Consolidated Financial Statements of

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Years ended March 31, 2013 and 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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the consolidated statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, the consolidated statement of remeasurement gains and losses for the year ended March 31, 2013, 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 audits. We conducted our audits 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 in our audits 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, 2013, March 31, 2012 and April 1, 2011 and its consolidated results of operations, its consolidated changes in net assets and its consolidated cash flows for the years ended March 31, 2013 and March 31, 2012 and its consolidated remeasurement gains and losses for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 3, 2013
Toronto, Canada

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash and cash equivalents	$ 76,942,766	$ 47,815,638	$ 100,359,945
Grants receivable	911,773	2,831,781	2,035,707
Accounts receivable	6,845,462	5,822,862	5,442,533
Inventory	2,214,225	2,954,681	2,361,145
Prepaid expenses	4,515,292	1,052,286	997,716
	91,429,518	60,477,248	111,197,046
Long-term investments	45,000,000	45,000,000	–
Restricted cash and investments (note 11)	16,218,159	15,472,571	12,454,492
Capital assets (note 3)	294,709,609	288,707,624	262,966,739
	$ 447,357,286	$ 409,657,443	$ 386,618,277
Liabilities, Deferred Contributions and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$ 47,800,553	$ 29,406,461	$ 27,810,680
Current portion of long-term debt (note 4)	2,938,768	2,752,643	2,594,139
Due to student associations (note 5)	20,079,078	16,275,582	14,084,746
Deferred revenue	48,123,881	43,986,813	41,029,594
Employee vacation accrual	13,378,118	12,920,289	12,851,164
	132,320,398	105,341,788	98,370,323
Long-term debt (note 4)	53,021,675	55,960,443	58,713,086
Deferred derivative liability (note 9)	6,547,141	6,346,775	3,809,224
Post-employment benefits and compensated absences (note 8)	14,189,000	15,197,000	16,943,000
	206,078,214	182,846,006	177,835,633
Deferred contributions (note 6)	2,933,489	2,816,458	2,007,129
Deferred contributions for capital assets (note 7)	105,932,068	110,586,584	116,293,374
	108,865,557	113,403,042	118,300,503
Net assets:			
Unrestricted:			
Operating	17,851,780	12,991,934	69,377
Post-employment benefits and compensation absences	(14,189,000)	(15,197,000)	(16,943,000)
Vacation pay	(13,378,118)	(12,920,289)	(12,851,164)
Deferred derivative liability	–	(6,346,775)	(3,809,224)
	(9,715,338)	(21,472,130)	(33,534,011)
Investment in capital assets (note 12(a))	132,817,098	119,407,954	111,561,660
Externally restricted (endowments) (note 11)	15,858,896	15,472,571	12,454,492
	138,960,656	113,408,395	90,482,141
Accumulated remeasurement losses	(6,547,141)	–	–
	132,413,515	113,408,395	90,482,141
Commitments and contingent liabilities (note 13)			
	$ 447,357,286	$ 409,657,443	$ 386,618,277

See accompanying notes to consolidated financial statements.

On behalf of the Board of Governors:

Bill Hogarth Chair

President

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statements of Operations

Years ended March 31, 2013 and 2012

	2013	2012
Revenues:		
Government operating grant	$ 130,349,955	$ 130,473,387
Tuition and related fees	140,348,379	131,569,826
Ancillary	28,234,335	28,349,915
Amortization of deferred capital contributions	7,989,426	8,235,951
Deferred contributions recognized	2,255,217	1,928,477
Student and alumni associations	1,927,226	1,575,478
Other	22,566,949	22,405,640
	333,671,487	324,538,674
Expenses:		
Salaries and benefits	199,720,774	192,947,282
Operating (note 4)	49,755,017	46,435,458
Plant and property maintenance	10,130,069	10,180,411
Bursaries and scholarships	10,206,147	9,657,750
Ancillary	22,718,973	22,587,086
Amortization of capital assets	22,321,346	20,284,961
	314,852,326	302,092,948
Excess of revenues over expenses	$ 18,819,161	$ 22,445,726

See accompanying notes to consolidated financial statements.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

