

Consolidated Financial Statements of

**SENECA COLLEGE OF APPLIED  
ARTS AND TECHNOLOGY**

Year ended March 31, 2015



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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, 2015, the consolidated statements of operations, changes in net assets, cash flows and remeasurement gains and losses 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *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, 2015, and its consolidated results of operations, its consolidated changes in net assets, its consolidated cash flows and its consolidated remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

June 4, 2015  
Toronto, Canada

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Consolidated Statement of Financial Position

March 31, 2015, with comparative information for 2014

|  | 2015                  | 2014                  |
|--|-----------------------|-----------------------|
| <b>Assets</b>                            |                       |                       |
| Current assets:                          |                       |                       |
| Cash and cash equivalents                | \$ 93,487,957         | \$ 59,327,749         |
| Grants receivable                        | 1,075,498             | 1,830,984             |
| Accounts receivable                      | 7,446,897             | 5,962,698             |
| Inventory                                | -                     | 2,152,327             |
| Prepaid expenses                         | 3,745,097             | 3,934,367             |
|  | <u>105,755,449</u>    | <u>73,208,125</u>     |
| Long-term investments                    | -                     | 45,000,000            |
| Restricted cash and investments (note 8) | 19,906,936            | 18,050,449            |
| Capital assets (note 2)                  | 333,544,097           | 316,284,112           |
|  | <u>\$ 459,206,482</u> | <u>\$ 452,542,686</u> |

## Liabilities, Deferred Contributions and Net Assets

|  |                       |                       |
|--|-----------------------|-----------------------|
| Current liabilities:                                       |                       |                       |
| Accounts payable and accrued liabilities                   | \$ 41,194,508         | \$ 36,508,481         |
| Current portion of long-term debt (note 3)                 | 3,350,516             | 3,137,178             |
| Due to student associations (note 4)                       | 14,353,003            | 24,260,721            |
| Deferred revenue   | 49,568,525            | 49,904,084            |
| Employee vacation accrual                                  | 13,318,671            | 13,425,807            |
|  | <u>121,785,223</u>    | <u>127,236,271</u>    |
| Long-term debt (note 3)                                    | 46,533,981            | 49,884,497            |
| Deferred derivative liability (note 11)                    | 6,513,140             | 5,022,963             |
| Post-employment benefits and compensated absences (note 7) | 12,622,000            | 13,090,000            |
|  | <u>187,454,344</u>    | <u>195,233,731</u>    |
| Deferred contributions (note 5)                            | 6,268,723             | 4,844,398             |
| Deferred contributions for capital assets (note 6)         | 94,984,092            | 99,474,115            |
|  | <u>101,252,815</u>    | <u>104,318,513</u>    |
| Net assets (deficiency):                                   |                       |                       |
| Unrestricted:  |                       |                       |
| Operating  | (3,182,217)           | 4,059,924             |
| Post-employment benefits and compensation absences         | (12,622,000)          | (13,090,000)          |
| Vacation pay   | (13,318,671)          | (13,425,807)          |
|  | <u>(29,122,888)</u>   | <u>(22,455,883)</u>   |
| Investment in capital assets (note 9(a))                   | 188,675,508           | 163,788,322           |
| Externally restricted - endowments (note 8)                | 17,459,843            | 16,680,966            |
|  | <u>177,012,463</u>    | <u>158,013,405</u>    |
| Accumulated rereasurement losses                           | (6,513,140)           | (5,022,963)           |
|  | <u>170,499,323</u>    | <u>152,990,442</u>    |
|  | <u>\$ 459,206,482</u> | <u>\$ 452,542,686</u> |

See accompanying notes to consolidated financial statements.

On behalf of the Board of Governors:

  
Chair

  
President

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Consolidated Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

|  | 2015                 | 2014                 |
|--|----------------------|----------------------|
| <b>Revenue:</b>  |                      |                      |
| Government operating grant                                   | \$ 128,938,882       | \$ 129,138,193       |
| Tuition and related fees                                     | 174,054,046          | 159,424,039          |
| Ancillary  | 19,880,280           | 30,179,808           |
| Amortization of deferred contributions<br>for capital assets | 7,870,235            | 8,259,243            |
| Deferred contributions recognized                            | 1,904,823            | 2,141,285            |
| Student and alumni associations                              | 1,565,510            | 1,856,667            |
| Other  | 23,484,926           | 22,048,597           |
|  | <u>357,698,702</u>   | <u>353,047,832</u>   |
| <b>Expenses:</b>   |                      |                      |
| Salaries and benefits  | 213,877,939          | 208,726,699          |
| Operating  | 64,851,954           | 57,723,167           |
| Plant and property maintenance                               | 10,479,467           | 8,845,492            |
| Bursaries and scholarships                                   | 10,297,812           | 11,124,895           |
| Ancillary  | 12,823,458           | 23,363,179           |
| Amortization of capital assets                               | 27,147,891           | 25,033,721           |
|  | <u>339,478,521</u>   | <u>334,817,153</u>   |
| <b>Excess of revenue over expenses</b>                       | <u>\$ 18,220,181</u> | <u>\$ 18,230,679</u> |

