

*Consolidated Financial Statements of*

**SENECA COLLEGE OF APPLIED  
ARTS AND TECHNOLOGY**

*March 31, 2012*



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Seneca College of Applied Arts and Technology, which comprise the consolidated statement of financial position as at March 31, 2012, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Seneca College of Applied Arts and Technology as at March 31, 2012, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants  
June 6, 2012  
Toronto, Canada

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

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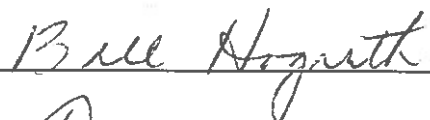
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**SENECA COLLEGE OF APPLIED ARTS  
AND TECHNOLOGY**  
**Consolidated Statement of Financial Position**  
**March 31, 2012**

	2012	2011
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 47,815,638	\$ 100,359,945
Grants receivable	2,831,781	2,035,707
Accounts receivable	5,822,862	5,442,533
Inventory	2,954,681	2,361,145
Prepaid expenses	1,052,286	997,716
	<u>60,477,248</u>	<u>111,197,046</u>
LONG TERM INVESTMENTS (Note 3)	45,000,000	-
RESTRICTED CASH AND INVESTMENTS (Note 11)	15,472,571	12,454,492
CAPITAL ASSETS (Note 4)	288,707,624	262,966,739
	<u>\$ 409,657,443</u>	<u>\$ 386,618,277</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 29,406,461	\$ 27,810,680
Current portion of long-term debt (Note 5)	2,752,643	2,594,139
Due to student associations (Note 6)	16,275,582	14,084,746
Deferred revenue	43,986,813	41,029,594
Employee vacation accrual	12,920,289	12,851,164
Employee sick leave gratuity	5,668,181	5,820,600
	<u>111,009,969</u>	<u>104,190,923</u>
DEFERRED CONTRIBUTIONS (Note 7)	2,816,458	2,007,129
DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS (Note 8)	110,586,584	116,293,374
LONG-TERM DEBT (Note 5)	55,960,443	58,713,086
DEFERRED DERIVATIVE LIABILITY (Note 10)	6,346,775	3,809,224
EMPLOYEE FUTURE BENEFITS OBLIGATIONS (Note 9)	1,397,000	1,388,000
	<u>288,117,229</u>	<u>286,401,736</u>
<b>NET ASSETS</b>		
ENDOWMENTS (Note 11)	15,472,571	12,454,492
INVESTMENT IN CAPITAL ASSETS (Note 12)	119,407,954	111,561,660
UNRESTRICTED	(13,340,311)	(23,799,611)
	<u>121,540,214</u>	<u>100,216,541</u>
	<u>\$ 409,657,443</u>	<u>\$ 386,618,277</u>

**APPROVED ON BEHALF OF THE BOARD OF GOVERNORS:**

  
\_\_\_\_\_  
Chair

  
\_\_\_\_\_  
President

**SENECA COLLEGE OF APPLIED ARTS  
AND TECHNOLOGY**

**Consolidated Statement of Operations**

Year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
<b>REVENUES (Schedule 1)</b>		
Grants and reimbursements	\$ 138,709,338	\$ 138,927,324
Student tuition	131,569,826	118,720,195
Ancillary operations	28,349,915	29,982,554
Student and Alumni Associations (Schedule 6)	1,575,478	1,929,048
Other	22,405,640	17,525,186
Gain on derivative instrument (Note 10)	-	115,966
Deferred contributions recognized	1,928,477	2,423,200
<b>TOTAL REVENUES</b>	<b>324,538,674</b>	<b>309,623,473</b>
<b>EXPENSES</b>		
Academic (Schedule 2)	174,242,080	174,605,442
Student services (Schedule 3)	36,225,399	31,170,874
Administrative (Schedule 4)	34,556,413	30,196,804
Plant and property (Schedule 5)	29,416,054	27,345,499
Student and Alumni Associations (Schedule 6)	1,575,478	1,929,048
Supplementary Municipal Tax Levy	1,570,875	1,451,850
Ancillary operations-including depreciation of \$1,593,667 (2011 \$1,610,351)	24,180,753	24,264,497
Loss on derivative instrument (Note 10)	2,537,551	-
Distribution of bursaries and scholarships	1,928,477	2,423,200
<b>TOTAL EXPENSES</b>	<b>306,233,080</b>	<b>293,387,214</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>		
<b>FOR THE YEAR</b>	<b>\$ 18,305,594</b>	<b>\$ 16,236,258</b>

