



Financial Statements

The Confederation College of Applied
Arts and Technology

March 31, 2014

Independent Auditor's Report

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To the Board of Governors of
The Confederation College of Applied Arts and Technology

We have audited the accompanying financial statements of The Confederation 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 financial assets, remeasurement gains and losses, and cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other matters

The financial statements of The Confederation College of Applied Arts and Technology for the year ended March 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on June 6, 2013.

Grant Thornton LLP

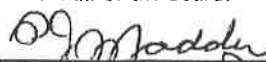
Thunder Bay, Canada
June 5, 2014

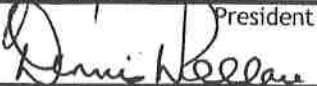
Chartered Accountants
Licensed Public Accountants

**The Confederation College of
Applied Arts and Technology
Statement of Financial Position**

As at	March 31, 2014	March 31, 2013
Assets		
Current		
Cash	\$ 4,511,593	\$ 494,209
Accounts receivable (Note 3)	6,082,524	7,488,342
Temporary investments (Note 2)	5,099,249	7,000,000
Inventory	727,178	569,060
Current portion of notes and long-term receivable	32,861	60,915
Grants receivables	756,245	710,402
Prepaid expenses	370,025	194,580
	<u>17,579,675</u>	<u>16,517,508</u>
Investment portfolio - endowments restricted (Note 4)	7,602,440	6,996,785
Notes and long-term receivable	7,030	16,440
Construction in progress (Note 5)	5,751,540	4,860,026
Capital assets (Note 6)	42,710,652	46,132,348
	<u>\$ 73,651,337</u>	<u>\$ 74,523,107</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 6,457,410	\$ 4,688,574
Deferred revenue (Note 8)	3,098,944	3,771,866
Vacation pay	3,137,638	2,850,095
Current portion of long-term debt (Note 9)	398,172	379,131
	<u>13,092,164</u>	<u>11,689,666</u>
Post-employment benefits and compensated absences (Note 10)	2,715,000	2,880,000
Deferred capital contributions (Note 11)	37,535,925	40,851,003
Deferred capital contributions - construction in progress (Note 11)	5,751,539	4,860,231
Long-term debt (Note 9)	1,749,258	1,673,699
	<u>60,843,886</u>	<u>61,954,599</u>
Net Assets		
Unrestricted		
Operating	\$ 6,380,268	\$ 6,737,914
Post-employment benefits and compensated absences	(2,715,000)	(2,880,000)
Vacation Pay	(3,137,638)	(2,850,095)
	<u>527,630</u>	<u>1,007,819</u>
Invested in capital assets (Note 12)	3,166,158	3,246,816
Internally restricted (Note 13)	1,549,324	1,317,088
Endowments restricted (Note 14)	7,564,339	6,996,785
	<u>12,279,821</u>	<u>11,560,689</u>
	<u>12,807,451</u>	<u>12,568,508</u>
	<u>\$ 73,651,337</u>	<u>\$ 74,523,107</u>

On behalf of the Board:



 President


 Chair, Board of Governors

The Confederation College of Applied
Arts and Technology
Statement of Operations

For the years ended March 31	2014	2013
Revenue		
Grants and reimbursements	\$ 45,303,614	\$ 43,259,532
Tuition revenue	14,239,825	13,478,593
Contract training	2,472,337	8,024,226
Amortization of deferred capital contributions (Note 11)	3,785,171	3,896,106
Other income	2,566,987	3,487,209
Donation revenue	378,521	
Income - restricted funds	145,082	164,694
Ancillary operations	3,640,928	3,619,048
	72,532,465	75,929,408
Expenses		
Salaries and benefits	\$ 47,361,959	\$ 48,735,120
Operating expenses	14,778,795	20,225,779
Plant and property maintenance	3,258,163	2,862,123
Amortization of capital assets	4,826,185	5,142,490
Bursaries and scholarships	788,360	920,016
Donations and fundraising	12,512	250
Ancillary operations	1,835,102	1,832,945
	72,861,076	79,718,723
Deficiency of revenue over expenses for the year	\$ (328,611)	\$ (3,789,315)