See accompanying notes to consolidated financial statements.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Consolidated Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

| 2015  | Endowments    | Investment in capital assets | Unrestricted    | Total          |
|---|---------------|------------------------------|-----------------|----------------|
| Net assets (deficiency), beginning of year              | \$ 16,680,966 | \$ 163,788,322               | \$ (22,455,883) | \$ 158,013,405 |
| Excess (deficiency) of revenue over expenses            | –             | (19,165,825)                 | 37,386,006      | 18,220,181     |
| Endowment contributions                                 | 778,877       | –                            | –               | 778,877        |
| Net change in investments in capital assets (note 9(b)) | –             | 44,053,011                   | (44,053,011)    | –              |
| Net assets (deficiency), end of year                    | \$ 17,459,843 | \$ 188,675,508               | \$ (29,122,888) | \$ 177,012,463 |

| 2014   | Endowments    | Investment in capital assets | Unrestricted    | Total          |
|--|---------------|------------------------------|-----------------|----------------|
| Net assets (deficiency), beginning of year             | \$ 15,858,896 | \$ 132,817,098               | \$ (9,715,338)  | \$ 138,960,656 |
| Excess (deficiency) of revenue over expenses           | –             | (16,774,478)                 | 35,005,157      | 18,230,679     |
| Endowment contributions                                | 822,070       | –                            | –               | 822,070        |
| Net change in investment in capital assets (note 9(b)) | –             | 47,745,702                   | (47,745,702)    | –              |
| Net assets (deficiency), end of year                   | \$ 16,680,966 | \$ 163,788,322               | \$ (22,455,883) | \$ 158,013,405 |

See accompanying notes to consolidated financial statements.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Consolidated Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

|   | 2015                 | 2014                 |
|---|----------------------|----------------------|
| Cash provided by (used in):                                     |                      |                      |
| Operating activities:   |                      |                      |
| Excess of revenue over expenses                                 | \$ 18,220,181        | \$ 18,230,679        |
| Items not involving cash:                                       |                      |                      |
| Amortization of capital assets                                  | 27,147,891           | 25,033,721           |
| Gain on disposal of capital assets                              | (111,831)            | -                    |
| Amortization of deferred contributions for capital assets       | (7,870,235)          | (8,259,243)          |
| Post-employment benefits and compensated absences               | 250,581              | (498,629)            |
|   | <u>37,636,587</u>    | <u>34,506,528</u>    |
| Change in non-cash operating working capital:                   |                      |                      |
| Decrease (increase) in grants receivable                        | 755,486              | (919,211)            |
| Decrease (increase) in accounts receivable                      | (1,484,199)          | 882,764              |
| Decrease in inventory   | 2,152,327            | 61,898               |
| Decrease in prepaid expenses                                    | 189,270              | 580,925              |
| Increase (decrease) in accounts payable and accrued liabilities | 4,686,027            | (11,292,072)         |
| Increase (decrease) in due to student associations              | (9,907,718)          | 4,181,643            |
| Increase (decrease) in deferred revenue                         | (335,559)            | 1,780,203            |
| Increase (decrease) in employee vacation accrual                | (107,136)            | 47,689               |
| Decrease in post-employment benefits and compensated absences   | (718,581)            | (600,371)            |
|   | <u>32,866,504</u>    | <u>29,229,996</u>    |
| Capital activities:   |                      |                      |
| Contributions received for capital assets                       | 3,380,212            | 1,801,290            |
| Purchase of capital assets                                      | (44,499,883)         | (46,608,224)         |
| Proceeds on disposal of capital assets                          | 203,838              | -                    |
|   | <u>(40,915,833)</u>  | <u>(44,806,934)</u>  |
| Financing activities:   |                      |                      |
| Increase in deferred contributions                              | 346,715              | 900,689              |
| Principal payments on long-term debt                            | (3,137,178)          | (2,938,768)          |
| Endowment contributions   | 778,877              | 822,070              |
|   | <u>(2,011,586)</u>   | <u>(1,216,009)</u>   |
| Investing activities:   |                      |                      |
| Redemption of long-term investments                             | 45,000,000           | -                    |
| Increase in restricted cash and investments                     | (778,877)            | (822,070)            |
|   | <u>44,221,123</u>    | <u>(822,070)</u>     |
| Increase (decrease) in cash and cash equivalents                | 34,160,208           | (17,615,017)         |
| Cash and cash equivalents, beginning of year                    | 59,327,749           | 76,942,766           |
| Cash and cash equivalents, end of year                          | <u>\$ 93,487,957</u> | <u>\$ 59,327,749</u> |
| Supplemental cash flow information:                             |                      |                      |
| Interest paid on long-term debt                                 | \$ 3,344,683         | \$ 3,542,649         |