**SENECA COLLEGE OF APPLIED ARTS  
AND TECHNOLOGY**  
**Consolidated Statement of Changes in Net Assets**  
Year ended March 31, 2012

	2012				2011
	Investment in Capital Assets	Unrestricted	Endowments	Total	Total
BALANCE, BEGINNING OF YEAR	\$ 111,561,660	\$ (23,799,611)	\$ 12,454,492	\$ 100,216,541	\$ 81,737,392
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	(12,049,010)	30,354,604	-	18,305,594	16,236,258
ENDOWMENT CONTRIBUTIONS, except for the following:	-	-	3,244,219	3,244,219	1,791,468
UNREALIZED GAIN / ( LOSS) ON ENDOWMENT INVESTMENTS	-	-	(226,140)	(226,140)	451,423
INVESTMENT IN CAPITAL ASSETS (Note 12 (B))	19,895,304	(19,895,304)	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 119,407,954</b>	<b>\$ (13,340,311)</b>	<b>\$ 15,472,571</b>	<b>\$ 121,540,214</b>	<b>\$ 100,216,541</b>

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Consolidated Statement of Cash Flows

Year ended March 31, 2012

	2012	2011
<b>CASH AND CASH EQUIVALENTS (USED IN) PROVIDED BY</b>		
<b>OPERATING</b>		
Excess of revenues over expenses for the year	18,305,594	\$ 16,236,258
Items not affecting cash		
Depreciation of capital assets	20,284,961	18,335,939
Amortization of deferred contributions related to capital assets	(8,235,951)	(7,388,157)
Employee future benefits	9,000	(198,000)
Loss (gain) on derivative instruments	2,537,551	(115,966)
	<b>32,901,155</b>	<b>26,870,074</b>
Changes in non-cash working capital items		
Decrease (increase) in grant receivable	(796,074)	11,430,597
Increase in accounts receivable	(380,329)	(2,090,941)
Decrease (increase) in inventory	(593,536)	383,138
Decrease (increase) in prepaid expenses	(54,570)	291,202
Increase in accounts payable and accrued liabilities	1,595,781	6,104,738
Increase in due to student association	2,190,836	2,905,310
Increase in deferred revenue	2,957,219	1,238,047
Increase in employee vacation accrual	69,125	403,775
Decrease in employee sick leave gratuity	(152,419)	(244,629)
	<b>37,737,188</b>	<b>47,291,311</b>
<b>INVESTING</b>		
Purchase of long-term investments	(45,000,000)	-
Contributions received for capital assets	2,529,161	24,581,656
Purchase of capital assets	(46,025,846)	(45,140,008)
Increase in restricted cash	(3,244,219)	(1,791,468)
	<b>(91,740,904)</b>	<b>(22,349,820)</b>
<b>FINANCING</b>		
Increase in deferred contributions	809,329	100,136
Principal payments on long-term debt	(2,594,139)	(2,718,756)
Endowment contributions	3,244,219	1,791,468
	<b>1,459,409</b>	<b>(827,152)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(52,544,307)</b>	<b>24,114,339</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>100,359,945</b>	<b>76,245,606</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 47,815,638</b>	<b>100,359,945</b>
<b>SUPPLEMENTARY CASH FLOWS INFORMATION</b>		
Interest paid	\$ 3,903,825	\$ 4,075,172

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Notes to the Consolidated Financial Statements

March 31, 2012

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### 1. DESCRIPTION OF THE ORGANIZATION

Seneca College of Applied Arts and Technology was incorporated as a College in 1966 under legislation of the Province of Ontario. The College is a registered charity and therefore exempt from payment of income tax under Section 149 of the Income Tax Act.

The mission of Seneca College is to contribute to Canadian society by being a transformational leader in providing students with career-related education and training.

These financial statements reflect the assets, liabilities, net assets, revenues, expenditures and other transactions of operations and organizations controlled by the College. As such, the financial statements include academic, administrative and other operating expenditures that are funded by a combination of tuition and other fees, grants (federal, provincial and municipal), revenues from ancillary operations, and restricted purpose endowment funds.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURE

#### *a) Basis of presentation*

The consolidated financial statements of the College are the representations of management prepared in accordance with the accounting standards for not-for-profit organizations, published by the Canadian Institute of Chartered Accountants (CICA), using the deferral method of reporting restricted contributions. These consolidated financial statements reflect the assets, liabilities, revenues and expenses of Seneca College of Applied Arts and Technology, and its wholly owned subsidiary, Seneca Corporation. All inter-organization assets, liabilities, revenues and expenditures have been eliminated.