**The Confederation College of
Applied Arts and Technology
Statement of Changes in Net Financial Assets**

For the year ended March 31 2014 2013

	Unrestricted	Capital			Total	Total
			Internally Restricted	Endowments Restricted		
Balance, beginning of year	\$ 1,007,819	\$ 3,246,816	\$ 1,317,088	\$ 6,996,785	\$ 12,568,508	\$ 14,198,647
Reclassification of unrealized gain (loss)					-	1,240
Transfer from restricted to unrestricted - PSAB restatement					-	1,619,667
Change in endowments during the year (Note 14)				567,554	567,554	491,461
Change in tuition set aside for student assistance (Note 13)	12,512		(12,512)		-	46,808
Change in internally restricted net assets (Note 13)	(244,748)		244,748		-	-
Deficiency of revenue over expenses	(328,611)				(328,611)	(3,789,315)
Investment in capital assets (Note 12)	80,658	(80,658)			-	-
Balance, end of year	\$ 527,630	\$ 3,166,158	\$ 1,549,324	\$ 7,564,339	\$ 12,807,451	\$ 12,568,508

The accompanying notes are an integral part of these financial statements.

**The Confederation College of
Applied Arts and Technology**
Statement of Remeasurement Gains and Losses

	March 31, 2014	March 31, 2013
Accumulated remeasurement gains at beginning of year	\$ -	\$ 10,181
Realized fair value changes to sinking fund	-	(10,181)
Accumulated remeasurement gains at end of year	\$ -	\$ -

The Confederation College of Applied
Arts and Technology
Statement of Cash Flows

For the year ended March 31	2014	2013
Net inflow (outflow) of cash related to the following		
Operating		
Deficiency of revenue over expenses	\$ (328,611)	\$ (3,789,315)
Items not involving cash:		
Amortization of deferred capital contributions	(3,785,171)	(3,896,106)
Amortization of capital assets	4,826,185	5,142,490
Other - PSAB restatement	-	1,619,667
Change in employee future benefits	(40,000)	(5,000)
Change in accrued sick leave liability	(125,000)	(189,000)
	547,403	(1,117,264)
Change in non-cash working capital balances (Note 17)	2,409,868	(2,278,977)
	2,957,271	(3,396,241)
Financing		
Long term debt advances	486,095	1,981,944
Repayment of long term debt	(391,495)	(3,702,569)
	94,600	(1,720,625)
Capital		
Deferred capital contributions	1,361,401	2,114,488
Construction in progress	(891,514)	(1,099,468)
Purchase of capital assets	(1,404,489)	(1,207,555)
	(934,602)	(192,535)
Investing		
(Increase) decrease in notes and long-term loans receivable	37,464	(23,860)
Increase in investment portfolio - Endowment Restricted	(605,654)	(593,814)
Proceeds from sinking fund investment	-	3,100,000
Increase (decrease) in tuition set aside for student assistance	-	46,808
Purchase of temporary investment	1,900,751	1,000,000
Increase in endowments, net awards	567,554	491,461
	1,900,115	4,020,595
Net cash inflow (outflow)	4,017,384	(1,288,806)
Cash, Beginning of year	494,209	1,783,015
Cash, End of year	4,511,593	494,209

The Confederation College of Applied Arts and Technology

Notes to Financial Statements

March 31, 2014

1. Significant Accounting Policies

Description of Organization The Confederation College of Applied Arts and Technology established in 1967, 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 offers a full range of programs and educational services including full-time post-secondary programs, part-time credit and non-credit courses, specialty programs for business and industry, pre-employment and skills training programs, apprenticeship and cooperative/workplace training programs.

The College is a not-for-profit organization and, as such, is exempt from income taxes under Section 149 of the Income Tax Act (Canada).

