14,289,404	15,843,455
Contracts	4,235,794	1,699,049
Student residence	358,912	314,526
Other	543,791	306,866
	19,719,948	18,389,713

8. LONG TERM DEBT:

	2014 $	2013 $
Interest free and unsecured loan payable to Varian Medical Systems, payable in annual instalments of $45,597, due July 18, 2014. The effective interest rate is 3.0%.	-	44,269
Unsecured loan payable to Ontario Financing Authority, at 4.183%, payable in blended monthly instalments of $40,673, due September 2, 2031.	6,029,778	6,279,157
Unsecured construction period loan advance up to a maximum of $35,000,000 payable to Ontario Financing Authority. Interest on advances is subject to three month Ontario Treasury Bill Rate plus 0.425%. Loan was termed out November 25, 2013 at 4.762%, payable in blended semi-annual instalments of $1,198,162, due November 25, 2038.	34,805,517	18,084,235
Unsecured loan payable to the Ontario Financing Authority at 3.855%, payable in blended semi-annual instalments of $486,267, due November 29, 2028.	11,000,000	-
	51,835,295	24,407,661
Less current portion	1,541,877	293,647
	50,293,418	24,114,014

Principal repayments for the next five years and thereafter:

2015		1,541,877
2016		1,609,711
2017		1,680,557
2018		1,731,404
2019		1,830,845
Thereafter		43,440,901
	$	51,835,295

9. DEMAND LOAN:

The College has a demand credit facility with a Canadian chartered bank. Interest is charged at prime. Borrowing is unsecured and subject to a credit spread of 100 basis points. To reduce the interest rate risk on the loan, the College entered into an interest rate swap contract that entitles the organization to receive interest at floating rates and obliges it to pay interest at a fixed rate of 7.75% (including the credit spread). The swap contract provides for amortization over 25 years.

The fair value of the interest rate swap of $2,469,837 (2013 – $3,132,469) is recorded on the statement of financial position. The change in fair value of the interest rate swap is recorded in the statement of remeasurement gains and losses, with no impact on the College's excess of revenue over expenditures.

10. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES:

The following tables outline the components of the College's post-employment benefits and compensated absences liabilities and related expenses.

	March 31, 2014			
	Post-employment benefits $	Non-vesting sick leave $	Vesting sick leave $	Total liability $
Accrued employee future benefit obligations	1,295,000	3,900,000	1,630,000	6,825,000
Value of plan assets	(205,000)	-	-	(205,000)
Unamortized actuarial gains (losses)	243,000	1,324,000	(519,000)	1,048,000
Total liability	1,333,000	5,224,000	1,111,000	7,668,000

	March 31, 2013			
	Post-employment benefits $	Non-vesting sick leave $	Vesting sick leave $	Total liability $
Accrued employee future benefit obligations	1,647,000	5,477,000	1,438,000	8,562,000
Value of plan assets	(197,000)	-	-	(197,000)
Unamortized actuarial gains (losses)	(47,000)	(64,000)	9,000	(102,000)
Total liability	1,403,000	5,413,000	1,447,000	8,263,000

10. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued):

	March 31, 2014			
	Post-employment benefits $	**Non-vesting sick leave $**	**Vesting sick leave $**	**Total expense $**
Current year benefit cost (recovery)	(30,000)	295,000	84,000	349,000
Interest on accrued benefit obligation	8,000	112,000	30,000	150,000
Amortized actuarial losses	5,000	9,000	3,000	17,000
Total expense (recovery)	(17,000)	416,000	117,000	516,000

	March 31, 2013			
	Post-employment benefits $	**Non-vesting sick leave $**	**Vesting sick leave $**	**Total expense $**
Current year benefit cost	114,000	305,000	77,000	496,000
Interest on accrued benefit obligation	10,000	132,000	38,000	180,000
Amortized actuarial losses	3,000	29,000	14,000	46,000
Total expense	127,000	466,000	129,000	722,000

The benefits paid out in the year were $1,111,000 (2013 – $1,294,000).

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

Retirement Benefits

CAAT Pension Plan
Substantially all 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 public colleges and related employers in Ontario. Contributions by the College on account of current service pension costs amounted to $10,078,902 (2013 – $9,445,143), which have been included in the statement of operations. Contributions by employees amounted to $9,908,018 (2013 – $9,426,366). 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, 2014 indicated an actuarial surplus of $525 million.

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 employees' tenure of service. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

10. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued):

The major actuarial assumptions employed for the valuation 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 2.7% (2013 – 2.1%).

