Financial Statements of

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year ended March 31, 2005

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AUDITORS' REPORT

To the Governors of
Northern College of Applied Arts and Technology

We have audited the following statements of **Northern College of Applied Arts and Technology** as at March 31, 2005 and for the year then ended:

Statement of Financial Position
Statement of Operations and Changes in Net Assets
Statement of Cash Flows

These financial statements are the responsibility of the College's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Sudbury, Canada
May 19, 2005

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Cash	$ 2,469,703	$ 2,490,382
Accounts receivable	1,067,996	1,235,810
Grants receivable	761,229	768,741
Inventories and prepaid expenses	80,340	65,741
Investments (note 2)	1,246,873	670,419
	5,626,141	5,231,093
Investments (note 2)	5,163,192	4,366,269
Capital assets (notes 3 and 9)	14,459,570	14,646,211
	$ 25,248,903	$ 24,243,573
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	$ 2,849,128	$ 3,702,861
Vacation payable (note 5)	1,635,918	1,637,985
	4,485,046	5,340,846
Post employment and sick leave (note 5)	1,701,768	1,707,750
Long-term debt (note 6)	5,053,221	5,082,098
Deferred contributions (note 7)	1,524,721	1,129,149
Deferred capital contributions (note 8)	9,736,071	9,528,054
Net Assets:		
Unrestricted:		
Operating	307,082	(968,450)
Employment-related	(3,337,686)	(3,345,735)
Capital (note 9)	1,765,768	1,874,362
Restricted and endowment	4,012,912	3,895,499
	2,748,076	1,455,676
Commitments (note 12)		
Contingency (note 14)		
	$ 25,248,903	$ 24,243,573

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Chair, Board of Governors

______________________________ President

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations and Changes in Net Assets

Year ended March 31, 2005, with comparative figures for 2004

	Operating		Equity in	Restricted		
	Current operations	Employment-related	capital assets	and Endowment	Total 2005	Total 2004
	(Schedules)	(note 2)		(Schedule)		
Revenue:						
Grants and reimbursements	$ 22,270,771	-	-	-	22,270,771	20,483,262
Tuition fees	3,024,894				3,024,894	3,428,964
Ancillary sales and services	1,501,591				1,501,591	1,080,127
Other	2,345,840				2,345,840	2,110,795
Amortization of deferred capital contributions			891,428		891,428	729,575
Restricted				249,720	249,720	255,428
Investment income	157,651		197,588	125,478	480,717	478,296
	29,300,747		1,089,016	375,198	30,764,961	28,566,447
Expenses:						
Academic	13,593,025				13,593,025	13,910,752
Administration	3,835,826				3,835,826	3,888,771
Student services	2,022,451				2,022,451	2,113,203
Plant and property	2,449,954				2,449,954	2,406,050
Community services	941,902				941,902	918,969
Employment training programs	3,547,489				3,547,489	2,538,937
Ancillary	1,375,652				1,375,652	1,064,312
Amortization of capital assets			1,456,526		1,456,526	1,280,625
Restricted				447,404	447,404	282,181
Employment related		(8,049)			(8,049)	223,989
	27,766,299	(8,049)	1,456,526	447,404	29,662,180	28,627,789
Excess (deficiency) of revenue over expenses	1,534,448	8,049	(367,510)	(72,206)	1,102,781	(61,342)
Net assets, beginning of year	(968,450)	(3,345,735)	1,874,362	3,895,499	1,455,676	1,134,901
Ontario Student Opportunity Trust Fund contributions	-	-	-	189,619	189,619	382,117
Transfer for capital assets (note 9)	(258,916)	-	258,916	-	-	-
Net assets, end of year	307,082	(3,337,686)	1,765,768	4,012,912	2,748,076	1,455,676