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").

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

Tuition fees and contract training revenues are recognized as income to the extent that the related courses and services are provided within the fiscal year of the College.

Operating grants from the Ministry of Training, Colleges and Universities 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.

Ancillary revenues including parking, bookstore, residence and other sundry revenues are recognized when products are delivered or services are provided to the student or client, the sales price is fixed and determinable, and collection is reasonably assured.

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 and restricted investment income are recognized as revenue in the year in which the related expenses are incurred.

Capital grants and restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions and investment earnings are recognized as direct increases in endowed net assets.

**The Confederation College of Applied Arts
and Technology**

Notes to Financial Statements

March 31, 2014

1. Significant Accounting Policies (cont'd)

Cash and Cash Equivalents Cash is defined as cash and short-term investments with maturity dates of less than 90 days.

Inventory Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

Capital Assets Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the College's ability to provide services or the value of future economic benefits associated with the capital asset is less than book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated to be as follows:

Buildings	-	40 years
Major equipment	-	10 years
Leasehold improvements	-	10 years
Site improvements	-	5 years
Furniture and equipment	-	5 years
Library books	-	5 years

Construction in progress relates to capital projects that are incomplete and not in service as at March 31, 2014. Amortization will commence upon substantial completion at the applicable rates noted above.

Retirement and Post-Employment Benefits and Compensated Benefits - 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 cost 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.

**The Confederation College of Applied Arts
and Technology**

Notes to Financial Statements

March 31, 2014

1. Significant Accounting Policies (cont'd)

**Retirement and Post-
Employment
Benefits and
Compensated
Benefits (Cont'd)**

- (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 used in the determination of the above-mentioned liabilities is equal to the College's internal rate of borrowing.

**Financial
Instruments**

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

Fair Value

This category includes cash, temporary investments and equity instruments quoted in an active market. The College has designated its bond portfolio that would otherwise be classified into the amortized cost category at fair value as the College manages and reports performance of it on a fair value basis.

Equity instruments and bonds 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.

The Confederation College of Applied Arts
and Technology

Notes to Financial Statements

March 31, 2014

1. Significant Accounting Policies (cont'd)

Amortized Costs

This category includes accounts receivable, notes and long-term receivables, accounts payable and accrued liabilities and long-term debt. 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.

**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, amortization of capital assets and actuarial estimation of post-employment benefits and compensated absences liabilities.

**The Confederation College of Applied Arts
and Technology**
Notes to Financial Statements

March 31, 2014

2. Financial Instrument Classification

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

	2014		
	Fair Value	Amortized Cost	Total
Cash	\$ 4,511,593	\$ -	\$ 4,511,593
Accounts receivable	-	6,082,524	6,082,524
Temporary investments	5,099,249	-	5,099,249
Investment portfolio	7,602,440		7,602,440
Notes and long-term receivable	-	39,891	39,891
Accounts payable and accrued liabilities	-	6,457,410	6,457,410
	\$ 17,213,282	\$ 12,579,825	\$ 29,793,107
	2013		
	Fair Value	Amortized Cost	Total
Cash	\$ 494,209	\$ -	\$ 494,209
Accounts receivable	-	7,488,342	7,488,342
Temporary investments	7,000,000	-	7,000,000
Investment portfolio	6,996,785		6,996,785
Notes and long-term receivable	-	77,355	77,355
Accounts payable and accrued liabilities	-	4,688,574	4,688,574
	\$ 14,490,994	\$ 12,254,271	\$ 26,745,265

The College's bank accounts are held at one chartered bank and as a result is exposed to the credit risk arising from this concentration to the extent that the account balances exceed the federally insured limits. The bank accounts earn interest at prime less 1.75%.

The College's credit facilities include an approved operating line of credit with the Royal Bank of \$1,500,000 with interest at bank prime less 0.6% (2.4% at March 31, 2014). At year end the outstanding balance under this credit facility agreement was \$nil (2013 - \$nil).

