



Financial Statements and Supplementary Information of

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Years ended March 31, 2013 and 2012



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Sheridan College Institute of Technology and Advanced Learning

We have audited the accompanying financial statements of Sheridan College Institute of Technology and Advanced Learning, which comprise the statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, the statements of revenue and expenditures, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012 and the statement of rereasurement 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sheridan College Institute of Technology and Advanced Learning as at March 31, 2013, March 31, 2012 and April 1, 2011, its results of operations and changes in net assets and its cash flows for the years ended March 31, 2013 and March 31, 2012 and its 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

Hamilton, Canada
June 5, 2013

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**
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Years ended March 31, 2013 and 2012

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**Sheridan College Institute of
Technology and Advanced Learning**

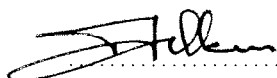
Statements of Financial Position

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

	March 31, 2013		March 31, 2012		April 1, 2011
Assets					
Current assets:					
Cash and investments (note 3)	\$	124,944,355	\$	122,244,795	\$ 122,264,432
Grants receivable		2,808,047		4,108,693	3,798,662
Accounts receivable		9,496,124		10,021,353	6,953,153
Prepaid expenses and deposits		1,753,375		2,160,336	2,237,674
		139,001,901		138,535,177	135,253,921
Student levy receivable (note 4)		3,365,209		2,448,123	2,550,020
Other notes receivable		244,849		287,529	282,682
Long-term grant receivable (note 5)		975,900		1,905,329	3,766,399
Capital assets (note 6)		207,043,483		203,091,412	185,872,907
	\$	350,631,342	\$	346,267,570	\$ 327,725,929
Liabilities, Deferred Contributions and Net Assets					
Current liabilities:					
Accounts payable and accrued liabilities	\$	30,718,507	\$	34,573,345	\$ 29,604,055
Deferred revenue (note 7)		29,190,220		25,274,625	19,033,612
Due to Sheridan Student Union Incorporated		3,008,602		2,176,920	2,639,391
		62,917,329		62,024,890	51,277,058
Long-term debt (note 8)		21,705,028		22,885,073	23,991,611
Sick leave benefit entitlements (note 12)		6,618,000		7,023,000	7,637,000
Employee future benefits (note 12)		1,526,000		1,391,000	1,194,000
Deferred contributions (note 9):					
Capital assets		103,126,156		106,024,866	108,941,697
Expenses of future periods		5,102,684		5,374,123	6,173,006
		200,995,197		204,722,952	199,214,372
Net assets:					
Unrestricted:					
Operating		5,128,878		5,000,000	5,000,000
Vacation pay accrual		(9,836,508)		(9,002,959)	(8,463,072)
Sick-leave benefit accrual (note 12)		(6,618,000)		(7,023,000)	(7,637,000)
Employee future benefits accrual (note 12)		(1,526,000)		(1,391,000)	(1,194,000)
		(12,851,630)		(12,416,959)	(12,294,072)
Internally restricted (note 15)		37,649,377		49,576,864	46,908,391
Invested in capital assets (note 10)		82,276,883		64,317,977	53,568,507
Restricted for endowments (notes 3 and 14)		36,252,308		40,066,736	40,328,731
		143,326,938		141,544,618	128,511,557
Accumulated rereasurement gains		6,309,207		-	-
		149,636,145		141,544,618	128,511,557
Commitments (note 11)	\$	350,631,342	\$	346,267,570	\$ 327,725,929

See accompanying notes to financial statements

APPROVED BY THE BOARD

 Board Chair

 President

**Sheridan College Institute of
Technology and Advanced Learning**
Statements of Revenue and Expenditures
Years ended March 31, 2013 and 2012

	2013	2012
Revenue:		
Grants and reimbursements	\$ 100,864,120	\$ 98,647,960
Amortization of deferred contributions related to:		
Capital assets	7,154,932	6,102,059
Expenses of a future period	8,146,261	7,801,376
Endowment fund income	1,351,790	331,216
Student tuition	94,141,635	82,642,979
Ancillary operations	12,436,437	11,514,485
Other	28,674,279	25,796,314
Gain on disposal of capital assets	2,264	520,261
	252,771,718	233,356,650
Expenditures:		
Salaries and benefits	161,280,526	142,065,538
Supplies and services	61,638,629	57,141,487
Amortization of capital assets	14,194,215	12,599,090
Vacation pay	833,549	539,887
Employee future benefits	135,000	197,000
Sick leave benefit recovery	(405,000)	(614,000)
Other expenses related to deferred contributions - schedule 1:		
Awards and bursaries	7,470,827	5,524,119
Other	2,027,224	2,608,473
	247,174,970	220,061,594
Excess of revenue over expenditures	\$ 5,596,748	\$ 13,295,056

See accompanying notes to financial statements.