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

March 31, 2005, with comparative figures for 2004

	2005	2004
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	$ 1,102,781	$ (61,342)
Adjustments for:		
Amortization of deferred capital contributions (note 8)	(891,428)	(729,575)
Amortization of capital assets	1,456,526	1,280,625
Increase (decrease) in post-employment and sick leave	(5,982)	52,926
	1,661,897	542,634
Changes in non-cash working capital (note 13)	(695,073)	(86,781)
	966,824	455,853
Cash flows from financing and investing activities:		
Endowment contributions	189,619	382,117
Purchase of capital assets	(1,269,885)	(721,692)
Deferred capital contributions	1,099,445	465,613
Deferred contributions	395,572	206,908
Purchase of investments	(1,690,504)	(1,349,925)
Proceeds from disposition of investments	497,723	1,358,000
Increase in value of long-term investments	(180,596)	(180,923)
Principal repayment of long-term debt	(28,877)	(61,902)
	(987,503)	98,196
Net increase (decrease) in cash	(20,679)	554,049
Cash, beginning of year	2,490,382	1,936,333
Cash, end of year	$ 2,469,703	$ 2,490,382

See accompanying notes to financial statements.

1. Significant accounting policies:

(a) Fund accounting:

The accounts are maintained in accordance with the principles of fund accounting. The operating fund accounts for transactions related to current operations. The capital fund accounts for capital assets and the transactions related to their acquisition, disposal, debt commitments and amortization. Restricted and endowment funds consist of scholarships and bursaries for future students of the College and other special projects whose funds are administered by the College as well as endowments from the Ontario Student Opportunity Trust Funds which report the resources contributed under these matching programs.

(b) Revenue recognition:

The College accounts for contributions under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grant amounts relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Grants approved but not received are accrued.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period 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 rates corresponding to those of the related capital assets.

Contributions received for endowment are reported as an increase in the endowment fund balance. Interest income earned on the resources of this endowment fund is reported in the restricted fund.

Tuition fees are recorded as revenue of the academic terms to which they apply.

(c) Investments:

Investments are recorded at cost plus accrued interest.

1. Significant accounting policies (continued):

(d) Capital assets:

Capital asset purchases are recorded at cost. Property and equipment that are donated are recorded at their fair market value at the date of acquisition. Amortization of capital assets is recorded on the straight-line basis over the following periods:

Buildings	40 years
Site improvements and parking lots	20 years
Courthouse renovations	10 years
Furniture and equipment	5 years

(e) Employment-related obligations:

Vacation entitlements are accrued for as entitlements are earned (note 5).

Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the College (note 5).

For the post-employment benefits (continuation of life, medical and dental during LTD), these benefits are accounted on a terminal basis, in comparison to the non-pension post-retirement benefit which is accounted on an accrual basis. This means that the liability for the post-employment benefit is accrued only when a LTD claim occurs. For these benefits, the full change in the liability is being recognized immediately as an expense in the year (note 5).

(f) Use of estimates:

The preparation of the 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Investments:

	2005	2004
9.50% Province of Ontario, Bond due July 13, 2012	$ 2,319,031	$ 2,121,453
6.23% Ford Credit, Term Note due December 17, 2007	280,410	278,716
3.83% Laurentian Bank of Canada, GIC due April 11, 2005	335,000	335,000
4.00% CIBC, Step-Up Bond due October 6, 2010	600,000	–
7.65% Power Financial Corporation, Debenture, due January 5, 2006	576,873	–
6.20% GMAC, Term Note due April 14, 2005	335,000	335,419
6.15% TCP Ltd., Term Note due October 1, 2007	396,382	400,789
5.90% General Motors Acceptance Corporation, Term Note due September 6, 2007	547,000	547,000
5.25% Canada Mortgage and Housing Corporation, Bond due December 1, 2006	520,369	520,588
3.50% CIBC, Step-Up Bond due December 15, 2009	500,000	–
7.00% Laurentian Bank of Canada, Bond due December 15, 2009	–	497,723
	6,410,065	5,036,688
Less current portion	1,246,873	670,419
	$ 5,163,192	$ 4,366,269

The market value of investments at March 31, 2005 is approximately $7,308,477 (2004 - $6,032,000).

By Board resolution, the 9.5% Province of Ontario investment will be used at maturity to retire the loan payable to the Canada Pension Plan (note 6).