March 31, 2013	Endowments	Investment in capital assets	Unrestricted	Total
Net assets, beginning of year	$ 15,472,571	$ 119,407,954	$ (21,472,130)	$ 113,408,395
Reclassification of fair value on derivative instrument due to adoption of PS 3450 (note 2(e))	–	–	6,346,775	6,346,775
Excess (deficiency) of revenues over expenses	–	(14,331,920)	33,151,081	18,819,161
Endowment contributions	386,325	–	–	386,325
Net change in investment in capital assets (note 12(b))	–	27,741,064	(27,741,064)	–
Net assets, end of year	$ 15,858,896	$ 132,817,098	$ (9,715,338)	$ 138,960,656

March 31, 2012	Endowments	Investment in capital assets	Unrestricted	Total
Net assets, beginning of year	$ 12,454,492	$ 111,561,660	$ (33,534,011)	$ 90,482,141
Excess (deficiency) of revenues over expenses	–	(12,049,010)	34,494,736	22,445,726
Endowment contributions	3,244,219	–	–	3,244,219
Change in fair value (unrealized loss) on endowment investments	(226,140)	–	–	(226,140)
Change in fair value of derivative instrument	–	–	(2,537,551)	(2,537,551)
Net change in investment in capital assets (note 12(b))	–	19,895,304	(19,895,304)	–
Net assets, end of year	$ 15,472,571	$ 119,407,954	$ (21,472,130)	$ 113,408,395

See accompanying notes to consolidated financial statements.

SENECA COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ 18,819,161	$ 22,445,726
Items not involving cash:		
Amortization of capital assets	22,321,346	20,284,961
Amortization of deferred contributions related to capital assets	(7,989,426)	(8,235,951)
Employee future benefits	(357,388)	(1,593,581)
	32,793,693	32,901,155
Change in non-cash operating working capital:		
Decrease (increase) in grants receivable	1,920,008	(796,074)
Increase in accounts receivable	(1,022,600)	(380,329)
Decrease (increase) in inventory	740,456	(593,536)
Increase in prepaid expenses	(3,463,006)	(54,570)
Increase in accounts payable and accrued liabilities	18,394,092	1,595,781
Increase in due to student associations	3,803,496	2,190,836
Increase in deferred revenue	4,137,068	2,957,219
Increase in employee vacation accrual	457,829	69,125
Decrease in post-employment benefits and compensated absences	(650,612)	(152,419)
	57,110,424	37,737,188
Capital activities:		
Contributions received for capital assets	3,334,910	2,529,161
Purchase of capital assets	(28,323,331)	(46,025,846)
	(24,988,421)	(43,496,685)
Financing activities:		
Increase (decrease) in deferred contributions	(242,232)	809,329
Principal payments on long-term debt	(2,752,643)	(2,594,139)
Endowment contributions	386,325	3,244,219
	(2,608,550)	1,459,409
Investing activities:		
Purchase of long-term investments	–	(45,000,000)
Increase in restricted cash and investments	(386,325)	(3,244,219)
	(386,325)	(48,244,219)
Increase (decrease) in cash and cash equivalents	29,127,128	(52,544,307)
Cash and cash equivalents, beginning of year	47,815,638	100,359,945
Cash and cash equivalents, end of year	$ 76,942,766	$ 47,815,638
Supplemental cash flow information:		
Interest paid	$ 3,726,823	$ 3,903,825

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, 2013

Accumulated remeasurement gains and losses, beginning of year	$ –
Adjustment upon adoption of financial instruments section (note 2(e))	(6,346,775)
Unrealized loss on derivative instrument	(200,366)
Accumulated remeasurement gains and losses, end of year	$ (6,547,141)

See accompanying notes to consolidated financial statements.

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 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, revenues, 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), revenues 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 ("NPOs"), including the 4200 Series of Standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

(b) Subsidiary:

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

(c) Revenue recognition:

The College follows the deferral method of accounting for contributions, which includes 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 in the consolidated statements of operations.

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 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.

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 are 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.

1. Significant accounting policies (continued):

(g) 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.

(h) 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.

They are initially 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 statements 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.

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 statements 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 statements of financial position for restricted investments and the consolidated statements 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, current portion of long-term debt 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 statements of operations.

(i) 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, contributed assets 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:

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

1. **Significant accounting policies (continued):**

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

(j) 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.

(k) 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.

(l) 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.

1. Significant accounting policies (continued):

(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.

(m) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the years, in addition to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates 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 of capital assets, accrued liabilities and post-employment benefits and compensated absences. Actual results could differ from those estimates.