**Sheridan College Institute of
Technology and Advanced Learning**

Statement of Changes in Net Assets

Year ended March 31, 2013

	March 31, 2013					
	Invested in capital assets	Restricted for endowments	Unrestricted including research	Internally restricted	Total	
Balance, beginning of the year	\$ 64,317,977	\$ 40,066,736	\$ (12,416,959)	\$ 49,576,864	\$ 141,544,618	
Adjustment on adoption of the financial instruments standard (note 18)	-	(3,811,783)	-	-	(3,811,783)	
Balance, beginning of year, as restated	64,317,977	36,254,953	(12,416,959)	49,576,864	137,732,835	
Excess of revenue over expenditures (expenditures over revenue) (note 10(b))	(7,037,019)	-	12,633,767	-	5,596,748	
Endowment contributions receipts	-	186,890	-	-	186,890	
Endowment contributions disbursements	-	(1,351,789)	-	-	(1,351,789)	
Endowment gain on investments	-	1,162,254	-	-	1,162,254	
Investment in capital assets	6,873,370	-	(6,873,370)	-	-	
Repayment of long-term debt	1,004,641	-	(1,004,641)	-	-	
Internal restrictions	-	-	(5,190,427)	5,190,427	-	
Utilized internal restrictions	17,117,914	-	-	(17,117,914)	-	
Net assets, end of year	\$ 82,276,883	\$ 36,252,308	\$ (12,851,630)	\$ 37,649,377	\$ 143,326,938	

**Sheridan College Institute of
Technology and Advanced Learning**

Statement of Changes in Net Assets

Year ended March 31, 2012

March 31, 2012

	Invested in capital assets	Restricted for endowments	Unrestricted including research	Internally restricted	Total
Balance, beginning of the year	\$ 53,568,507	\$ 40,328,731	\$ (12,294,072)	\$ 46,908,391	\$ 128,511,557
Excess of revenue over expenditures (expenditures over revenue) (note 10(b))	(5,976,770)	-	19,271,826	-	13,295,056
Endowment contributions receipts	-	576,461	-	-	576,461
Endowment contributions disbursements	-	(331,216)	-	-	(331,216)
Endowment loss on investments	-	(507,240)	-	-	(507,240)
Investment in capital assets	4,814,776	-	(4,814,776)	-	-
Repayment of long-term debt	941,085	-	(941,085)	-	-
Internal restrictions	-	-	(13,638,852)	13,638,852	-
Utilized internal restrictions	10,970,379	-	-	(10,970,379)	-
Net assets, end of year	\$ 64,317,977	\$ 40,066,736	\$ (12,416,959)	\$ 49,576,864	\$ 141,544,618

See accompanying notes to financial statements

**Sheridan College Institute of
Technology and Advanced Learning**

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 5,596,748	\$ 13,295,056
Items not involving cash:		
Amortization of capital assets	14,194,215	12,599,090
Amortization of deferred contributions related to capital assets	(7,154,932)	(6,102,059)
Gain on disposal of capital assets	(2,264)	(520,261)
Employee future benefits	135,000	197,000
Sick leave benefit recovery	(405,000)	(614,000)
Change in non-cash operating working capital items:		
Grants receivable	369,005	(221,409)
Accounts receivable	780,879	(3,618,062)
Prepaid expenses and deposits	406,961	77,338
Accounts payable and accrued liabilities	(3,928,345)	5,411,301
Deferred revenue	3,915,595	6,241,013
Due to Sheridan Student Union Incorporated	831,682	(462,471)
Net decrease in deferred contributions related to expenses of future periods	(271,439)	(798,883)
	14,468,105	25,483,653
Financing activities:		
Endowment gain (loss) on investments	3,659,678	(507,240)
Endowment contributions, net	(1,164,899)	245,245
Repayment of long-term debt, net	(1,106,538)	(1,548,547)
	1,388,241	(1,810,542)
Capital activities:		
Purchase of capital assets, net	(18,144,022)	(29,297,333)
Deferred contributions - capital assets	4,256,222	3,185,228
	(13,887,800)	(26,112,105)
Investing activities:		
Long-term grant receivable	1,861,070	1,772,448
Other notes receivable	42,680	39,447
Promissory note receivable	-	510,918
Student levy receivable	(1,172,736)	96,544
	731,014	2,419,357
Net increase (decrease) in cash and investments	2,699,560	(19,637)
Cash and investments, beginning of year	122,244,795	122,264,432
Cash and investments, end of year	\$ 124,944,355	\$ 122,244,795

See accompanying notes to financial statements

**Sheridan College Institute of
Technology and Advanced Learning**
Statement of Remeasurement Gains and Losses
Year ended March 31, 2013