3. Capital assets:

	2005		2004	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 169,570	–	169,570	–
Buildings	28,345,180	16,194,565	28,345,180	15,485,936
Site improvements and parking lots	310,892	232,188	310,892	220,228
Courthouse renovations	596,101	372,563	596,101	312,953
Furniture and equipment	10,258,893	8,421,750	8,989,008	7,745,423
	39,680,636	25,221,066	38,410,751	23,764,540
Less accumulated amortization	25,221,066		23,764,540	
	$ 14,459,570		14,646,211	

4. Accounts payable and accrued liabilities:

	2005	2004
Trade and other	$ 2,267,754	$ 2,623,495
Payroll related liabilities	581,374	776,102
Ontario Student Assistance Program (OSAP) default	–	303,264
	$ 2,849,128	$ 3,702,861

5. Employment related obligations:

	2005	2004
Vacation pay	$ 1,635,918	$ 1,637,985

	2005	2004
Non-pension post-employment obligations	$ 1,159,000	$ 1,193,000
Sick leave benefits	542,768	514,750
	$ 1,701,768	$ 1,707,750

The accrued benefit obligations accrued at March 31, 2005 amounted to $923,000 (2004 - $1,208,000). The net unamortized actuarial gain and plan assets were $236,000 (2004 - $(15). Benefit plan interest and current service costs recorded in the year were $118,000 (2004 - $45,000) and the amortization of actuarial gain of $Nil (2004 - $Nil). The benefits paid out in the year were $46,000 (2004 - $52,000). These amounts represent the results of the actuarial valuation completed in April 2005.

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best estimates. The following represents the true significant assumptions made:

	2005	2004
Discount rate	5.25%	5.5%
Health Care Trend Rate		
- Drugs (downgraded to 5% in 2010)	9%	9%
- Hospital and other medical	5%	5%
- Dental cost	4%	4%

The College is liable to pay 50% of certain faculty members' accumulated sick leave credits on termination or retirement after ten years service. The MTCU currently undertakes the annual funding of these expenditures.

6. Long-term debt:

The hydro retrofit assets acquisition was financed through a five year term loan with the Royal Bank, bearing interest at 5.15%.

Under the existing terms and rates, principal due to maturity is as follows:

2006	$ 62,472
2007	65,731
2008	69,160
2009	416,858
	$ 614,221

The balance of the long-term debt of $4,439,000 is a loan payable to the Canada Pension Plan. The loan bears a fixed interest rate of 9.17% and is secured by a first mortgage on the student residence at the Porcupine campus. Under the terms of the loan agreement, interest payments of $203,528 are made semi-annually and the principal amount will be repaid on July 1, 2012 (note 2).

7. Deferred contributions:

	2005	2004
Balance, beginning of year	$ 1,129,149	$ 922,241
Additional contributions received	6,032,421	5,120,430
Amounts taken into revenue	(5,636,849)	(4,913,522)
Balance, end of year	$ 1,524,721	$ 1,129,149

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized balance of donations and grants received for capital asset acquisitions.

Details of the continuity of these funds are as follows:

	2005	2004
Balance, beginning of year	$ 9,528,054	$ 9,792,016
Additional capital contributions	1,099,445	465,613
Less amounts amortized to revenue	(891,428)	(729,575)
Balance, end of year	$ 9,736,071	$ 9,528,054

9. Capital fund:

a) The equity in capital assets is calculated as follows:

	2005	2004
Capital assets	$ 14,459,570	$ 14,646,211
Amounts financed by:		
Deferred capital contributions	(9,736,072)	(9,528,054)
Long-term mortgage debt net of sinking-fund investment (notes 3 and 6)	(2,119,970)	(2,317,547)
Interfund loan (note 10)	(223,539)	(283,150)
Other long-term debt	(614,221)	(643,098)
	$ 1,765,768	$ 1,874,362

b) Transfer for capital assets:

	2005	2004
Purchase of capital assets	$ 1,269,885	$ 721,692
Amounts funded by deferred capital contributions	(1,099,447)	(465,614)
Repayments on long-term obligations	28,869	61,902
Interfund loan repayment for courthouse renovations	59,609	59,609
	$ 258,916	$ 377,589

10. Interfund loan:

A loan was established between the operating fund and the capital fund to fund the renovations necessary to lease a section of the Kirkland Lake campus to the Attorney General for a courthouse (note 12(a)). The interfund loan is being repaid over the ten year lease term, consistent with the depreciation of related capital assets (note 3).