2. First-time adoption of public sector accounting standards:

The Public Sector Accounting Board ("PSAB") issued new standards for Government NPOs. For years beginning on or after January 1, 2012, Government NPOs have a choice of:

(1) Public sector accounting standards, including PS 4200 - 4270 for Government NPOs; or

(2) Public sector accounting standards.

The College has chosen to follow public sector accounting standards, including PS 4200 - 4270 for Government NPOs.

2. First-time adoption of public sector accounting standards (continued):

Effective April 1, 2012, the College adopted the requirements of the new accounting framework, PSAB for Government NPOs. These are the College's first consolidated financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations ("PS 2125") have been applied. PS 2125 requires retroactive application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the summary of significant accounting policies have been applied in preparing the consolidated financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for Government NPOs consolidated statement of financial position at the date of transition of April 1, 2011 with the exception of PS 3450 - Financial Instruments which has been applied with an effective date of April 1, 2012 (see note 2(e) - Change in Accounting Policy).

The College issued consolidated financial statements for the year ended March 31, 2011 using Canadian generally accepted accounting principles ("GAAP") prescribed by The Canadian Institute of Chartered Accountants' Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for Government NPOs resulted in adjustments to the previously reported assets, liabilities, net assets, excess of revenues over expenses and cash flows of the College. An explanation of how the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs has affected the College's consolidated financial position, operations, changes in net assets and cash flows is set out in the following notes and tables.

2. First-time adoption of public sector accounting standards (continued):

The following exemptions and exceptions were used at the date of transition to Canadian public sector accounting standards for government not-for-profit organizations:

(a) Optional exemptions:

Actuarial gains and losses on post-employment benefit obligations and compensated absences:

Pre-changeover Canadian GAAP allowed the College to only recognize actuarial gains and losses that exceeded certain prescribed amounts (the "corridor approach"). PSAB for Government NPOs requires the amortization of actuarial gains and losses on post-employment benefit obligations and compensated absences to be amortized over the estimated average remaining service life of employees. Retroactive application of this approach would require the College to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to PSAB for Government NPOs into a recognized portion and an unrecognized portion. The College has elected to recognize all cumulative actuarial gains and losses as the date of transition to PSAB for Government NPOs directly in net assets. Actuarial gains and losses subsequent to the date of transition to PSAB for Government NPOs are accounted for in accordance with PS 3250 - Retirement Benefits.

(b) Mandatory exceptions:

Estimates:

The estimates previously made by the College under pre-changeover Canadian GAAP were not revised for the application of PSAB for Government NPOs, except where necessary, to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the College has not used hindsight to revise estimates.

2. First-time adoption of public sector accounting standards (continued):

(c) Reconciliation of net assets and excess of revenues over expenses:

In preparing these consolidated financial statements, management has amended certain accounting policies previously applied in the pre-changeover Canadian GAAP financial statements to comply with PSAB for Government NPOs. The comparative figures for March 31, 2012 were restated to reflect these adjustments. The following reconciliations and explanatory notes provide a description of the effect of the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs on net assets and excess of revenues over expenses:

Consolidated statement of financial position as at March 31, 2012:

	Pre-changeover Canadian GAAP	Transition adjustments Adjustment (i)	Adjustment (ii)	Adjustment (iii)	PSAB for Government NPOs
Liabilities:					
Post-employment benefits:					
Vesting sick leave	$ 5,668,181	$ –	$ –	$ (2,379,181)	$ 3,289,000
Non-vesting sick leave	–	10,014,000	–	–	10,014,000
Post-retirement benefits	1,397,000	–	283,000	214,000	1,894,000
	$ 7,065,181	$ 10,014,000	$ 283,000	$ (2,165,181)	$ 15,197,000
Net assets:					
Post-employment benefits	$ (7,065,181)	$ (10,014,000)	$ (283,000)	$ 2,165,181	$ (15,197,000)

2. First-time adoption of public sector accounting standards (continued):

Consolidated statement of financial position as at April 1, 2011 - transition date:

	Pre-changeover Canadian GAAP	Transition adjustments Adjustment (i)	Adjustment (ii)	Adjustment (iii)	PSAB for Government NPOs
Liabilities:					
Post-employment benefits:					
Vesting sick leave	$ 5,820,600	$ –	$ –	$ (1,239,600)	$ 4,581,000
Non-vesting sick leave	–	10,525,000	–	–	10,525,000
Retirement benefits	1,388,000	–	264,000	185,000	1,837,000
	$ 7,208,600	$ 10,525,000	$ 264,000	$ (1,054,600)	$ 16,943,000
Net assets:					
Post-employment benefits	$ (7,208,600)	$ (10,525,000)	$ (264,000)	$ 1,054,600	$ (16,943,000)