(b) *Drug costs*

Drug costs were assumed to increase at a 9.0% rate for 2014 (2013 – 10.5%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034 for fiscal 2014 (2013 – 4.0%).

(c) *Hospital and other medical*

Hospital and other medical costs were assumed to increase at 4.0% per annum for fiscal 2014 (2013 – 4.5%).

(d) *Dental costs*

Dental costs were assumed to increase at 4.0% per annum for fiscal 2014 (2013 – 4.0%).

Compensated Absences

Vesting Sick Leave

The College has provided for vesting sick leave benefits during the year. Eligible Faculty employees, hired before April 1, 1991 and Administrative employees hired before July 1, 1974 are entitled to receive on termination or retirement, accumulated sick days multiplied by their actual daily rate to a maximum of six months salary. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer 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 College Employer Council.

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

	2014	**2013**
Wage and salary escalation	0%	0% - 2%
Discount rate	2.7%	2.1%

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 44.3 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

11. DEFERRED CONTRIBUTIONS:

a) Deferred contributions:

Deferred contributions represent unspent externally restricted scholarships, bursaries, grants and donations for student awards and student assistance. It also includes unspent endowment investment income.

	2014 $	2013 $
Balance, beginning of year	4,564,058	3,947,996
Additional contributions received	4,920,331	4,532,510
Less award payments & administrative expenses	(4,392,438)	(3,916,448)
Balance, end of year	5,091,951	4,564,058

Deferred contributions are comprised of:

	2014 $	2013 $
Endowment interest funds	2,032,504	1,688,316
Tuition set-aside funds	1,590,782	1,482,828
MTCU grants	566,677	531,608
Joint employment stability replacement fund	432,230	459,479
Scholarships and bursaries	462,533	389,919
Other	7,225	11,908
	5,091,951	4,564,058

b) Deferred contributions related to construction in progress:

Deferred contributions related to construction in progress represent the amount of ARC Levy fees received pertaining to the Athletic and Recreation Centre Building.

	2014 $	2013 $
Balance, beginning of year	760,687	111,445
Additional contributions received	94,687	608,042
Less amounts transferred to capital assets in the year	(760,687)	(111,445)
Add amounts transferred from deferred contributions related to expenses of future periods	-	152,645
Balance, end of year	94,687	760,687

11. DEFERRED CONTRIBUTIONS (continued):

c) Deferred contributions related to expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations intended to support primarily college-wide equipment and facility improvements and also provide student financial assistance.

	2014 $	2013 $
Balance, beginning of year	1,937,719	1,904,369
Additional contributions received	3,265,663	1,868,116
Less amounts recognized as revenue in the year	(403,217)	(1,275,545)
Less amounts transferred to deferred contributions related to capital assets	(1,411,829)	(406,576)
Less amounts transferred to deferred contributions related to construction in progress	-	(152,645)
Balance, end of year	3,388,336	1,937,719

Deferred contributions related to expenses of future periods are comprised of:

	2014 $	2013 $
MTCU	17,579	17,579
Donations	1,964,340	1,449,054
Other	1,406,417	471,086
	3,388,336	1,937,719

d) Deferred contributions related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants and other contributions received for the purchase of capital assets.

	2014 $	2013 $
Balance, beginning of year	81,381,494	84,803,706
Additional contributions received	35,802,356	1,054,545
Plus amounts transferred from deferred contributions related to construction in progress	760,687	111,445
Plus amounts transferred from deferred contributions related to expenses of future periods	1,411,829	406,576
Less amortization in the year	(6,073,847)	(4,994,778)
Balance, end of year	113,282,519	81,381,494

Deferred contributions related to capital assets are comprised of:

	2014 $	2013 $
MTCU	65,973,827	69,052,242
ARC Fees	33,956,646	-
Donations	9,525,153	8,835,636
Other	3,826,893	3,493,616
	113,282,519	81,381,494

12. INVESTMENT IN CAPITAL ASSETS:

The College's investment in capital assets is calculated as follows:

	2014 $	2013 $
Capital assets	165,399,462	117,903,060
Construction in progress	551,117	23,556,213
Investment in land	873,472	873,472
	166,824,051	142,332,745
Less:		
Current portion of long-term debt	(1,541,877)	(293,647)
Demand loan	(9,354,878)	(9,865,301)
Long-term debt	(50,041,456)	(24,019,661)
Deferred contributions related to construction in progress	(94,687)	(760,687)
Amounts funded by accounts payable	-	(1,738,094)
Deferred contributions related to capital assets	(78,731,111)	(81,381,494)
Investment in capital assets	27,060,042	24,273,861

Change in net assets invested in capital assets is calculated as follows:

	2014 $	2013 $
Deficiency of revenues over expenditures:		
Amortization of deferred capital contributions related to capital assets	6,073,847	4,994,778
Amortization of capital assets	(11,819,362)	(9,646,008)
	(5,745,515)	(4,651,230)
Net change in investment of capital assets:		
Purchase of capital assets and transfers from construction in progress	36,310,668	28,400,341
Amounts funded by term debt	(27,563,663)	(18,084,235)
Amounts funded by deferred capital contributions	(2,757,473)	(2,110,362)
Amounts funded by accounts payable	1,738,094	(1,738,094)
Repayment of term debt	804,070	1,358,538
Investment in capital assets	8,531,696	7,826,188

13. ENDOWMENT CONTRIBUTIONS:

Endowments represent restricted donations received by the College where the principal is required to be maintained intact. The investment income generated from these endowments must be used in accordance with the various purposes established by the donors. The College ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Investment income on endowments that was disbursed during the year has been recorded in the statement of operations since this income is available for disbursement as scholarships and bursaries and the donors' conditions have been met. The unspent portion of investment income is recorded in deferred contributions. Investment income on endowed assets recognized and deferred was $253,313 and $0 respectively (2013 – $326,226 and $155,728).

The College has the following endowment funds:

	2014	2013
	$	$
Ontario Student Opportunity Trust Funds (Schedule 3)	5,583,328	5,583,328
Ontario Trust for Student Support (Schedule 4)	6,987,092	6,648,546
Other	2,565,094	2,387,378
	15,135,514	14,619,252

14. INTERNALLY RESTRICTED ASSETS:

Net assets internally restricted by the Board of Governors represent specific initiatives, liabilities and other provisions. Internally restricted net assets are not available for other purposes without approval of the Board of Governors.

15. 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, debt holdings in its investment portfolio, long-term receivable, accounts receivable and grants receivable. The College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up to $100,000.

The College's investment policy operates within the constraints of the investment guidelines issued by the MTCU and puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis. The guidelines permit the College's funds to be invested in bonds issued by the Government of Canada, a Canadian province or a Canadian municipality having a rating of AAA or better.

The College's maximum exposure to credit risk is representative of the carrying value of cash, investments, accounts receivable, grants receivable, current portion of long-term receivable and long-term receivable which as at March 31, 2014 totals $116,885,793.

Accounts receivable are ultimately due from students. Credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population.

15. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued):

Grants receivable are due from government sources. The College works to ensure that all eligibility criteria are met in order to qualify to receive the funding.

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.

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

Market risk

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

The College's investment policy operates within the constraints of the investment guidelines issued by the MTCU. The policy's application is monitored by management, the investment managers and the board of governors. Diversification techniques are utilized to minimize risk. The Policy limits the investment in any one corporate issuer to a maximum of 10% of the College's total fixed income bonds.

During the year, the College updated its investment mix policy to decrease longer-term bond holdings and increase equity holdings. The College continues to operate within the constraints of the investment guidelines issued by the MTCU.

Currency risk

Currency risk relates to the College operating in different currencies and converting non-Canadian earnings at different points in time at different foreign levels when adverse changes in foreign currency rates occur. The College does not have any material transactions or financial instruments denominated in foreign currencies.

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

Interest rate risk

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

The College is exposed to this risk through its interest bearing investments, demand loan and long-term debt.

The College mitigates interest rate risk on its demand loan through a derivative financial instrument that exchanges the variable rate inherent in the term debt for a fixed rate (see Note 9). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the demand loan.

At March 31, 2014, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of bonds and the interest rate swap of $2,095,928 and $650,000 respectively. A 1% fluctuation in interest rates would have an estimated impact on interest income related to the College's long-term receivable of $4,789. The College's demand loan as described in Note 9 would not be impacted as the inherent variable rate of the debt has been fixed with the use of the aforementioned derivative interest rate.

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

15. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued):

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The College is exposed to this risk through its equity holdings within its investment portfolio. At March 31, 2014, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the College's equities of $524,502. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

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.

Derivative financial liabilities mature as described in Note 9.

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

16. THE MOHAWK COLLEGE FOUNDATION:

The College has an economic interest in the Mohawk College Foundation, which raises funds from the community and alumni to finance certain expenditures of the College. The Foundation's accounts are not included in these financial statements. The Foundation is incorporated under the Province of Ontario as a public foundation and is a registered charity under the Income Tax Act.

Effective January 1, 2012, the Foundation entered into a three year agreement with the College expiring December 31, 2014, with additional 3 year renewal terms available for licensing and management of the parking operations of the College.