#### *b) Revenue recognition*

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

All revenues relating to tuition and other services provided by the College as well as revenues from ancillary operations and donations are reflected on the consolidated statement of operations.

Operating grants are recorded as revenue in the period to which they relate. Grants earned but not received at the end of a period are accrued. Where a portion of a grant relates to a future period it is deferred and recognized in the subsequent period, when the related services are provided.

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 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 revenues on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Endowment contributions are recognized as direct increases in endowment net assets.

Tuition fees are recognized as revenue when earned through the provision of service.



**SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
March 31, 2012

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURE (continued)**

*c) Cash equivalents*

Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

*d) Long-term investments*

Long-term investments consist of securities with maturity dates of greater than 1 year.

*e) Valuation of inventories*

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis.

*f) Financial Instruments*

*Endowed investments*

Endowed investments are designated as “available for sale” and are recorded at fair value. Realized investment income is recognized in deferred contributions and is used to fund bursaries and awards. Unrealized gains and losses from the change in fair value are recorded in the statement of changes in net assets. Fair value is determined on the basis of quoted market prices. Sales and purchases of endowed investments are recorded on the settlement date.

*Derivative financial instruments*

Derivative financial instruments are utilized by the College in the economic management of its interest rate exposure. The College does not enter into derivative financial instruments for trading or speculative purposes. The College uses interest rate swap agreements to economically manage the floating interest rate of a portion of the debt portfolio and the related overall cost of borrowing. These instruments are not designated as hedges for accounting purposes and are carried on the balance sheet, under the caption deferred derivative liability, at estimated fair value. Realized and unrealized gains or losses arising from net payments made or received and changes in fair value related to the interest rate swap agreements are recognized in the consolidated statement of operations in the period of the change.

*Long Term Debt*

The College has designated its long term debt as “other liabilities” and, as such, the balance is recorded at amortized cost.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Notes to the Consolidated Financial Statements

March 31, 2012

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURE (continued)

#### g) *Capital assets*

Capital assets are stated at cost with the exception of donated assets, which are recorded at their fair market value at the date of receipt where fair market value is reasonably determinable. Otherwise contributed assets are recorded at a nominal amount. The College amortizes the cost of capital assets on a straight-line basis using the following annual rates:

Land improvements	10 years
Buildings	40 years
Leasehold improvements	over lease term
Furniture	5 years
Equipment	5 – 10 years
Computer equipment	3 – 5 years

Construction-in-progress relates to the on-going campus expansion. Upon completion, the College will capitalize and amortize such costs in accordance with defined useful life criteria.

#### h) *Equipment under capital leases*

The College leases equipment on terms which transfer substantially all the benefits and risks of ownership to the College. These leases have been accounted for as a capital lease as though an asset had been purchased and a liability incurred.

#### i) *Student organizations*

These financial statements do not include the assets, liabilities or results of operations of the Seneca Student Federation as this legal entity is not controlled by the College.

#### j) *Employee future benefit obligations*

The cost of post-retirement benefits is recognized over the periods in which the employee renders services to the College in return for the benefits. Accrued benefit obligations and current service costs were actuarially determined using the projected benefit method prorated on service and based on management's best estimate assumptions. In circumstances where a curtailment gain is recognized, the College will recognize such when the event that causes the gain occurs.

#### k) *Employee sick leave gratuity liability*

The College recognizes employee sick leave gratuity liabilities as they are earned during the employees' tenure of service.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Notes to the Consolidated Financial Statements

March 31, 2012

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURE (continued)

#### l) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires College management to make estimates and assumptions that affect the reported amount of revenues and expenditures during the reporting period, in addition to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. The most significant items subject to management estimation are the allowance for doubtful accounts, carrying amounts of capital assets, sick leave gratuities, accrued liabilities and employee future benefit obligations. Actual results could differ from those estimates.