In addition, the College, has an approved revolving credit facility with the Royal Bank in the amount of \$1,650,000. Of this amount, \$685,497 (2013 - \$366,986) was outstanding with respect to the Royal Bank loans described in Note 9.

**The Confederation College of Applied Arts
and Technology**

Notes to Financial Statements

March 31, 2014

2. Financial Instrument Classification (cont'd)

Temporary investments consist of Guaranteed Investment Certificates with a Trust Company, comprised of one GIC investment for \$5,082,274 bearing interest at 1.48%, maturing April 10, 2014. Included in the investment portfolio are Canadian Bonds with a maturity profile as indicated below.

	2014				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying Value: GIC	\$ 5,099,249	\$ -	\$ -	\$ -	\$ 5,099,249
Carrying Value: Bonds	73,399	2,359,616	1,300,679		3,733,694
Total	\$ 5,172,648	\$ 2,359,616	\$ 1,300,679	\$ -	\$ 8,832,943
Percent of total	59%	27%	15%	0%	

	2013				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying Value: GIC	\$ 7,000,000	\$ -	\$ -	\$ -	\$ 7,000,000
Carrying Value: Bonds	98,761	2,096,021	1,339,023	22,011	3,555,816
Total	\$ 7,098,761	\$ 2,096,021	\$ 1,339,023	\$ 22,011	\$ 10,555,816
Percent of total	67%	20%	13%	0%	

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition, 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).

The Confederation College of Applied Arts
and Technology
Notes to Financial Statements

March 31, 2014

2. Financial Instrument Classification (cont'd)

	2014			
	Level 1	Level 2	Level 3	Total
Cash	\$ 4,511,593	\$ -	\$ -	\$ 4,511,593
Temporary investments	5,099,249	-	-	5,099,249
Investment portfolio	3,868,746	3,733,694		7,602,440
	\$ 13,479,588	\$ 3,733,694	\$ -	\$ 17,213,282

	2013			
	Level 1	Level 2	Level 3	Total
Cash	\$ 494,209	\$ -	\$ -	\$ 494,209
Temporary investments	7,000,000	-	-	7,000,000
Investment portfolio	3,440,969	3,555,816		6,996,785
	\$ 10,935,178	\$ 3,555,816	\$ -	\$ 14,490,994

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

**The Confederation College of Applied Arts
and Technology
Notes to Financial Statements**

March 31, 2014

3. Accounts Receivable

Accounts receivable are comprised of balances receivable from students, Sponsoring agencies and Corporate clients for contract training. Credit risk is mitigated to some extent by requiring that payment be received before a student is allowed to register, unless they have certain pre-qualified conditions, such as funding through the Ontario Student Assistance Program, sponsorship funding, or split fee tuition fee option.

	2014	2013
Students and sponsors	\$ 1,291,918	\$ 1,538,590
Due from The Confederation College Foundation	-	244,456
General	4,790,606	5,705,296
	\$ 6,082,524	\$ 7,488,342

4. Investment Portfolio - Endowments Restricted

The College's investment portfolio is comprised of a number of different securities carrying a variety of terms and conditions. Investments consist of the following:

	2014		2013	
	Market	Cost	Market	Cost
Endowed				
Canadian equities	\$ 2,446,332	\$ 2,270,961	\$ 1,534,858	\$ 1,396,022
Canadian bonds	3,733,694	3,674,879	3,555,816	3,438,692
Foreign equities	1,156,839	1,017,925	635,341	575,609
Cash and equivalents account	265,575	265,575	1,270,770	1,269,705
	\$ 7,602,440	\$ 7,229,340	\$ 6,996,785	\$ 6,680,028

The cash and equivalents account does not earn interest. Canadian and foreign bonds are comprised of a number of different bonds, with maturity dates ranging from 2014 to 2023, and yield an average of 7.1% (2013 - 3.7%) over the term of the investments.