See accompanying notes to consolidated financial statements.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2015, with comparative information for 2014

|  | 2015           | 2014           |
|--|----------------|----------------|
| Accumulated remeasurement losses,<br>beginning of year | \$ (5,022,963) | \$ (6,547,141) |
| Unrealized gain (loss) on derivative liability         | (1,490,177)    | 1,524,178      |
| Accumulated remeasurement losses,<br>end of year       | \$ (6,513,140) | \$ (5,022,963) |

See accompanying notes to consolidated financial statements.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2015

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Seneca College of Applied Arts and Technology (the "College") 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 (Canada).

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

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

## 1. Significant accounting policies:

### (a) Basis of accounting:

These consolidated financial statements are the representation of management and 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.

### (b) Subsidiary:

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the College and its wholly owned subsidiary, Seneca Corporation. All inter-organizational balances and transactions are eliminated on consolidation.

### (c) Revenue recognition:

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

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



# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

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

Restricted investment income that must be maintained as an endowment is credited to deferred contributions until the related expense is incurred. Unrestricted investment income is recognized as revenue when earned.

Tuition fees received in advance are recorded as deferred revenue and recognized as revenue when earned through the provision of service.

### (d) Cash equivalents:

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

### (e) Long-term investments:

Long-term investments consist of guaranteed investment certificates with maturity dates of greater than one year at the date of acquisition.

### (f) Valuation of inventory:

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

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

### (g) Vacation accrual:

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

### (h) Derivative financial instrument:

A derivative financial instrument is 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 an interest rate swap agreement to economically manage the floating interest rate of a portion of the debt portfolio and the related overall cost of borrowing.

### (i) Financial instruments:

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

#### (i) Fair value:

This category includes derivatives and equity instruments quoted in an active market. The College has elected to continue carrying externally restricted endowment investments, consisting of restricted cash and investments that would otherwise be classified into the amortized cost category at fair value as the College reports performance of it on a fair value basis.

Financial instruments are recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains and losses until they are realized, when they are transferred to the consolidated statement of operations.

Unrealized changes in fair value of a financial asset in a fair value category that is externally restricted are recorded in deferred contributions.

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

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

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 consolidated 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 consolidated statement of financial position for restricted investments and the consolidated statement of operations for unrestricted investments.

### (ii) Amortized cost:

This category includes grants receivable, accounts receivable, long-term investments, accounts payable and accrued liabilities, employee vacation accrual 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.

Write-downs 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 write-down being recognized in the consolidated statement of operations.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

### (j) 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 the receipt where fair market value is reasonably determinable; otherwise, they are recorded at a nominal amount. The College amortizes the cost of capital assets on a straight-line basis over the estimated useful lives of the assets as follows:

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|                            |                 |
|----------------------------|-----------------|
| Land                       |                 |
| Land and land improvements | 10 years        |
| Buildings                  | 40 years        |
| Leasehold improvements     | Over lease term |
| Furniture                  | 5 years         |
| Equipment                  | 5 - 10 years    |
| Computer equipment         | 3 - 5 years     |

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Construction in progress relates to the ongoing campus expansion and the technology upgrade project. Upon completion, the College will start amortizing such costs in accordance with defined useful life criteria.

When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value.

### (k) 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 capital leases as though an asset had been purchased and a liability incurred.

### (l) Student organizations:

These consolidated 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.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

### (m) Retirement and post-employment benefits and compensated absences:

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

- (i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis.
- (ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the year.
- (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 lives 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.
- (v) The cost of short-term disability and maternity leave is determined using management's best estimate of the length of the compensated absences.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

## 1. Significant accounting policies (continued):

(n) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the year, in addition to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. The most significant items subject to management's estimation are the fair value of deferred derivative liability, allowance for doubtful accounts, carrying amounts and useful lives of capital assets, accrued liabilities and post-employment benefits and compensated absences. Actual results could differ from those estimates.