### 3. LONG-TERM INVESTMENTS

Long term investments include redeemable GIC's with a maturity date of September 12, 2013 and an interest rate at maturity of 1.86%. Prior redemption interest rates are as follows:

Under 30 days	Nil
30 to 89 days	1.50%
90 to 179 days	1.60%
180 to 364 days	1.65%
1 year to term less 1 day	1.70%

### 4. CAPITAL ASSETS

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and improvements	\$ 67,504,267	\$ 23,892,239	\$ 43,612,028	\$ 42,435,266
Buildings	279,456,008	81,250,873	198,205,135	146,083,137
Leasehold improvements	25,090,183	8,993,549	16,096,634	17,174,087
Furniture	12,535,817	10,017,502	2,518,315	956,276
Equipment	53,872,510	39,989,809	13,882,701	8,138,328
Computer equipment	89,965,859	76,674,216	13,291,643	10,599,579
Construction-in-progress	1,101,168	-	1,101,168	37,580,066
	<b>\$ 529,525,812</b>	<b>\$ 240,818,188</b>	<b>\$ 288,707,624</b>	<b>\$ 262,966,739</b>

During the year construction-in-progress of \$37,580,066 was completed, transferred to Buildings and amortization commenced.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Notes to the Consolidated Financial Statements

March 31, 2012

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### 5. LONG-TERM DEBT

The College has negotiated or assumed the following long-term debt commitments:

	<u>2012</u>	<u>2011</u>
Loan (i)	\$ -	\$ 16,946
Mortgage ( ii)	<b>16,671,651</b>	17,659,553
Mortgage ( iii)	<b>5,945,308</b>	6,269,116
Mortgage ( iv)	<b>11,117,127</b>	11,593,610
Bankers Acceptance Loan (V)	<b>24,979,000</b>	25,768,000
	<b>58,713,086</b>	61,307,225
Less amounts due within one year	<b>2,752,643</b>	2,594,139
	<b>\$ 55,960,443</b>	\$ 58,713,086

Interest on the long-term debt amounted to \$3,903,825 (2011 - \$4,062,895).

- i) Loan used for construction at the Seneca@York Campus. The loan matured on September 1, 2011 and was non-interest bearing.
- ii) Mortgage on the student residence on the Newnham campus (Phase I). The rate is fixed at 6.87% and the maturity date is March 1, 2023. Blended semi-annual payments of \$1,092,216 commenced September 1, 1998.
- iii) Mortgage on the student residence on the King campus. The rate is fixed at 6.29% and the maturity date is March 1, 2024. Blended semi-annual payments of \$356,561 commenced September 1, 1999.
- iv) Mortgage on the student residence on the Newnham Campus (Phase II). The rate is fixed at 7.16% and the maturity date is September 1, 2025. Blended semi-annual payments of \$649,103 commenced September 1, 2000.
- v) The College negotiated a term bank loan, by way of Bankers Acceptance Notes, to finance the acquisition of the Markham Campus. The loan is repayable commencing September 27, 2004 by blended principal quarterly payments of a total of \$789,000 as at March 31, 2012 (2011 - \$743,000). The College has since entered into an interest rate swap agreement to modify the floating rate of interest on this loan to a fixed rate of 5.607% (Note 10).

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Notes to the Consolidated Financial Statements

March 31, 2012

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### 5. LONG-TERM DEBT (continued)

Annual principal payments in each of the next five fiscal years and thereafter are as follows:

2013	2,752,643
2014	2,938,768
2015	3,137,178
2016	3,350,516
2017	3,576,482
Thereafter	42,957,499
	<hr/>
	\$ 58,713,086

The fair value of these loans and mortgages at March 31, 2012 is estimated by management to be \$82,356,700 (2011 - \$76,353,700).

### 6. DUE TO STUDENT ASSOCIATIONS

The funds due to Seneca College Student Associations are unsecured, due on demand and non-interest bearing.

### 7. DEFERRED CONTRIBUTIONS

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

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 2,007,129	\$ 1,906,993
Add amount received from set aside tuition	5,711,305	5,851,167
Add amount received from other sources	2,737,806	2,523,336
Less amounts disbursed - set aside tuition	(5,711,305)	(5,851,167)
Less amounts disbursed - other sources	(1,928,477)	(2,423,200)
Balance, end of year	<hr/> \$ 2,816,458	<hr/> \$ 2,007,129

Comprised of:

	<u>2012</u>	<u>2011</u>
Scholarships and bursaries	\$ 818,225	\$ 362,424
Joint employment stability reserve	779,923	772,332
Prepaid leave plan	221,398	136,730
Other	996,912	735,643
	<hr/> \$ 2,816,458	<hr/> \$ 2,007,129

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Notes to the Consolidated Financial Statements

March 31, 2012

### 8. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

Deferred contributions for capital assets represent the unamortized amount of grants and other contributions received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations and is amortized in relation to the asset to which it relates. The changes in the deferred contributions for capital asset balances are as follows:

	<u>2012</u>		<u>2011</u>
Balance, beginning of year	\$ 116,293,374	\$	99,099,875
Less amortization of deferred capital contributions	(8,235,951)		(7,388,157)
Add contributions received for capital purposes	2,529,161		24,581,656
Balance, end of year	<u>\$ 110,586,584</u>	<u>\$</u>	<u>116,293,374</u>

Unspent (Construction in progress) contributions for capital assets:

	<u>2012</u>		<u>2011</u>
MTCU			
Knowledge Infrastructure Project	\$ -	\$	24,700,000
Campus Renewal Program	-		681,204
Other	-		814,316
Unspent balance, end of year	<u>\$ -</u>	<u>\$</u>	<u>26,195,520</u>

### 9. EMPLOYEE FUTURE BENEFIT OBLIGATIONS

Employee future benefits include health, dental and life insurance benefits that are provided to early retirees, future retirees, and employees currently on long-term disability. The related benefit liability as at March 31, 2012 of \$1,397,000 (2011 - \$1,388,000) was determined by actuarial valuation as at March 31, 2012, that was commissioned by the College Compensation and Appointments Council.

Information about the College's employee future benefit obligations are as follows:

	<u>2012</u>		<u>2011</u>
Accrued benefit liability, beginning of year	\$ 1,388,000	\$	1,586,000
Current service cost	6,000		5,000
Interest	23,000		25,000
Increase (decrease) in accrued benefit obligation	75,000		(127,000)
Benefits paid	(95,000)		(101,000)
Accrued benefit liability, end of year	<u>\$ 1,397,000</u>	<u>\$</u>	<u>1,388,000</u>

**SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2012**

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**9. EMPLOYEE FUTURE BENEFIT OBLIGATIONS (continued)**

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

a) Interest (discount) rate

The present value as at March 31, 2012 of the future benefits was determined using a discount rate of 4.20 % (2011 – 4.75%).

b) Drugs and hospital

Drug costs were assumed to increase at a rate of 10.5% for 2012, grading down to 4.5% per annum in 2026. Health costs were assumed to increase at 4.5% per annum.

c) Other medical

Other medical costs and vision / hearing care were assumed to increase at 4.5% per annum.

d) Dental costs

Dental costs were assumed to increase at 4.5% per annum.

**10. FINANCIAL INSTRUMENTS**

*Fair value*

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. The College's fair values are management's estimates and are generally determined using market conditions at a specific point in time and may not reflect future fair values. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgment.

The fair value of financial assets and liabilities approximates their market value due to the short-term maturity, except for long-term debt and restricted cash and investments, the fair values of which are disclosed in Notes 5 and 11, respectively.

*Derivative financial instruments*

The College entered into an interest rate swap agreement in a prior year to economically manage the floating interest rate of the Bankers Acceptance loan (Note 5). Under the terms of the interest rate swap agreement, the College has contracted with the counter-party to pay a fixed rate of interest of 5.607%, while receiving interest at a variable rate to be set quarterly based on the Bankers Acceptance rates which ranged from 1.28% to 1.29% during the year. The effective date of the interest rate swap agreement was June 25, 2004 with a maturity date of June 25, 2029. The notional value of the interest rate swap agreement at March 31, 2012 is \$24,979,000 (2011 - \$25,768,000) and is amortized quarterly during the term of the interest rate swap agreement. The fair value of the interest rate swap at March 31, 2012 of \$6,346,775 (2011 - \$3,809,224) is recorded as a deferred derivative liability on the consolidated statement of financial position. The change in fair value of the interest rate swap agreement between April 1, 2011 and March 31, 2012 of \$2,537,551 (2011 - \$115,966) has been recorded in the consolidated statement of operations as loss (2011 – gain) on derivative instrument.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Notes to the Consolidated Financial Statements

March 31, 2012

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### 10. FINANCIAL INSTRUMENTS (continued)

#### *Interest rate risk*

The College is exposed to interest rate fluctuations on its Bankers Acceptance Loan (Note 5). The College has entered into an interest rate swap agreement to manage this risk.

### 11. ENDOWMENTS

These endowment funds have been donated for specific purposes. The principal sum must be held for investment, while the income earned is expendable for the specific purposes outlined when the funds were donated.