Consolidated statement of operations for the year ended March 31, 2012:

	Sub-note	Pre-changeover Canadian GAAP	Adjustments	PSAB for Government NPOs
Salaries and benefits	(i), (ii), (iii)	$ 194,549,863	$ (1,602,581)	$ 192,947,282
Excess of revenues over expenses	(i), (ii), (iii)	$ 20,843,145	$ 1,602,581	$ 22,445,726

2. First-time adoption of public sector accounting standards (continued):

Explanations for adjustments to PSAB for Government NPOs:

(i) Non-vesting sick leave:

PSAB for Government NPOs requires the recognition of a liability for sick leave benefits that accumulate, but do not vest, which was not required under pre-changeover Canadian GAAP. As a result, the College has recognized a liability and charge to net assets, as described in the tables above.

(ii) Amortization of actuarial gains/losses:

As discussed in note 2(a), the College has elected to recognize actuarial gains and losses at the date of transition to PSAB for Government NPOs directly in net assets. As a result, the College has recognized an increased liability and a charge to net assets, as described in the tables above.

(iii) Discount rate used to calculate post-employment benefits and compensated absences liabilities:

PSAB for Government NPOs requires these liabilities to be calculated with a discount rate that is equal to either the College's rate of borrowing or the rate of return on the plan assets. Pre-changeover Canadian GAAP required the discount rate to be equal to the yield on high quality corporate bonds. The College has chosen to discount these liabilities using its internal rate of borrowing. The change in the discount rate resulted in changes to the related liabilities and adjustments to excess of revenues over expenses, as described in the tables above.

2. First-time adoption of public sector accounting standards (continued):

(d) Consolidated statement of cash flows for the year ended March 31, 2012:

The transition to PSAB for Government NPOs had no impact on total operating or financing activities on the consolidated statement of cash flows. The change in excess of revenues over expenses for the year ended March 31, 2012 has been offset by adjustments to operating activities. The transition to PSAB for Government NPOs resulted in the reclassification of cash receipts and outflows relating to the acquisition of tangible capital assets from investing activities to capital activities. The capital section of the consolidated statement of cash flows did not exist prior to the transition to PSAB for Government NPOs.

(e) Change in accounting policy:

On April 1, 2012, the College adopted Public Accounting Standards: PS 3450, Financial Instruments ("PS 3450") and PS 2601, Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the consolidated statements of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the College's accounting policy choices (see note 1(h)(i)).

In accordance with the provisions of this new standard, the College reflected the following adjustment:

On April 1, 2012, an increase of $6,346,775 to unrestricted net assets and a decrease of $6,346,775 to accumulated remeasurement gains (losses) due to the fair value of the College's derivative instrument (interest rate swap) being reclassified to accumulated remeasurement gains (losses).

3. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Land and improvements	$ 69,957,530	$ 28,469,782	$ 41,487,748
Buildings	279,456,008	87,870,769	191,585,239
Leasehold improvements	25,090,183	10,071,001	15,019,182
Furniture	15,056,003	10,832,855	4,223,148
Equipment	60,481,999	42,400,619	18,081,380
Computer equipment	96,823,395	82,668,726	14,154,669
Construction in progress	10,158,243	–	10,158,243
	$ 557,023,361	$ 262,313,752	$ 294,709,609

During 2013, construction in progress of $769,585 was completed, transferred to capital assets and amortization commenced.

March 31, 2012	Cost	Accumulated amortization	Net book value
Land and improvements	$ 67,504,267	$ 23,892,239	$ 43,612,028
Buildings	279,456,008	81,250,873	198,205,135
Leasehold improvements	25,090,183	8,993,549	16,096,634
Furniture	12,535,817	10,017,502	2,518,315
Equipment	53,872,510	39,989,809	13,882,701
Computer equipment	89,965,859	76,674,216	13,291,643
Construction in progress	1,101,168	–	1,101,168
	$ 529,525,812	$ 240,818,188	$ 288,707,624

During 2012, construction in progress of $37,580,066 was completed, transferred to buildings and amortization commenced.