## 2. Capital assets:

| 2015                       | Cost                  | Accumulated amortization | Net book value        |
|----------------------------|-----------------------|--------------------------|-----------------------|
| Land and land improvements | \$ 79,533,233         | \$ 36,948,311            | \$ 42,584,922         |
| Buildings                  | 292,243,378           | 101,469,062              | 190,774,316           |
| Leasehold improvements     | 24,972,049            | 12,107,771               | 12,864,278            |
| Furniture                  | 17,155,989            | 12,401,243               | 4,754,746             |
| Equipment                  | 123,246,151           | 51,300,997               | 71,945,154            |
| Computer equipment         | 95,680,806            | 88,947,024               | 6,733,782             |
| Construction in progress   | 3,886,899             | –                        | 3,886,899             |
|                            | <b>\$ 636,718,505</b> | <b>\$ 303,174,408</b>    | <b>\$ 333,544,097</b> |

| 2014                       | Cost                  | Accumulated amortization | Net book value        |
|----------------------------|-----------------------|--------------------------|-----------------------|
| Land and land improvements | \$ 72,625,162         | \$ 33,175,961            | \$ 39,449,201         |
| Buildings                  | 292,243,378           | 94,571,696               | 197,671,682           |
| Leasehold improvements     | 24,972,049            | 11,030,319               | 13,941,730            |
| Furniture                  | 15,449,038            | 10,949,207               | 4,499,831             |
| Equipment                  | 67,460,882            | 44,962,383               | 22,498,499            |
| Computer equipment         | 95,121,925            | 82,943,094               | 12,178,831            |
| Construction in progress   | 26,044,338            | –                        | 26,044,338            |
|                            | <b>\$ 593,916,772</b> | <b>\$ 277,632,660</b>    | <b>\$ 316,284,112</b> |

During 2015, construction in progress of \$25,174,360 (2014 - \$2,349,005) was completed, transferred to capital assets and amortization commenced.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

### 3. Long-term debt:

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

|                              | 2015          | 2014          |
|------------------------------|---------------|---------------|
| Mortgage (a)                 | \$ 13,274,104 | \$ 14,483,919 |
| Mortgage (b)                 | 4,844,386     | 5,234,307     |
| Mortgage (c)                 | 9,469,007     | 10,057,449    |
| Bankers' acceptance loan (d) | 22,297,000    | 23,246,000    |
|                              | 49,884,497    | 53,021,675    |
| Less current portion         | 3,350,516     | 3,137,178     |
|                              | \$ 46,533,981 | \$ 49,884,497 |

Interest on long-term debt amounted to \$3,344,683 in 2015 (2014 - \$3,542,649), and is included in operating expenses.

- (a) 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.
- (b) 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.
- (c) Mortgage on the student residence 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.
- (d) The College negotiated a term bank loan, by way of a bankers' acceptance loan, 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 \$949,000 in 2015 (2014 - \$893,000), maturing June 25, 2029. 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 11).

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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### 3. Long-term debt (continued):

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

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|            |               |
|------------|---------------|
| 2016       | \$ 3,350,516  |
| 2017       | 3,576,482     |
| 2018       | 3,819,816     |
| 2019       | 4,077,308     |
| 2020       | 4,354,814     |
| Thereafter | 30,705,561    |
|            | <hr/>         |
|            | \$ 49,884,497 |

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The fair value of these loans and mortgages as at March 31, 2015 is estimated by management to be \$79,004,600 (2014 - \$78,861,600).

### 4. Due to student associations:

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



# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

## 5. 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:

|  | 2015                | 2014                |
|--|---------------------|---------------------|
| Balance, beginning of year             | \$ 4,844,398        | \$ 2,933,489        |
| Add amount received from:              |                     |                     |
| Set aside tuition                      | 6,476,869           | 6,286,433           |
| Other sources                          | 2,212,748           | 3,158,595           |
| Unrealized gain on endowments (note 8) | 1,077,609           | 1,010,221           |
| Less amounts disbursed:                |                     |                     |
| Set aside tuition                      | 6,426,295           | 6,286,433           |
| Other sources                          | 1,916,606           | 2,257,907           |
| <b>Balance, end of year</b>            | <b>\$ 6,268,723</b> | <b>\$ 4,844,398</b> |
| Deferred contributions comprise:       |                     |                     |
| Scholarships and bursaries             | \$ 2,192,393        | \$ 1,635,308        |
| Joint employment stability reserve     | 704,868             | 723,957             |
| Prepaid leave plan                     | -                   | 105,601             |
| Endowment interest funds (note 8)      | 201,048             | 207,549             |
| Unrealized gain on endowments (note 8) | 2,447,093           | 1,369,484           |
| Other                                  | 723,321             | 802,499             |
|  | <b>\$ 6,268,723</b> | <b>\$ 4,844,398</b> |

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

## 6. 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 consolidated 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:

|  | 2015                 | 2014                 |
|--|----------------------|----------------------|
| Balance, beginning of year                     | \$ 99,474,115        | \$ 105,932,068       |
| Amortization of deferred capital contributions | (7,870,235)          | (8,259,243)          |
| Contributions received for capital purposes    | 3,380,212            | 1,801,290            |
| <b>Balance, end of year</b>                    | <b>\$ 94,984,092</b> | <b>\$ 99,474,115</b> |