2013

Accumulated remeasurement gains, beginning of the year	\$ -
Adjustment on adoption of the financial instruments standard (note 18)	3,811,783
Unrealized gains attributable to: Endowment fund investments	2,497,424
Net remeasurement gain for the year	2,497,424
Accumulated remeasurement gains, end of the year	\$ 6,309,207

See accompanying notes to financial statements

SHERIDAN COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Financial Statements
Years ended March 31, 2013 and 2012

1. Description of Organization:

Sheridan College Institute of Technology and Advanced Learning (the “College” or “Sheridan”), established in 1967, is an Ontario college of applied arts and technology duly established pursuant to Ontario Regulation 34/03 made under the Ontario Colleges of Applied Arts and Technology Act, 2002. By Ontario Regulation 33/03, which was filed and came into effect on February 11, 2003, the name of the College was changed to The Sheridan College Institute of Technology and Advanced Learning. The College is an agency of the Crown and provides postsecondary and vocationally oriented education and training in areas such as animation, arts and design, applied computing and engineering sciences, business, and community and liberal studies.

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

On April 1, 2012, the College adopted Canadian public sector accounting standards. The College has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in public sector accounting standards, the College has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards.

A summary of transitional adjustments recorded to net assets and excess of revenues over expenses is provided in note 17.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements include the accounts, transactions and operations for which the College has jurisdiction. They do not include the accounts, transactions and operations of Sheridan Student Union Incorporated (“SSUI”) which is independently governed and managed and Sheridan College Foundation and The U.S. Sheridan College Foundation Inc..

These financial statements are the representation of management and have been prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(b) Revenue recognition:

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

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Under the Ministry of Training, Colleges and Universities (“Ministry”), Sheridan is funded by the Province of Ontario in accordance with budget arrangements established by the Ministry. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the years ended March 31, 2013 and 2012.

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

Externally restricted contributions other than endowment 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 is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Deferred revenue consists of student fees paid in advance and other revenue to be recognized when the related service is provided. Tuition fees are recognized as revenue when earned through the provision of service. Tuition fees are deferred to the extent that the related courses provided extend beyond the fiscal year of the College.

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

(c) Cash and investments:

Cash and investments consist of cash on hand, bank balances and short term, highly liquid investments in money market and exchange traded funds (EFT pooled funds). Investments are recorded at fair value on a trade date basis. Fair value is determined based on quoted market prices. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of revenue and expenditures.

(d) Long-term grant receivable:

Long-term grant receivable is carried at amortized cost using the effective interest method.

(e) Long-term notes receivable:

Long-term notes receivable are carried at amortized cost using the effective interest method.

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Significant accounting policies (continued):

(f) Capital assets:

Purchased capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to Sheridan's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2-1/2%
Parking lots and roadway	6-2/3%
Building and renovations	Over the useful life
Leasehold improvements	Over term of lease
Furniture and fixtures	20%
Computer equipment	33-1/3%
Major equipment	10%
Equipment and vehicles	20%
Software implementation	14%

(g) Construction in progress:

Construction in progress includes interest and financing costs on funds borrowed or funds on hand and utilized for new construction. These costs are capitalized at the end of the construction period. Upon commencing use of the facility, capitalized construction costs are transferred to the various categories of capital assets and will be amortized on a basis consistent with similar assets.

(h) Vacation pay:

The College recognizes vacation pay as an expense as it is earned by employees.

(i) Sick leave benefit entitlements:

Vesting sick leave:

The College has provided for vested 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 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 independent actuaries on behalf of the College System as a whole.

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)
Years ended March 31, 2013 and 2012

2. Significant accounting policies (continued):

(i) Sick leave benefit entitlements (continued):

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 independent actuaries on behalf of the College System as a whole.

(j) Employee future benefits:

The College maintains separate defined benefit plans providing non-pension, retirement and post-employment benefits for substantially all full-time employees. The College uses the deferral and amortization approach to account for its defined benefit plans. The costs of post retirement and post-employment benefits related to current service are charged to income annually. The current service cost and the accrued benefit obligation are actuarially determined for each plan using the projected benefit method prorated on service, and management's estimates of investment yields, salary escalation, health care trends and other factors. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 1, 2011, and the next required valuation will be as of March 1, 2014.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the post-retirement benefits plan is 12.8 years (2012 – 12.8 years).

(k) Internally restricted net assets:

Net assets, internally restricted by the College, are for capital projects, strategic initiatives and future operating expenses approved by the Board of Governors.

(l) Expendable funds, including bursaries/scholarships and student building fund:

These funds are contributed or pledged for specific purposes; the total funds received, including income earned, are expendable for the specific purpose outlined when the funds were donated.

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)
Years ended March 31, 2013 and 2012

2. Significant accounting policies (continued):

(m) Endowment funds:

These funds are contributed for specific purposes; the principal sum must be held for investment while the income earned is expendable for the specific purpose(s) outlined when the funds were donated.