3. Capital assets (continued):

April 1, 2011	Cost	Accumulated amortization	Net book value
Land and improvements	$ 62,092,211	$ 19,656,945	$ 42,435,266
Buildings	221,213,975	75,130,838	146,083,137
Leasehold improvements	25,090,183	7,916,096	17,174,087
Furniture	10,363,752	9,407,476	956,276
Equipment	45,764,144	37,625,816	8,138,328
Computer equipment	81,680,910	71,081,331	10,599,579
Construction in progress	37,580,066	–	37,580,066
	$ 483,785,241	$ 220,818,502	$ 262,966,739

Included in capital assets are aircraft assets that were under capital leases with a cost of $1,855,188 and net book value of nil. As at March 31, 2011, those leases have expired, the obligations have been repaid and the ownership of those assets has transferred to the College.

4. Long-term debt:

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

	March 31, 2013	March 31, 2012	April 1, 2011
Loan (a)	$ –	$ –	$ 16,946
Mortgage (b)	15,614,714	16,671,651	17,659,553
Mortgage (c)	5,600,812	5,945,308	6,269,116
Mortgage (d)	10,605,917	11,117,127	11,593,610
Bankers' acceptance loan (e)	24,139,000	24,979,000	25,768,000
	55,960,443	58,713,086	61,307,225
Less current portion	2,938,768	2,752,643	2,594,139
	$ 53,021,675	$ 55,960,443	$ 58,713,086

4. Long-term debt (continued):

Interest on long-term debt amounted to $3,726,823 (2012 - $3,903,825), included in operating expenses.

(a) Loan used for construction at the Seneca@ York campus. The loan matured on September 1, 2011 and was non-interest bearing.

(b) 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.

(c) 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.

(d) 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.

(e) 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 $840,000 in 2013 (2012 - $789,000), 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 9).

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

2014	$ 2,938,768
2015	3,137,178
2016	3,350,516
2017	3,576,482
2018	3,819,816
Thereafter	39,137,683
	$ 55,960,443

The fair value of these loans and mortgages as at March 31, 2013 is estimated by management to be $82,435,700 (March 31, 2012 - $82,356,700; April 1, 2011 - $76,353,700).

5. Due to student associations:

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

6. 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:

	March 31, 2013	March 31, 2012	April 1, 2011
Balance, beginning of year	$ 2,816,458	$ 2,007,129	$ 1,906,993
Add amount received from:			
Set aside tuition	6,134,850	5,711,305	5,851,167
Other sources	2,012,985	2,737,806	2,523,336
Unrealized gain on endowments	359,263	–	–
Less amounts disbursed:			
Set aside tuition	6,134,850	5,711,305	5,851,167
Other sources	2,255,217	1,928,477	2,423,200
Balance, end of year	$ 2,933,489	$ 2,816,458	$ 2,007,129
Deferred contributions are comprised of:			
Scholarships and bursaries	$ 526,660	$ 818,225	$ 362,424
Joint employment stability reserve	788,195	779,923	772,332
Prepaid leave plan	286,216	221,398	136,730
Endowment interest funds (note 11)	189,525	179,807	152,334
Unrealized gain on endowments	359,263	–	–
Other	783,630	817,105	583,309
	$ 2,933,489	$ 2,816,458	$ 2,007,129

7. 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 statements 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:

	March 31, 2013	March 31, 2012	April 1, 2011
Balance, beginning of year	$ 110,586,584	$ 116,293,374	$ 99,099,875
Amortization of deferred capital contributions	(7,989,426)	(8,235,951)	(7,388,157)
Contributions received for capital purposes	3,334,910	2,529,161	24,581,656
Balance, end of year	$ 105,932,068	$ 110,586,584	$ 116,293,374

Unspent (construction in progress) contributions for capital assets:

	March 31, 2013	March 31, 2012	April 1, 2011
The Ministry of Training, Colleges and Universities ("MTCU"):			
Knowledge Infrastructure Project	$ –	$ –	$ 24,700,000
Campus Renewal Program	–	–	681,204
Other	–	–	814,316
	$ –	$ –	$ 26,195,520

8. Post-employment benefits and compensated absences liabilities:

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

2013	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 2,363,000	$ 9,747,000	$ 2,554,000	$ 14,664,000
Value of plan assets	(312,000)	–	–	(312,000)
Unamortized actuarial losses	(58,000)	(120,000)	15,000	(163,000)
Total liability	$ 1,993,000	$ 9,627,000	$ 2,569,000	$ 14,189,000