## 7. Post-employment benefits and compensated absences:

The following tables outline the liability components of the College's post-employment benefits and compensated absences:

| 2015   | Post-<br>employment<br>benefits | Non-vesting<br>sick leave | Vesting<br>sick leave | Total<br>liability   |
|--|---------------------------------|---------------------------|-----------------------|----------------------|
| Accrued employee future benefits obligations | \$ 2,243,000                    | \$ 6,656,000              | \$ 2,924,000          | \$ 11,823,000        |
| Value of plan assets                         | (390,000)                       | -                         | -                     | (390,000)            |
| Unamortized actuarial gains (losses)         | 131,000                         | 2,358,000                 | (1,300,000)           | 1,189,000            |
| <b>Total liability</b>                       | <b>\$ 1,984,000</b>             | <b>\$ 9,014,000</b>       | <b>\$ 1,624,000</b>   | <b>\$ 12,622,000</b> |

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

## 7. Post-employment benefits and compensated absences (continued):

| 2014   | Post-employment benefits | Non-vesting sick leave | Vesting sick leave  | Total liability      |
|--|--------------------------|------------------------|---------------------|----------------------|
| Accrued employee future benefits obligations | \$ 1,984,000             | \$ 6,325,000           | \$ 3,216,000        | \$ 11,525,000        |
| Value of plan assets                         | (318,000)                | —                      | —                   | (318,000)            |
| Unamortized actuarial gains (losses)         | 198,000                  | 2,995,000              | (1,310,000)         | 1,883,000            |
| <b>Total liability</b>                       | <b>\$ 1,864,000</b>      | <b>\$ 9,320,000</b>    | <b>\$ 1,906,000</b> | <b>\$ 13,090,000</b> |

The following tables outline the expense component of the College's post-employment benefits and compensated absences:

| 2015                                   | Post-employment benefits | Non-vesting sick leave | Vesting sick leave | Total expense     |
|--|--------------------------|------------------------|--------------------|-------------------|
| Current year benefit costs             | \$ 167,000               | \$ 378,000             | \$ 101,000         | \$ 646,000        |
| Interest on accrued benefit obligation | 5,000                    | 172,000                | 81,000             | 258,000           |
| Amortized actuarial losses (gains)     | (19,000)                 | (186,000)              | 177,000            | (28,000)          |
| <b>Total expenses</b>                  | <b>\$ 153,000</b>        | <b>\$ 364,000</b>      | <b>\$ 359,000</b>  | <b>\$ 876,000</b> |

| 2014                                   | Post-employment benefits | Non-vesting sick leave | Vesting sick leave | Total expense     |
|--|--------------------------|------------------------|--------------------|-------------------|
| Current year benefit costs (recovery)  | \$ (75,000)              | \$ 478,000             | \$ 166,000         | \$ 569,000        |
| Interest on accrued benefit obligation | 11,000                   | 181,000                | 59,000             | 251,000           |
| Amortized actuarial losses             | 7,000                    | 15,000                 | 5,000              | 27,000            |
| <b>Total expenses (recovery)</b>       | <b>\$ (57,000)</b>       | <b>\$ 674,000</b>      | <b>\$ 230,000</b>  | <b>\$ 847,000</b> |

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 7. Post-employment benefits and compensated absences (continued):

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

### (a) Pension plan:

Employees of the College are members of the Plan, which is a multi-employer, jointly sponsored defined benefit plan for eligible employees of 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, 2015 indicated an actuarial surplus of \$773,000,000. The College made contributions to the Plan and its associated retirement compensation arrangement of \$17,578,394 in 2015 (2014 - \$16,998,908), which has been included in the consolidated statement of operations.

### (b) 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:

#### (i) Discount rate:

The present value, as at March 31, 2015, of the future benefits was determined using a discount rate of 1.6% (2014 - 2.70%).

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 7. Post-employment benefits and compensated absences (continued):

### (ii) Drug costs:

Drug costs were assumed to increase at a rate of 9.00% in 2014 and decrease proportionately thereafter to an ultimate rate of 4.00% in 2034.

### (iii) Other medical:

Other medical costs and vision/hearing care were assumed to increase at 4.00% per annum (2014 - 4.00%).

### (iv) Dental costs:

Dental costs were assumed to increase at 4.00% per annum in 2015 (2014 - 4.00%).

## (c) Compensated absences:

### (i) Vesting sick leave:

The College has provided for vesting sick leave benefits during the year. Eligible employees, after 10 years of service, are entitled to receive 50% of their accumulated sick leave credit on termination or retirement to a maximum of six 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.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 7. Post-employment benefits and compensated absences (continued):

### (ii) 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:

|                            | 2015          | 2014  |
|----------------------------|---------------|-------|
| Wage and salary escalation | 1.00% - 1.50% | —     |
| Discount rate              | 1.60%         | 2.70% |

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 0.00% to 24.00% and 0 to 44.3 days, respectively, for age groups ranging from 20 and under to 65 and over in bands of five years.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 8. Externally restricted endowments:

Externally restricted net assets include endowment funds which 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 are donated. 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 are provided.