The risks associated with the investments held are as follows:

a) Liquidity risk:

Money market investments represent investments in highly liquid investments that are readily convertible into known amounts of cash.

b) Credit, interest rate and maturity risk:

Fixed income securities have yields varying from 0.6% - 7.3% (2011 – 0.9% - 6.8%) with maturity dates ranging from April 2012 to December 2045 (2011 – June 2011 to June 2041).

The value of fixed income securities will generally rise if interest rates fall and decline if interest rates rise. The value of securities will vary with developments within the specific companies or governments which issue the securities.

c) Equity risk:

The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. Changes in interest rates may also affect the value of equity securities.

#### *Restricted cash and investments*

The fair value of cash and investments at March 31, 2012 is \$15,472,571 (2011 - \$12,454,492) which represent funds restricted as to use and are not available for general operations.



**SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY**  
**Notes to the Consolidated Financial Statements**  
 March 31, 2012

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**12. INVESTMENT IN CAPITAL ASSETS**

A. Investment in capital assets represents the following:

	<u>2012</u>	<u>2011</u>
Capital assets	\$ 288,707,624	\$ 262,966,739
Less amounts financed by:		
Long-term debt (Note 5)	58,713,086	61,307,225
Deferred capital contributions (Note 8)	110,586,584	90,097,854
<b>Balance, end of year</b>	<b>\$ 119,407,954</b>	<b>\$ 111,561,660</b>

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

	<u>2012</u>	<u>2011</u>
Excess of expenditure over revenue:		
Amortization of deferred contributions related to capital assets	\$ 8,235,951	\$ 7,388,157
Depreciation of capital assets	(20,284,961)	(18,335,939)
	<b>(12,049,010)</b>	<b>(10,947,782)</b>
Net change in investment in capital assets:		
Purchase of capital assets - net	46,025,846	45,140,008
Amounts funded by deferred capital contributions	(28,724,681)	(8,149,349)
Payments on capital leases	-	243,598
Repayments of long-term debt	2,594,139	2,475,158
	<b>19,895,304</b>	<b>39,709,415</b>

**13. PENSION COSTS**

A majority of the College's 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, 2012 indicated an actuarial surplus of \$154 million. The College made contributions to the Plan and its associated retirement compensation arrangement of \$13,681,951 in 2012 (2011 - \$13,725,191), which has been included in the consolidated statement of operations.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Notes to the Consolidated Financial Statements

March 31, 2012

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### 14. COMMITMENTS AND CONTINGENT LIABILITIES

#### *Service agreements and lease commitments*

The College has entered into various service agreements as well as other commitments to lease premises and equipment. The anticipated annual payments in each of the next five years and in aggregate under current arrangements are as follows:

2013	\$ 6,350,667
2014	4,215,284
2015	2,572,592
2016	1,629,774
2017	1,296,221
Thereafter	14,739,488
	<hr/>
	\$ 30,804,026

Included in total commitments are commitments of approximately \$483,000 entered into subsequent to March 31, 2012.

#### *Contractual commitments*

The primary services contracted by the College through contractual agreements with external companies include facilities management, security, grounds maintenance and print/copy services.

#### *Contingent liabilities*

In the normal course of its operations, the College is subject to various litigation and claims. Where management has assessed the likelihood of financial exposure for a claim as more than likely and where a reasonable estimate as to the exposure can be made, an accrual has been recorded in these financial statements. In some instances, the ultimate outcome of these claims cannot be determined at this time. However, the College's management believes that the ultimate disposition of these matters will not have a material adverse effect on its financial position.

### 15. ONTARIO TRUST FOR STUDENT SUPPORT FUND

The externally restricted endowments (Note 11) include monies provided by the Government of Ontario through the Ontario Trust for Student Support matching funds program (formerly known as the Ontario Student Opportunity Trust Fund) to award student aid as a result of raising an equal amount of endowed donations. The College has recorded the following amounts under the program:

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Notes to the Consolidated Financial Statements

March 31, 2012

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### 15. ONTARIO TRUST FOR STUDENT SUPPORT FUND (continued)

	<u>2012</u>	<u>2011</u>
<b>Schedule of Donations Received and Receivable</b>		
Cash donations received and receivable	\$ 2,426,398	\$ 1,766,562
<b>Schedule of Changes in Endowment Fund Balance</b>		
Fund balance, beginning of year	\$ 11,007,928	\$ 9,241,366
Cash donations received and receivable	2,426,398	1,766,562
Fund balance, end of year	\$ 13,434,326	\$ 11,007,928
<b>Schedule of Changes in Expendable Funds</b>		
<b>Available for Awards</b>		
Balance, beginning of year	\$ 583,309	\$ 537,110
Investment income	233,796	199,799
Bursaries awarded (total number: 0; 2011 - 280)	-	(153,600)
Balance, end of year	\$ 817,105	\$ 583,309