11. Pension plan:

Employees are participants in the contributory retirement pension plans administered by The Colleges of Applied Arts and Technology Pension Plan. Under these arrangements, the College makes contributions equal to those of the employees. Contributions made by the College during the year amounted to approximately $1,005,000 (2004 - $796,000).

12. Commitments:

(a) The College has a ten year lease to the Attorney General of a section of its Kirkland Lake campus for a courthouse at $117,591 per year. The lease expires November 2008 (notes 3 and 10).

(b) The College has entered into agreements to lease certain equipment. The leases have options whereby the College is able to either purchase the equipment at the end of the lease or return the equipment to the lessor. The total annual minimum lease payments to maturity are approximately as follows:

2005	$ 247,000
2006	127,000
2007	34,000
2008	10,000
2009	4,600
	$ 422,600

13. Changes in non-cash working capital:

	2005	2004
Accounts receivable	$ 167,814	$ (394,638)
Grants receivable	7,512	(16,768)
Inventories and prepaid expenses	(14,599)	9,645
Accounts payable and accrued liabilities	(853,733)	135,991
Vacation pay	(2,067)	178,989
	$ (695,073)	$ (86,781)

14. Contingency:

As at March 31, 2005, certain legal actions are pending against the College. An estimate of the contingency cannot be made since the outcome of these matters is indeterminate. Should any loss result from the resolution of these matters, such loss would be charged to operations in the year of disposition.

15. Fair value of financial assets and financial liabilities:

The carrying values of cash, accounts receivable, grants receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items.

The fair value of the long-term debt amounts to approximately $5.8 million as compared to its carrying amount of $5.053 million. The fair value of this instrument was calculated using the future cash flows (principal & interest) of the actual outstanding debt instrument, discounted at current market rates available to the College for a similar instrument.

Information concerning investments is provided in note 2. The investments have a current market value of $7 million as compared to a carrying value of $6 million.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Continuity of Restricted and Endowment Funds

Year ended March 31, 2005

Restricted Funds

	Balance beginning of year	Additions	Scholarships and other disbursements	Balance end of year
South Region	$ 158,969	33,794	22,755	$ 170,008
North Region	113,404	96,235	37,311	172,328
College-wide	287,538	129,430	238,389	178,579
Board of Governors				
- Entrance scholarship	39,490	910	13,500	26,900
- Mature Student bursary	16,703	585		17,288
J.H. Drysdale Award	63,749	2,214	500	65,463
Ontario Student Opportunity Disbursements Fund	85,568	112,030	134,949	62,649
	$ 765,421	375,198	447,404	$ 693,215

Endowment Funds

	Balance beginning of year	Additions	Disbursements	Balance end of year
Ontario Student Opportunity Trust Fund 1	$ 2,748,699	100	-	$ 2,748,799
Ontario Student Opportunity Trust Fund 2	381,379	189,519	-	570,898
	$ 3,130,078	189,619	-	$ 3,319,697

Total restricted and endowment funds	$ 3,895,499			$ 4,012,912

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Fund Revenues

March 31, 2005, with comparative figures for 2004

	2005	2004
Grants and reimbursements:		
Post Secondary:		
General operating grant	$ 8,807,357	$ 9,060,146
Final diploma nursing grant	335,950	914,834
Special support grants	4,139,253	2,464,784
Grant for municipal taxation	100,575	115,350
Rental add-on grant	624,651	602,917
	14,007,786	13,158,031
Industrial Skills and Adult Training:		
Federal Programs	2,620,849	1,908,140
Apprenticeship per diem grant	415,047	366,723
Literacy and Basic Skills/Ontario Basic Skills program	859,222	832,075
Employment programs	2,422,266	2,278,910
	6,317,384	5,385,848
Special Purpose Grants:		
Aboriginal projects	300,000	300,000
Plant	331,964	361,805
Special needs	275,258	269,980
Day care and social services funding	604,054	609,689
Termination / sick leave buyout recovery	34,858	14,568
OSAP special bursaries	379,892	363,588
Other	19,575	19,753
	1,945,601	1,939,383
	$ 22,270,771	$ 20,483,262