**The Confederation College of Applied Arts
and Technology**

Notes to Financial Statements

March 31, 2014

5. Construction in Progress

Construction in progress represents costs incurred to date on the construction of a renewable energy solution project, the Bio-Energy Learning and Research Centre Project, on which \$5,751,540 (2013 - \$4,860,026) has been spent to date. This \$5,751,540 project has been undertaken to design and install a biomass wood waste burning heat system combined with the use of other green technologies, such as, thermal energy capture and a green roof. This project, funded by various federal and provincial grants, donations and financing is scheduled for completion and commissioning in the next fiscal year.

6. Capital Assets

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 295,057	\$ -	\$ 295,057	\$ -
Site improvements	2,014,986	2,014,986	2,014,986	2,014,986
Buildings	73,780,198	36,535,394	73,780,196	34,938,868
Leasehold improvements	333,188	333,188	333,188	333,188
Furniture and equipment	73,696,864	68,773,862	72,306,398	66,046,354
Library books	20,000	20,000	20,000	20,000
Major equipment	5,246,117	4,998,328	5,232,096	4,496,177
	\$ 155,386,410	\$ 112,675,758	\$ 153,981,921	\$ 107,849,573
Capital Assets Net book value		\$ 42,710,652		\$ 46,132,348

The Confederation College of Applied Arts
and Technology
Notes to Financial Statements

March 31, 2014

7. Accounts Payable and Accrued Liabilities

	2014	2013
Trade	\$ 3,597,490	\$ 2,559,050
Accrued liabilities	378,602	345,929
Accrued salaries and employees' deductions	2,481,318	1,783,595
	\$ 6,457,410	\$ 4,688,574

8. Deferred Revenue

	2014	2013
Ontario Ministry of Training, Colleges and Universities		
Aboriginal Educational and Training Strategy	\$ 39,390	\$ 106,940
Apprentice training	78,050	77,370
Campus safety	4,723	32,406
Capital BioEnergy Project	146,148	349,396
Collaborative nursing	749,188	749,188
Employment programs	170,850	149,622
Other MTCU	165,502	56,974
Ontario MTCU bursaries	84,662	114,987
Second career	293,510	233,610
Special needs and tutoring	59,611	47,139
CODE SCWI	592,577	479,845
College service fee	66,666	86,610
Contract training	16,500	430,537
IT residence infrastructure	41,892	27,145
Miscellaneous contracts and projects	236,281	552,946
Resource Development Fee (SUCCI)	161,600	-
Student IT fee	18,592	48,304
Student tech fee	173,202	228,847
	\$ 3,098,944	\$ 3,771,866

**The Confederation College of Applied Arts
and Technology**

Notes to Financial Statements

March 31, 2014

9. Long-term Debt

	2014	2013
Royal Bank Loan for Ryan Hall renovations, repayable at \$5,786 + Prime -1% monthly (2% at year-end), due 2021	486,095	-
Ontario Financing Authority loan for Residence retrofit repayable at \$131,559 semi-annually at 2.405%, due 2020	1,461,933	1,685,844
Royal Bank loan for aircraft and fuel tank, repayable at \$6,433 monthly including interest at 2.76%, due 2015	147,973	220,000
Royal Bank loan for camera repayable at \$2,205 monthly including interest at 2.76%, due 2015	51,429	76,100
Royal Bank loan for Fitness Centre flooring, repaid during the year	-	6,045
Royal Bank loan for welding equipment, repaid during the year	-	19,309
Royal Bank loan for garbage compactor, repaid during the year	-	8,027
Royal Bank loan for region cars, repaid during the year	-	37,505
Total	2,147,430	2,052,830
Current portion	398,172	379,131
	\$ 1,749,258	\$ 1,673,699

The scheduled principal amounts repayable within the next five years and thereafter are as follows:

Date	Amount
2015	\$ 398,172
2016	404,321
2017	310,002
2018	315,822
2019	321,784
Thereafter	397,329
	\$ 2,147,430

**The Confederation College of Applied Arts
and Technology**

Notes to Financial Statements

March 31, 2014

10. Post-employment Benefits and Compensated Absences Liability

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

	2014			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 608,000	\$ 1,448,000	\$ 261,000	\$ 2,317,000
Value of plan assets	(96,000)		-	(96,000)
Unamortized actuarial gains	106,000	285,000	103,000	\$ 494,000
	\$ 618,000	\$ 1,733,000	\$ 364,000	\$ 2,715,000

	2013			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 774,000	\$ 1,825,000	\$ 416,000	\$ 3,015,000
Value of plan assets	(95,000)	-	-	(95,000)
Unamortized actuarial losses	(21,000)	(21,000)	2,000	(40,000)
	\$ 658,000	\$ 1,804,000	\$ 418,000	\$ 2,880,000

	2014			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	\$ (22,000)	\$ 109,000	\$ 13,000	\$ 100,000
Interest on accrued benefit obligation	4,000	41,000	5,000	50,000
Amortized actuarial losses	2,000	3,000	-	5,000
	\$ (16,000)	\$ 153,000	\$ 18,000	\$ 155,000

	2013			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	\$ 22,000	\$ 102,000	\$ 22,000	\$ 146,000
Interest on accrued benefit obligation	5,000	44,000	11,000	60,000
Amortized actuarial losses	2,000	10,000	4,000	16,000
	\$ 29,000	\$ 156,000	\$ 37,000	\$ 222,000

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

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March 31, 2014

10. Post-Employment Benefits and Compensated Absences Liability (cont'd.)

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 employees 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 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. The College made contributions to the Plan and its associated retirement compensation arrangement of \$4,011,041 in 2014 (\$3,931,138 in 2013), 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 employees' tenure of service. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer 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 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% in 2026).

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.0% per annum (2013 - 4.0%).

Medical premium increases were assumed to increase at 7.5% per annum in 2014 (2013 - 8.0%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2014 for the fiscal 2014 (2013 - 4.0% in 2026).

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March 31, 2013

10. Post-Employment Benefits and Compensated Absences Liability (Cont'd.)

Post-Employment Benefits (Cont'd)

d) Dental costs

Dental costs were assumed to increase at 4.0% per annum (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 payment for their accumulated sick days at 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 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 estimates of expected rates of:

	2014	2013
Wage and salary escalation	0.00%	1.95%
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 38.7% and 0 to 18.8 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

**The Confederation College of Applied Arts
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Notes to Financial Statements

March 31, 2013

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 and is calculated on the same basis as the amortization expense related to the acquired/constructed capital assets. The changes in the deferred capital contributions balances are as follows:

	2014	2013
Balance, beginning of year	\$ 45,711,234	\$ 47,482,671
Add contributions for capital purposes	1,361,401	2,114,488
Add realized sinking fund investment income	-	10,181
Less amortization of deferred capital contributions	(3,785,171)	(3,896,106)
Balance, end of year	43,287,464	45,711,234
Deferred capital contributions relating to construction in progress, end of year	5,751,539	4,860,231
Deferred capital contributions balance, end of year	\$ 37,535,925	\$ 40,851,003

12. Net Assets - Investment in Capital Assets

	2014	2013
Capital assets, net book value	\$ 48,462,192	\$ 50,992,374
Less amounts financed by:		
Working capital	138,860	18,504
Long-term debt (Note 10)	(2,147,430)	(2,052,830)
Deferred capital contributions (Note 12)	(43,287,464)	(45,711,232)
Add Sinking fund investments	-	
Invested in capital assets, end of year	\$ 3,166,158	\$ 3,246,816

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13. Net Assets - Internally Restricted

Internally restricted net assets represents money set aside by College senior management for various strategic initiatives and committed for specific purposes as identified below. During the year, \$278,885 was spent on these strategic initiatives.