### 16. GUARANTEES

In the normal course of business, the College enters into agreements that meet the definition of a guarantee. The College's primary guarantees subject to the disclosure requirements are as follows:

- (a) The College has provided indemnities under lease agreements for the use of various operating facilities and equipment. Under the terms of these agreements the College agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) Indemnity has been provided to all directors and or officers of the College for various items including, but not limited to, all costs to settle suits or actions due to association with the College, subject to certain restrictions. The College has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the College. The maximum amount of any potential future payment cannot be reasonably estimated.
- (c) In the normal course of business, the College has entered into agreements that include indemnities in favour of third parties, such as student work placement agreements. These indemnification agreements may require the College to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Notes to the Consolidated Financial Statements

March 31, 2012

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### 16. GUARANTEES (continued)

The nature of these indemnification agreements prevents the College from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the College has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the statement of financial position with respect to these agreements.

**SENECA COLLEGE OF APPLIED ARTS  
AND TECHNOLOGY**

**Consolidated Schedule of Revenue**

Year ended March 31, 2012

**Schedule 1**

	<u>2012</u>	<u>2011</u>
GRANTS AND REIMBURSEMENTS		
Formula financed program	127,162,864	118,606,820
Apprenticeship training	1,322,224	2,220,173
Contracted training programs	417,424	9,260,324
Grant in lieu of municipal taxation	1,570,875	1,451,850
Deferred contributions for capital assets	8,235,951	7,388,157
	<u>138,709,338</u>	<u>138,927,324</u>
FULL-TIME STUDENT TUITION AND FEES	115,118,577	103,123,275
PART-TIME STUDENT TUITION AND FEES	16,451,249	15,596,919
ANCILLARY OPERATIONS	28,349,915	29,982,554
STUDENT AND ALUMNI ASSOCIATIONS	1,575,478	1,929,048
INVESTMENT INCOME	1,035,296	727,893
INTERNATIONAL AND OTHER SPECIAL PROJECTS	1,582,213	711,979
OTHER INCOME	19,788,131	16,085,314
GAIN ON DERIVATIVE INSTRUMENT	-	115,966
DEFERRED CONTRIBUTIONS RECOGNIZED	1,928,477	2,423,200
	<u>324,538,674</u>	<u>309,623,472</u>

**SENECA COLLEGE OF APPLIED ARTS  
AND TECHNOLOGY**  
**Consolidated Schedule of Academic Expenditure**  
Year ended March 31, 2012

**Schedule 2**

	<u>2012</u>	<u>2011</u>
Salaries		
Administrative	7,801,985	7,599,160
Faculty	94,915,899	93,030,786
Support	19,148,082	20,030,651
Benefits	22,612,257	23,120,554
Instructional Supplies	4,246,189	4,292,730
Field Work	564,661	368,771
Office Supplies and Expense	1,945,163	1,963,286
Professional Development	254,812	314,786
Travel	2,168,991	2,226,469
Promotion/Public Relations	1,811,580	1,787,223
Telecommunications	708,454	773,555
Equipment Maintenance	906,734	1,457,155
Insurance/Banking Charges	2,127,870	2,273,080
Professional Fees	984,633	1,128,920
Contracted-Educational Services	4,811,884	4,816,780
Building Maintenance	314,463	659,588
Utilities	97,027	126,286
Premise Rentals	1,682,859	1,486,089
Furniture and Equipment Rental	205,579	318,237
Depreciation Expense	6,928,848	6,812,687
Other	4,110	18,649
	<b>\$ 174,242,080</b>	<b>\$ 174,605,442</b>