Endowment funds of \$17,459,843 consist of restricted cash and investments including an unrealized loss of \$181,445. The fair value of the restricted cash and investments at March 31, 2015 is \$19,906,936 (2014 - \$18,050,449), which represents funds restricted as to use and are not available for general operations. Included in this amount is an unrealized gain of \$2,447,093 included in deferred contributions (note 5).

Investment income on externally restricted endowments that was disbursed during the year has been recorded in the consolidated statement of operations since this income is available for disbursement as scholarships and bursaries and the donor's conditions were met. The unspent portion of the investment income is recorded in deferred contributions. Investment income on endowments recognized and deferred was \$48,100 and \$201,048 (2014 - \$96,728 and \$207,549), respectively.

## 9. Investment in capital assets:

(a) Investment in capital assets represents the following:

|   | 2015                  | 2014                  |
|---|-----------------------|-----------------------|
| Capital assets  | \$ 333,544,097        | \$ 316,284,112        |
| Less amounts financed by:                             |                       |                       |
| Long-term debt (note 3)                               | 49,884,497            | 53,021,675            |
| Deferred contributions<br>for capital assets (note 6) | 94,984,092            | 99,474,115            |
|   | <u>\$ 188,675,508</u> | <u>\$ 163,788,322</u> |

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

## 9. Investment in capital assets (continued):

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

|  | 2015                   | 2014                   |
|--|------------------------|------------------------|
| Deficiency of revenue over expenses:                             |                        |                        |
| Amortization of deferred contributions related to capital assets | \$ 7,870,235           | \$ 8,259,243           |
| Amortization of capital assets                                   | (27,147,891)           | (25,033,721)           |
| Gain on disposal of capital assets                               | 111,831                | -                      |
|  | <u>\$ (19,165,825)</u> | <u>\$ (16,774,478)</u> |
| Net change in investment in capital assets:                      |                        |                        |
| Purchase of capital assets, net                                  | \$ 44,499,883          | \$ 46,608,224          |
| Proceeds on disposal of capital assets                           | (203,838)              | -                      |
| Amounts funded by deferred capital contributions                 | (3,380,212)            | (1,801,290)            |
| Repayments of long-term debt                                     | 3,137,178              | 2,938,768              |
|  | <u>\$ 44,053,011</u>   | <u>\$ 47,745,702</u>   |

## 10. Commitments and contingent liabilities:

(a) 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 thereafter in aggregate under current arrangements are as follows:

|            |                      |
|------------|----------------------|
| 2016       | \$ 5,736,300         |
| 2017       | 4,857,400            |
| 2018       | 4,338,100            |
| 2019       | 2,613,400            |
| 2020       | 1,531,500            |
| Thereafter | 12,925,900           |
|            | <u>\$ 32,002,600</u> |



# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 10. Commitments and contingent liabilities (continued):

### (b) 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.

### (c) 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 consolidated 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 consolidated financial position.

### (d) Letters of guarantee:

The College issues letters of guarantee through its financial institutions to provide guarantees to certain vendors. Outstanding letters of guarantee amount to \$1,383,950 as at March 31, 2015 (2014 - \$1,383,950).

### (e) Indemnification agreements:

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:

- (i) 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.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 10. Commitments and contingent liabilities (continued):

- (ii) 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 lawsuits 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.
  
- (iii) 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.

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 consolidated statement of financial position with respect to these agreements.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

## 11. Financial instruments:

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

| 2015                                     | Fair value    | Amortized cost |
|--|---------------|----------------|
| Cash and cash equivalents                | \$ 93,487,957 | \$ —           |
| Grants receivable                        | —             | 1,075,498      |
| Accounts receivable                      | —             | 7,446,897      |
| Restricted cash and investments          | 19,906,936    | —              |
| Accounts payable and accrued liabilities | —             | 41,194,508     |
| Current portion of long-term debt        | —             | 3,350,516      |
| Employee vacation accrual                | —             | 13,318,671     |
| Long-term debt                           | —             | 46,533,981     |
| Deferred derivative liability            | 6,513,140     | —              |

| 2014                                     | Fair value    | Amortized cost |
|--|---------------|----------------|
| Cash and cash equivalents                | \$ 59,327,749 | \$ —           |
| Grants receivable                        | —             | 1,830,984      |
| Accounts receivable                      | —             | 5,962,698      |
| Long-term investments                    | —             | 45,000,000     |
| Restricted cash and investments          | 18,050,449    | —              |
| Accounts payable and accrued liabilities | —             | 36,508,481     |
| Current portion of long-term debt        | —             | 3,137,178      |
| Employee vacation accrual                | —             | 13,425,807     |
| Long-term debt                           | —             | 49,884,497     |
| Deferred derivative liability            | 5,022,963     | —              |