	2014	2013
Tuition set aside for student assistance	\$ 340,700	\$ 353,212
Scholarships and bursaries	200,439	86,203
Contributions for capital expenditures	367,822	336,976
Donations	378,521	-
Applied Research	5,307	250,000
Employee professional development	170,838	205,000
Phase 2: Bio-Energy research project	85,697	85,697
	\$ 1,549,324	\$ 1,317,088

The Ministry of Training, Colleges and Universities requires a certain portion of the additional tuition fee revenue generated by announced fee increases to be set aside for student assistance.

14. Net Assets - Endowments Restricted

Externally restricted net assets include restricted donations received by the College where the endowment 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 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.

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Notes to Financial Statements

March 31, 2014

14. Net Assets - Endowments Restricted (Cont'd)

Externally restricted endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF") Phase I and II, and the Ontario Trust for Student Support ("OTSS") programs and other such restricted contributions that were not matched. Under these government programs, the government matches funds raised by the College. The purpose of the programs is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend College. The investment income generated from endowments must be used in accordance with the OSOTF and the OTSS guidelines.

The College has recorded the following amounts under the programs:

OSOTF I

	2014	2013
Schedule of changes in Endowment Fund Balance		
Fund balance, beginning of year	\$ 3,663,155	\$ 3,663,155
Unrealized gain (unrealized loss)	-	-
Cash donations received	-	-
	3,663,155	3,663,155
Schedule of changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	168,491	93,106
Realized gain	-	62,843
Unrealized investment gain (loss) net of direct investment-related expenses and preservation of capital contributions	331,673	121,057
Bursaries awarded (2014 = 246, 2013 = 277)	(87,275)	(108,515)
	412,889	168,491
Expendable fund balance, end of year	412,889	168,491
Total endowment fund balance, end of year	\$ 4,076,044	\$ 3,831,646
Market value of fund, end of year	\$ 4,076,044	\$ 3,831,646

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Notes to Financial Statements

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14. Net Assets - Endowments Restricted (Cont'd)

OSOTF II Second Phase

	2014	2013
Schedule of changes in Endowment Fund Balance		
Fund balance, beginning of year	\$ 252,078	\$ 252,078
Eligible cash donations received	-	-
	252,078	252,078
Schedule of changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	49,977	38,072
Realized gain	-	4,854
Unrealized investment gain (loss) net of direct investment- related expenses and preservation of capital contributions	26,146	9,351
Bursaries awarded (2014 = 6, 2013 = 7)	(2,075)	(2,300)
	74,048	49,977
Expendable fund balance, end of year	74,048	49,977
Total endowment fund balance, end of year	\$ 326,126	\$ 302,055
Market value of fund, end of year	\$ 326,126	\$ 302,055

OTSS

	2014	2013
Schedule of changes in Endowment Fund Balance		
Fund balance, beginning of year	\$ 2,846,651	\$ 2,508,628
Eligible cash donations received	82,226	338,023
Matching funds from MTCU	-	-
	2,928,877	2,846,651
Schedule of changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	16,433	(49,715)
Realized gain	-	40,700
Unrealized investment gain (loss) net of direct investment- related expenses and preservation of capital contributions	247,834	79,723
Bursaries awarded (2014 = 60, 2013 = 98)	(30,975)	(54,275)
	233,292	16,433
Expendable fund balance, end of year	233,292	16,433
Total endowment fund balance, end of year	\$ 3,162,169	\$ 2,863,084
Market value of fund, end of year	\$ 3,162,169	\$ 2,863,084

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14. Net Assets - Endowments Restricted (Cont'd)

Reports of OTSS awards issued for the period of April 1, 2013 to March 31, 2014:

Status of Recipients	OSAP Number	Recipients Amount	Non-OSAP Number	Recipients Amount	Number	Total Amount
Full-time	142	\$ 56,154	170	\$ 109,898	312	\$ 166,052
Part-time	n/a	n/a	n/a	n/a	n/a	n/a
Total	142	\$ 56,154	170	\$ 109,898	312	\$ 166,052

	2014	2013
Grand total of endowment funds, end of year	\$ 7,564,339	\$ 6,996,785

15. Commitments

The College has leased realty for the Aviation Centre of Excellence at an annual rental of approximately \$77,000, with annual increases of 2.5%, and an expiry date of 2053.