	2005	2004
Tuition fees:		
Post-secondary	$ 2,858,745	$ 3,261,128
Industrial skills and adult training	166,149	167,836
	$ 3,024,894	$ 3,428,964

	2005	2004
Other revenue:		
Daycare fees	$ 224,113	$ 178,601
Special employment programs	59,719	76,666
Rents	199,992	199,989
Other fees	1,688,599	1,441,117
Miscellaneous	173,417	214,422
	$ 2,345,840	$ 2,110,795

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Expense by Cost Object

Year ended March 31, 2005, with comparative figures for 2004

	Academic	Administration	Student Services	Plant and Property	Community Services	Employment Training Programs	Total 2005	Total 2004
Academic salaries	$ 7,353,457	99,710	91,781	-	-	-	7,544,948	$ 8,111,564
Administration salaries	604,426	797,840	58,503	34,000	33,547	143,570	1,671,886	1,561,144
Support salaries	1,210,043	1,163,443	960,363	597,737	532,537	945,157	5,409,280	5,259,507
Stipends and allowances	10,400	17,621	379,892	-	-	1,975,248	2,383,161	1,509,102
Fringe benefits	1,574,469	432,582	245,106	126,113	126,872	218,889	2,724,031	2,615,158
Instructional supplies	938,457	1,771	88,987	-	7,596	17,859	1,054,670	891,129
Field work	14,451	-	4,795	-	38,047	-	57,293	55,784
Staff employment	-	6,466	-	-	-	-	6,466	8,311
Professional development	-	134,162	1,026	-	537	3,830	139,555	97,469
Travel	183,449	115,766	28,015	746	640	22,448	351,064	339,121
Promotion and advertising	57,498	12,639	284,671	-	-	18,350	373,158	327,172
Equipment maintenance	38,826	28,887	846	24,101	778	3,661	97,099	128,344
Telecommunications	27,352	169,147	1,857	282	1,911	27,221	227,770	227,620
Office supplies	129,216	241,596	79,785	1,979	502	15,046	468,124	554,293
Janitorial	163	19,499	-	29,132	12,772	-	61,566	100,074
Facilities maintenance	1,373	-	-	244,061	95,487	25,772	366,693	384,959
Vehicle	-	-	-	9,874	110	-	9,984	11,181
Insurance	-	230,717	-	-	-	-	230,717	223,179
Interest	193	27,228	-	32,908	-	-	60,329	32,637
Professional fees	155,659	208,024	3,971	-	-	7,500	375,154	447,712
Contracted services	768,598	51,246	79,745	293,511	-	3,000	1,196,100	1,131,703
Utilities	-	-	-	921,631	566	-	922,197	832,381
Municipal taxation	-	-	-	100,575	-	-	100,575	115,350
Rentals	524,995	77,482	16,372	33,304	90,000	119,938	862,091	905,904
OSAP default	-	-	(303,264)	-	-	-	(303,264)	(102,042)
	$ 13,593,025	3,835,826	2,022,451	2,449,954	941,902	3,547,489	26,390,647	25,768,756
Ancillary expense							1,375,652	1,064,312
Total expense							$ 27,766,299	$ 26,833,068

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Ancillary Revenue and Expenses

Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
Bookstore Operations		
Revenue	$ 165,613	$ 112,651
Operating expenses	13,234	2,710
Excess of revenue over expense	$ 152,379	$ 109,941
Student Residence Operations		
Revenue:		
Rent	$ 394,984	$ 356,606
Service charges	17,859	22,150
	412,843	378,756
Expense:		
Operating	315,944	272,995
Interest	407,056	407,056
	723,000	680,051
Deficiency of revenue over expense	$ (310,157)	$ (301,295)
Parking Grounds Operations		
Revenue	$ 56,251	$ 49,744
Operating expenses	51,738	48,137
Excess of revenue over expense	$ 4,513	$ 1,607
Ancillary Facilities Operations		
Revenue	$ 866,884	$ 538,976
Operating expense	587,680	333,414
Excess of revenue over expense	$ 279,204	$ 205,562