2012	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 2,272,000	$ 10,529,000	$ 3,355,000	$ 16,156,000
Value of plan assets	(346,000)	–	–	(346,000)
Unamortized actuarial losses	(32,000)	(515,000)	(66,000)	(613,000)
Total liability	$ 1,894,000	$ 10,014,000	$ 3,289,000	$ 15,197,000

2013	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit costs	$ 166,000	$ 543,000	$ 136,000	$ 845,000
Interest on accrued benefit obligation	11,000	235,000	68,000	314,000
Amortized actuarial losses	4,000	51,000	25,000	80,000
Total expenses	$ 181,000	$ 829,000	$ 229,000	$ 1,239,000

8. Post-employment benefits and compensated absences liabilities (continued):

2012	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit costs	$ 137,000	$ 491,000	$ 129,000	$ 757,000
Interest on accrued benefit obligation	17,000	316,000	120,000	453,000
Amortized actuarial losses	–	–	–	–
Total expenses	$ 154,000	$ 807,000	$ 249,000	$ 1,210,000

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

(a) Retirement benefits:

Employees of the College are members of the Plan, which is a multi-employer, jointly sponsored defined benefit plan for eligible employees of the Colleges of Applied Arts and Technology 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 $154,000,000. In 2013, the College's contributions amounted to $15,141,536 (2012 - $13,681,951) to the Plan.

8. Post-employment benefits and compensated absences liabilities (continued):

(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, 2013, of the future benefits was determined using a discount rate of 2.10% (2012 - 2.25%).

(ii) Drug costs:

Drug costs were assumed to increase at a 10.50% rate for 2013 (2012 - 10.50%) and decrease proportionately thereafter to an ultimate rate of 4.00% in 2026 for fiscal 2013 (2012 - 4.50%).

(iii) Other medical:

Other medical costs and vision/hearing care were assumed to increase at 4.50% per annum (2012 - 4.50%).

(iv) Dental costs:

Dental costs were assumed to increase at 4.0% per annum in 2013 (2012 - 4.5%).

8. Post-employment benefits and compensated absences liabilities (continued):

(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 6 months' salary. The program to accumulate sick leave credits ceased for employees hired after March 31, 1991. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

(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:

	2013	2012
Wage and salary escalation	0.00% - 2.00%	1.50% - 2.00%
Discount rate	2.10%	2.25%

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 38.70% and 0 to 52.6 days, respectively for age groups ranging from 20 and under to 65 and over in bands of five years.

9. 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.

	Fair value	Amortized cost
Cash and cash equivalents	$ 76,942,766	$ –
Grants receivable	–	911,773
Accounts receivable	–	6,845,462
Long-term investments	–	45,000,000
Restricted cash and investments	16,218,159	–
Accounts payable and accrued liabilities	–	47,800,553
Current portion of long-term debt	–	2,938,768
Employee vacation accrual	–	13,378,118
Long-term debt	–	53,021,675
Deferred derivative liability	6,547,141	–
	$ 99,708,066	$ 169,896,349

Long-term investments consist of redeemable guaranteed investment certificates with a maturity date of September 12, 2013 and interest rate at maturity of 1.86%. Restricted cash and investments are externally restricted for endowment purposes (note 11) and consist of equity instruments in Canadian public companies, government and corporate bonds and guaranteed investment certificates.

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 4(e)). 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% (2012 - 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 1.31% (2012 - 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, 2013 is $24,139,000 (March 31, 2012 - $24,979,000; April 1, 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 agreement at March 31, 2013 is $6,547,141 (March 31, 2012 - $6,346,775; April 1, 2011 - $3,809,224) and is recorded as a deferred derivative liability on the consolidated statements of financial position.

9. Financial instruments (continued):

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. The deferred derivative liability is classified as a Level 3 financial instrument.

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2013 and 2012. There were also no transfers in or out of Level 3. For a sensitivity analysis of financial instruments recognized in Level 3, see note 10 - interest rate risk, as the prevailing interest rate is the most significant input into the fair value of the instrument.

10. 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 (March 31, 2012 - $100,000; April 1, 2011 - $100,000).

The College's investment policy operates within the constraints of the investment guidelines issued by the MTCU and puts limits on the bond portfolio, including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis. The guidelines permit the College's funds to be invested in 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 9.

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.