16. Contingencies

In the normal course of operations, the College is involved in a number of grievances and disputes. As of the date of this financial statement preparation, the likelihood and impact of these matters on the College's financial statements is unknown. Should any costs be incurred as a result of these matters, they will be expensed in the year of settlement.

**The Confederation College of Applied Arts
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March 31, 2014

17. Statement of Cash Flows

The change in non-cash working capital balances consists of the following:

	2014	2013
Grants receivable	\$ (45,843)	\$ 2,613,002
Accounts receivable	1,405,817	(1,195,183)
Inventory	(158,118)	(36,423)
Prepaid expenses	(175,445)	139,934
Accounts payable and accrued liabilities	1,768,836	(1,379,138)
Vacation pay	287,543	(141,135)
Deferred revenue and contributions	(672,922)	(2,280,034)
	\$ 2,409,868	\$ (2,278,977)

18. Liability for Contaminated Sites

The Confederation College of Applied Arts and Technology estimates a future liability of \$270,000 for remediation of soil and groundwater contamination. The nature of the liability involves the complete removal of a fuel pump and single underground storage tank along with the associated removal of both soil and groundwater contamination due to gasoline impacts over time within an approximate area of 650 sq. m. The amount of estimated recoveries from the Facilities renewal program is \$210,000. This expense will be recognized when incurred.

19. Capital Disclosures

The College considers its capital to be the balance retained in net assets, which is generally the difference between its assets and liabilities as reported on the statement of financial position and includes unrestricted net assets, internally restricted net assets, externally restricted net assets, investment in capital assets and restricted endowment net assets. The College receives funding from the provincial government for the delivery of its programs. These funds are maintained and disbursed under the terms of the funding agreements and management is responsible for adhering to the provisions of these agreements.

The College's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide delivery of its programs to the public. Colleges are required, under the current Ministry guidelines, to balance their budgets each year through a combination of managing expenses and utilizing reserves. Any in-year deficit not covered by reserves (accumulated deficits) must be recovered within two successive years under the Ministry's deficit recovery procedures.

The Confederation College of Applied Arts and Technology

Notes to Financial Statements

March 31, 2014

19. Capital Disclosures (Cont'd)

Management maintains its capital by ensuring that annual operating and capital budgets are developed and approved by the Board of Governors based on both known and estimated sources of funding and financing available each year. These budgets are shared with all management to ensure that the capital of the College is maintained and are also published on the College's website or distributed to the public in hard copy upon request.

20. 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, notes and long-term receivable 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 to \$300,000 (2013 - \$300,000).

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 A or better, or corporate investments having a rating of A (R-1) or better.

The maximum exposure to investment credit risk is outlined in Note 2.

Accounts receivable are ultimately due from students, sponsors or corporate agencies. Credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population, and other internal controls built into the registration process.

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.

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.

The Confederation College of Applied Arts
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20. Financial Instrument Risk Management (Cont'd)

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 College levels when adverse changes in foreign currency College 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 used 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 and long-term debt.

The College mitigates interest rate on investments by limiting them to short terms and long-term debt is at fixed interest rates.

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

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 \$150,000. Equities represent approximately 22% of the College's endowed investments, which is held for long-term investment gains, which mitigates the impact to market fluctuations on the value of the equities.

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.

The Confederation College of Applied Arts
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20. Financial Instrument Risk Management (Cont'd)

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 guaranteed investment certificate investments that may be converted to cash in the near-term if unexpected cash outflows arise.

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.

21. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.