Long-term investments consisted of redeemable guaranteed investment certificates with a maturity date of March 16, 2015 and interest rate at maturity of 1.75%. During 2015, long-term investments were redeemed. Restricted cash and investments are externally restricted for endowment purposes (note 8) and consist of equity instruments in Canadian public companies, government and corporate bonds and guaranteed investment certificates.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 11. Financial instruments (continued):

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 3(d)). Under the terms of the interest rate swap agreement, the College has contracted with the counterparty to pay a fixed rate of interest of 5.607% (2014 - 5.607%), while receiving interest at a variable rate to be set quarterly based on the bankers' acceptance rates which ranged from 0.99% to 1.29% (2014 - 1.26% to 1.28%) 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, 2015 is \$22,297,000 (2013 - \$23,246,000) and is amortized quarterly during the term of the interest rate swap agreement. The fair value of the interest rate swap agreement at March 31, 2015 is \$6,513,140 (2014 - \$5,022,963) and is recorded as a deferred derivative liability on the consolidated statement of financial position.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 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).

All cash and cash equivalents and restricted cash and investments are classified as Level 1 financial instruments, except for \$10,234,763 (2014 - \$8,875,639) invested in a balanced fund, which is classified as a Level 2 financial instrument. The deferred derivative liability is classified as a Level 3 financial instrument.

There were no transfers between levels for the years ended March 31, 2015 and 2014. For a sensitivity analysis of financial instruments recognized in Level 3, see note 12, interest rate risk, as the prevailing interest rate is the most significant input into the fair value of the instrument.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 12. Financial instruments and risk management:

### (a) Credit risk:

Credit risk is the risk of financial loss to the College if a debtor fails to make payments of interest and principal when due. The College is exposed to this risk relating to its cash and accounts receivable. The College holds its cash accounts with federally regulated chartered banks which are insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up to \$100,000 (2014 - \$100,000).

The College's investment policy operates within the constraints of the investment guidelines issued by the Ministry of Training, Colleges and Universities ("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 government bonds, bank-listed Schedule I or Schedule II or a branch in Canada of an authorized foreign bank under the Bank Act. Externally restricted and endowment funds, which are generally money and donations for scholarships and bursaries, can be invested in corporate bonds with a credit rating of A(R-1) or better. All other College funds are restricted to corporate bonds with a rating of AAA.

The maximum exposure to investment credit risk is outlined in note 11.

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

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

## 12. Financial instruments and risk management (continued):

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

| 2015                       | Total               | 1 - 30 days         | Past due            |                  |                     |
|----------------------------|---------------------|---------------------|---------------------|------------------|---------------------|
|                            |                     |                     | 31 - 60 days        | 61 - 90 days     | 91 - 120 days       |
| Grants receivable          | \$ 1,075,498        | \$ 1,007,404        | \$ -                | \$ -             | \$ 68,094           |
| Other receivables          | 8,239,726           | 3,980,267           | 2,221,159           | 25,643           | 2,012,657           |
| Gross receivables          | 9,315,224           | 4,987,671           | 2,221,159           | 25,643           | 2,080,751           |
| Less impairment allowances | 792,829             | -                   | -                   | -                | 792,829             |
|                            | <u>\$ 8,522,395</u> | <u>\$ 4,987,671</u> | <u>\$ 2,221,159</u> | <u>\$ 25,643</u> | <u>\$ 1,287,922</u> |

| 2014                       | Total               | 1 - 30 days         | Past due          |                   |                     |
|----------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
|                            |                     |                     | 31 - 60 days      | 61 - 90 days      | 91 - 120 days       |
| Grants receivable          | \$ 1,830,984        | \$ 1,461,234        | \$ -              | \$ -              | \$ 369,750          |
| Other receivables          | 6,605,527           | 4,767,425           | 116,745           | 427,695           | 1,293,662           |
| Gross receivables          | 8,436,511           | 6,228,659           | 116,745           | 427,695           | 1,663,412           |
| Less impairment allowances | 642,829             | -                   | -                 | -                 | 642,829             |
|                            | <u>\$ 7,793,682</u> | <u>\$ 6,228,659</u> | <u>\$ 116,745</u> | <u>\$ 427,695</u> | <u>\$ 1,020,583</u> |

Student receivables not impaired are collectible based on the College's assessment and past experience regarding collection 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.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 12. Financial instruments and risk management (continued):

### (b) 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 investment policy outlines an asset mix comprising:

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|                                 |           |
|---------------------------------|-----------|
| Fixed income                    | 25% - 50% |
| Equities                        | 50% - 65% |
| Cash and short-term investments | 0% - 15%  |

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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.