10. 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:

			Past due		
	Total	1 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days
Grants receivable	$ 911,773	$ 911,773	$ –	$ –	$ –
Other receivables	7,569,492	4,298,215	410,314	683,269	2,177,694
Gross receivables	8,481,265	5,209,988	410,314	683,269	2,177,694
Less impairment allowances	724,030	–	–	–	724,030
	$ 7,757,235	$ 5,209,988	$ 410,314	$ 683,269	$ 1,453,664

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.

(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.

10. Financial instruments and risk management (continued):

The investment policy outlines an asset mix comprising:

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

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.

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

The College mitigates interest rate risk on its long-term debt (note 4(e)) through a derivative financial instrument that exchanges the variable rate inherent in the long-term debt for a fixed rate (note 9). 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 4(a) to (d) would not be impacted as the inherent rates are fixed.

10. Financial instruments and risk management (continued):

Fixed income securities have yields varying from 0.9% to 5.5% (2012 - 0.6 to 7.3%) with maturity dates ranging from May 2013 to October 2046 (2012 - April 2012 to December 2045).

At March 31, 2013, 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 $166,003 and $ 2,327,148, 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 its equity holdings with its investment portfolio. At March 31, 2013, 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 $460,946.

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.

10. 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):

	Within 6 months	6 months to 1 year	1 - 5 years	Greater than 5 years
Accounts payable and accrued liabilities	$ 46,978,655	$ 821,898	$ –	$ –
Employee vacation accrual	11,342,612	2,035,506	–	–
Current portion of long-term debt	1,427,678	1,511,090	–	–
Long-term debt	–	–	17,961,300	35,060,375

Derivative financial liabilities mature, as described in note 9.

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.

11. Externally restricted net assets:

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 $15,858,896 consist of restricted cash and investments plus an unrealized gain of $359,263 recorded in deferred contributions (note 6) in fiscal 2013. The fair value of the restricted cash and investments at March 31, 2013 is $16,218,159 (March 31, 2012 - $15,472,571; April 1, 2011 - $12,454,492), which represents funds restricted as to use and are not available for general operations.

Investment income on externally restricted endowments that was disbursed during the year has been recorded in the consolidated statements 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 $ 42,066 and $189,525 (2012 - nil and $179,807; 2011 - $18,000 and $152,334), respectively.

12. Investment in capital assets:

(a) Investment in capital assets represents the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Capital assets	$ 294,709,609	$ 288,707,624	$ 262,966,739
Less amounts financed by:			
Long-term debt (note 4)	55,960,443	58,713,086	61,307,225
Deferred capital contributions (note 7)	105,932,068	110,586,584	90,097,854
	$ 132,817,098	$ 119,407,954	$ 111,561,660

12. Investment in capital assets (continued):

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

	2013	2012
Excess (deficiency) of revenues over expenses:		
Amortization of deferred contributions related to capital assets	$ 7,989,426	$ 8,235,951
Amortization of capital assets	(22,321,346)	(20,284,961)
	$ (14,331,920)	$ (12,049,010)
Net change in investment in capital assets:		
Purchase of capital assets, net	$ 28,323,331	$ 46,025,846
Amounts funded by deferred capital contributions	(3,334,910)	(28,724,681)
Repayments of long-term debt	2,752,643	2,594,139
	$ 27,741,064	$ 19,895,304

13. 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:

2014	$ 7,876,353
2015	7,672,687
2016	3,314,410
2017	2,474,688
2018	2,393,107
Thereafter	13,637,396
	$ 37,368,641

13. 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 $1,753,094 as at March 31, 2013 (2012 - $1,753,094).

(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.

13. 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 statements of financial position with respect to these agreements.

14. 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 equal amount of endowed donations. The College has recorded the following amounts under the program:

	2013	2012
Schedule of Donations Received and Receivable		
Cash donations received and receivable	$ 283,251	$ 2,426,398
Schedule of Changes in Endowment Fund Balance		
Fund balance, beginning of year	$ 13,434,326	$ 11,007,928
Cash donations received and receivable	283,251	2,426,398
Fund balance, end of year	$ 13,717,577	$ 13,434,326
Schedule of Changes in Expendable Funds Available for Awards		
Balance, beginning of year	$ 817,105	$ 583,309
Investment income	335,781	233,796
Bursaries awarded (total number - 663; 2012 - nil)	(369,255)	–
Market value of gain	359,263	–
Balance, end of year	$ 1,142,894	$ 817,105

15. Comparative figures:

Certain 2012 figures have been reclassified to conform with the financial statement presentation adopted in 2013.