The terms of the agreement are as follows:

The licence fee will be payable by the Foundation in equal monthly installments and in each subsequent year of the term, will be adjusted in line with the Consumer Price Index for all items in Ontario as published by Statistics Canada or by a similar appropriate index should Statistics Canada cease to publish the Consumer Price Index. The management fee will be payable monthly by the Foundation based on the actual salaries, benefits and non-salary operational expenses directly associated with the parking operations, excluding capital expenses directly related to the Parking areas.

17. COMPARATIVE FIGURES:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenditures.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
ANALYSIS OF OPERATING GRANTS, ANCILLARY AND OTHER REVENUE
FOR THE YEAR ENDED March 31, 2014, with comparative figures for 2013 **Schedule 1**

	2014 $	2013 $
OPERATING GRANTS REVENUE		
Operating grants and premise rentals	66,270,652	67,252,970
Apprenticeship	7,975,334	7,782,798
Capital support	213,170	395,136
Disability Services	1,123,455	1,222,248
Employment Services	2,286,698	2,048,388
Federal projects	2,097,696	2,802,754
Job Connect	319,205	368,456
Literacy & Basic Skills	2,192,796	2,199,566
Municipal tax grant	761,250	816,900
Termination gratuities	402,661	249,011
Other Ministry grants	5,674,670	5,310,610
	89,317,587	90,448,837
ANCILLARY REVENUE		
Campus stores	5,729,470	5,831,897
Student residence	2,894,170	2,949,884
Parking	2,406,495	2,193,814
Food services	911,401	904,392
Printing	130,065	206,505
Facility rentals	528,509	484,192
Student life	203,050	200,591
Athletic and recreation centre	53,753	-
Other	370,680	131,011
	13,227,593	12,902,286
OTHER REVENUE		
Contract training projects	2,591,499	2,237,688
International projects	173,299	173,174
Investment income	1,245,682	992,343
Student government	286,117	266,811
Donations	769,034	1,605,096
Miscellaneous	6,683,893	5,137,055
	11,749,524	10,412,167

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
ANALYSIS OF ANCILLARY EXPENDITURES
FOR THE YEAR ENDED March 31, 2014, with comparative figures for 2013 **Schedule 2**

	2014 $	2013 $
Salaries and benefits	1,473,689	1,458,566
Cost of sales	4,183,961	4,220,912
Contracted services and professional fees	1,499,649	1,042,923
Supplies and other expenses	973,531	1,073,208
Utilities, maintenance and taxes	1,464,238	1,205,518
Instructional supplies	175	11,422
	9,595,243	9,012,549

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
ANALYSIS OF ONTARIO STUDENT OPPORTUNITY TRUST FUND (OSOTF I)
FOR THE YEAR ENDED March 31, 2014, with comparative figures for 2013 **Schedule 3**

	2014 (Book Value) $	2013 (Book Value) $
Endowment Fund Balance		
Fund Balance, beginning and end of year	5,520,998	5,520,998
Expendable Funds Available for Awards		
Balance, beginning of year	700,155	654,099
Investment income, net of related expenses	108,044	170,422
Awards issued (2014-#87; 2013-#170)	(124,761)	(124,366)
Balance, end of year	683,438	700,155

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2014 were $5,520,998 and $879,945 respectively.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
ANALYSIS OF ONTARIO STUDENT OPPORTUNITY TRUST FUND (OSOTF II)
FOR THE YEAR ENDED March 31, 2014, with comparative figures for 2013

	2014 (Book Value) $	2013 (Book Value) $
Endowment Fund Balance		
Fund Balance, beginning and end of year	62,330	62,330
Expendable Funds Available for Awards		
Balance, beginning of year	13,499	11,434
Investment income, net of related expenses	1,236	2,065
Balance, end of year	14,735	13,499

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2014 were $62,330 and $17,387 respectively.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
ANALYSIS OF ONTARIO TRUST FOR STUDENT SUPPORT (OTSS)
FOR THE YEAR ENDED March 31, 2014, with comparative figures for 2013 **Schedule 4**

	2014 (Book Value) $	2013 (Book Value) $
Endowment Fund Balance		
Fund Balance, beginning of year	6,648,546	6,326,646
Cash donations received	338,546	321,900
Fund Balance, end of year	6,987,092	6,648,546
Expendable Funds Available for Awards		
Balance, beginning of year	393,988	323,648
Investment income, net of related expenses	122,717	178,968
Cash donations received	-	18,950
Awards issued (2014-#156; 2013-#129)	(144,576)	(127,578)
Balance, end of year	372,129	393,988

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2014 were $6,987,092 and $611,420 respectively.