### (i) 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 exchange rates when adverse changes in foreign currency rates occur. The College does not have any material transactions or financial instruments denominated in foreign currencies.

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

### (ii) 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.

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 12. Financial instruments and risk management (continued):

The College is exposed to this risk through the fixed income securities and long-term debt.

The College mitigates interest rate risk on its long-term debt (note 3(d)) through a derivative financial instrument that exchanges the variable rate inherent in the long-term debt for a fixed rate (note 11). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt. In addition, the College's other long-term debt, as described in note 3(a) to (c) would not be impacted as the inherent rates are fixed.

Fixed income securities have yields varying from 1.0% to 6.9% (2014 - 1.2% to 5.0%) with maturity dates ranging from August 2015 to December 2048 (2014 - November 2014 to October 2046).

At March 31, 2015, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of the bonds and the interest rate swap of \$230,571 (2014 - \$214,917) and \$1,937,000 (2014 - \$1,960,200), respectively.

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

### (iii) 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 the equity holdings with its investment portfolio. At March 31, 2015, a 10% movement in the stock markets with all variables held constant would have an estimated effect on the fair values of the College's equities of \$651,033 (2014 - \$569,080).

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



# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

## 12. Financial instruments and risk management (continued):

### (c) Liquidity risk:

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

| 2015   | Within<br>6 months | 6 months<br>to 1 year | 1 - 5<br>years | Greater<br>than 5 years | Total          |
|--|--------------------|-----------------------|----------------|-------------------------|----------------|
| Accounts payable<br>and accrued<br>liabilities | \$ 39,949,750      | \$ 1,244,758          | \$ -           | \$ -                    | \$ 41,194,508  |
| Employee vacation<br>accrual                   | 11,562,519         | 1,756,152             | -              | -                       | 13,318,671     |
| Current portion of<br>long-term debt           | 1,647,568          | 1,702,948             | -              | -                       | 3,350,516      |
| Long-term debt                                 | -                  | -                     | 20,477,661     | 26,056,320              | 46,533,981     |
|  | \$ 53,159,837      | \$ 4,703,858          | \$ 20,477,661  | \$ 26,056,320           | \$ 104,397,676 |

| 2014   | Within<br>6 months | 6 months<br>to 1 year | 1 - 5<br>years | Greater<br>than 5 years | Total          |
|--|--------------------|-----------------------|----------------|-------------------------|----------------|
| Accounts payable<br>and accrued<br>liabilities | \$ 35,523,196      | \$ 985,285            | \$ -           | \$ -                    | \$ 36,508,481  |
| Employee vacation<br>accrual                   | 11,620,848         | 1,804,959             | -              | -                       | 13,425,807     |
| Current portion of<br>long-term debt           | 1,542,683          | 1,594,495             | -              | -                       | 3,137,178      |
| Long-term debt                                 | -                  | -                     | 19,178,936     | 30,705,561              | 49,884,497     |
|  | \$ 48,686,727      | \$ 4,384,739          | \$ 19,178,936  | \$ 30,705,561           | \$ 102,955,963 |

Derivative financial liabilities mature, as described in note 11.

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

# SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

## 13. Ontario Trust for Student Support fund:

The externally restricted endowments (note 8) include monies provided by the Government of Ontario through the Ontario Trust for Student Support matching funds program to award student aid as a result of raising equal amount of endowed donations. The College has recorded the following amounts under the program:

|   | 2015          | 2014          |
|---|---------------|---------------|
| <b>Schedule of Donations Received and Receivable</b>                |               |               |
| Cash donations received and receivable                              | \$ 654,648    | \$ 1,065,350  |
| <b>Schedule of Changes in Endowment Fund Balance</b>                |               |               |
| Fund balance, beginning of year                                     | \$ 14,782,927 | \$ 13,717,577 |
| Cash donations received and receivable                              | 654,648       | 1,065,350     |
| Fund balance, end of year   | \$ 15,437,575 | \$ 14,782,927 |
| <b>Schedule of Changes in Expendable Funds Available for Awards</b> |               |               |
| Balance, beginning of year  | \$ 2,171,982  | \$ 1,142,894  |
| Investment income   | 329,732       | 362,490       |
| Bursaries awarded (total number - 693; 2014 - 620)                  | (408,908)     | (343,623)     |
| Unrealized gain on endowment funds                                  | 1,077,609     | 1,010,221     |
| Balance, end of year  | \$ 3,170,415  | \$ 2,171,982  |

## 14. Adoption of new accounting policy:

The College adopted Public Sector Accounting Board Standard PS 3260, Liability for Contaminated Sites ("PS 3260"), effective April 1, 2014. Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. The College adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.