**SENECA COLLEGE OF APPLIED ARTS  
AND TECHNOLOGY**

**Consolidated Schedule of Student Services Expenditure  
Year ended March 31, 2012**

**Schedule 3**

	<u>2012</u>	<u>2011</u>
Salaries		
Administrative	<b>3,071,601</b>	2,499,102
Faculty	<b>3,903,395</b>	2,884,233
Support	<b>12,138,485</b>	11,499,899
Benefits	<b>4,033,961</b>	3,582,506
Instructional Supplies	<b>705,530</b>	758,023
Office Supplies and Expense	<b>1,100,280</b>	1,163,855
Professional Development	<b>69,449</b>	68,124
Promotion/Public Relations	<b>555,827</b>	633,795
Telecommunications	<b>58,402</b>	47,478
Equipment Maintenance	<b>28,157</b>	43,061
Professional Fees	<b>1,892,550</b>	51,412
Contracted-Educational Services	<b>676,654</b>	208,582
Building Maintenance	<b>103,137</b>	90,466
Depreciation Expense	<b>132,995</b>	185,595
Student Tuition Assistance	<b>6,350,737</b>	6,159,177
Renewable Scholarships	<b>1,279,325</b>	1,140,270
Other	<b>124,914</b>	155,296
	<b>\$ 36,225,399</b>	<b>\$ 31,170,874</b>

**SENECA COLLEGE OF APPLIED ARTS  
AND TECHNOLOGY**  
**Consolidated Schedule of Administrative Expenditure**  
Year ended March 31, 2012

**Schedule 4**

	<u>2012</u>	<u>2011</u>
Salaries		
Administrative	<b>8,142,939</b>	6,934,092
Faculty	<b>356,542</b>	840,904
Support	<b>8,272,114</b>	7,668,458
Benefits	<b>3,500,465</b>	3,028,380
Software and licensing expense	<b>375,980</b>	275,032
Office supplies and expense	<b>1,742,622</b>	1,370,263
Professional development	<b>159,284</b>	234,517
Travel	<b>372,137</b>	385,970
Promotion/public relations	<b>2,204,418</b>	1,272,839
Telecommunications	<b>459,234</b>	409,498
Building maintenance and utilities	<b>36,557</b>	15,331
Equipment maintenance	<b>924,919</b>	596,000
Insurance/banking charges	<b>1,765,969</b>	1,776,283
Finance charges	<b>1,506,454</b>	1,548,520
Professional fees	<b>1,507,306</b>	2,038,735
Contracted services	<b>494,852</b>	233,057
Premise rentals	<b>81,221</b>	11,039
Furniture and equipment rentals	<b>48,122</b>	396,370
Depreciation Expense	<b>2,070,091</b>	1,785,023
Other	<b>1,055,296</b>	382,440
	<b>35,076,522</b>	31,202,751
Inter-departmental charges for printing/photocopying	(520,109)	(1,005,947)
	<b>\$ 34,556,413</b>	<b>\$ 30,196,804</b>



**SENECA COLLEGE OF APPLIED ARTS  
AND TECHNOLOGY**  
**Consolidated Schedule of Plant and Property Expenditure**  
Year ended March 31, 2012

**Schedule 5**

	<u>2012</u>	<u>2011</u>
Salaries		
Administrative	<b>1,689,674</b>	1,562,248
Support	<b>3,254,740</b>	3,750,883
Benefits	<b>1,188,136</b>	1,263,554
Office supplies and expenses	<b>140,514</b>	102,079
Equipment maintenance	<b>27,663</b>	18,505
Building maintenance	<b>1,953,767</b>	2,017,087
Insurance	<b>1,570</b>	12,196
Vehicle expense	<b>70,447</b>	52,043
Contracted Services	<b>5,773,520</b>	4,910,235
Telecommunications	<b>46,193</b>	63,614
Utilities	<b>4,409,968</b>	4,347,064
Municipal taxes on leased premises	<b>105,786</b>	104,992
Premises rental	<b>1,079,504</b>	1,088,788
Depreciation Expense	<b>9,559,360</b>	7,942,283
Other	<b>115,212</b>	109,928
	<b>\$ 29,416,054</b>	<b>\$ 27,345,499</b>

**SENECA COLLEGE OF APPLIED ARTS  
AND TECHNOLOGY**  
**Consolidated Schedule of Student and Alumni Associations**  
Year ended March 31, 2012

Schedule 6

	<u>2012</u>	<u>2011</u>
Salaries		
Administrative	36,502	82,622
Support	444,867	463,998
Benefits	38,221	53,731
Office supplies and expense	569,018	659,870
Professional development	2,038	3,430
Travel	346,840	337,075
Promotion/public relations	18,528	264,349
Telecommunications	4,414	6,787
Building maintenance and utilities	58,133	9,803
Equipment maintenance	24,375	14,511
Insurance/banking charges	3,208	70
Professional fees	8,964	24,274
Contracted services	14,051	1,811
Premise rentals	267	747
Furniture and equipment rentals	4,021	3,850
Other	2,031	2,120
	<b>\$ 1,575,478</b>	<b>\$ 1,929,048</b>