(n) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at fair value or amortized cost. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of revenue and expenditures and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of revenue and expenditures.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(o) Use of estimates:

The preparation of financial statements in conformity with public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. In estimating the net realizable value of accounts receivable and in estimating accrued liabilities and obligations related to employee future benefits and sick leave benefits, the College relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Actual results could differ from those estimates.

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

3. Cash and investments:

(a) Cash and investments include the following amounts:

	March 31, 2013	March 31, 2012	April 1, 2011
Restricted (trust) funds, measured at fair value	\$ 5,102,684	\$ 5,374,122	\$ 6,173,006
Restricted for endowment purposes, measured at fair value (b)	42,561,515	40,066,736	40,328,731
	47,664,199	45,440,858	46,501,737
Due to Sheridan Student Union Incorporated, measured at fair value	3,008,602	2,176,920	2,639,391
	50,672,801	47,617,778	49,141,128
Cash on hand and short-term investment, measured at fair value	74,271,554	74,627,017	73,123,304
	\$ 124,944,355	\$ 122,244,795	\$ 122,264,432

Included in cash and short-term investments are cashable Guaranteed Investment Certificates with a principal value of \$65,657,644 paying interest at rates between 2.10% and 2.25%, maturing during the month of October 2013. At March 31, 2012, cash and short-term investments included cashable Guaranteed Investment Certificates with a principal value of \$40,000,000 paying interest at 1.70% maturing in October 2012. At April 1, 2011, cash and short-term investments included cashable Guaranteed Investment Certificates with a principal value of \$44,000,000 paying interest at 1.35% maturing in October and November 2011.

The maximum exposure to credit risk of cash and short-term investments is the carrying values noted above. All cash and short-term investments are measured at fair value as Level 1/Level 2.

(b) Restricted for endowment purposes:

At March 31, 2013, the cumulative capital contribution totalled \$31,644,580 (March 31, 2012 - \$31,457,691, April 1, 2011 - \$ 30,881,230).

Funds restricted for endowment purposes consist of exchange traded funds (EFT pooled funds), cash on hand, bank balances and short term highly liquid investments.

	March 31, 2013	March 31, 2012	April 1, 2011
Net assets restricted for endowments	\$ 36,252,308	\$ 40,066,736	\$ 40,328,731
Accumulated rereasurement gains	6,309,207	-	-
Total endowment funds, measured at fair value	42,561,515	40,066,736	40,328,731
Cumulative capital contribution	31,644,580	31,457,691	30,881,230
Funds available for use	\$ 10,916,935	\$ 8,609,045	\$ 9,447,501

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

3. Cash and investments (continued):

(c) Investment income and realized investment gains and losses from the cash and investment portfolio was \$1,162,254 for the year ended March 31, 2013 (March 31, 2012 - investment loss of \$507,240, April 1, 2011 - investment gain of \$3,562,080).

4. Student levy receivable:

In September 2005, a new gymnasium was constructed at the Davis Campus. Payment for the gymnasium will be provided by future student levies as approved by the Sheridan Student Union Incorporated ("SSUI").

The principal amount due within one year has been grouped with accounts receivable in the statement of financial position. The principal amount included in accounts receivable at March 31, 2013 was \$107,547 (March 31, 2012 - \$101,897, April 1, 2011 - \$96,544).

In Fall 2012, the Athletic Stadium at the Trafalgar Campus was built. Payment for the construction will be provided by future student levies as approved by SSUI.

The principal amount due within one year has been grouped with accounts receivable in the statement of financial position. The principal amount included in accounts receivable at March 31, 2013 was \$250,000.

5. Long-term grant receivable:

Sheridan has entered into an agreement with the Ministry dated January 2005 for funding construction of new facilities at the Davis Campus. Pursuant to this agreement, funding will be received over a number of years ending March 31, 2015 based on the following schedule:

Fiscal 2014 - \$1,000,000

Fiscal 2015 - \$1,000,000

The long-term grant receivable has been recorded at its fair value calculated as the present value of the future cash receipts discounted using an effective rate of interest of 5%. The portion to be received in the next year has been grouped in current assets, grants receivable.

The discount of the face value of the grant is being amortized into revenue as cash is received.

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

6. Capital assets:

March 31, 2013	Cost	Accumulated Amortization	Net Carrying Value
Land	\$ 2,893,317	\$ -	\$ 2,893,317
Buildings	243,635,841	72,422,613	171,213,228
Parking lots and roadway	2,988,016	992,783	1,995,233
Building renovations	19,863,047	6,954,794	12,908,253
Leasehold improvements	1,175,139	1,175,139	-
Furniture and fixtures	18,037,582	11,812,870	6,224,712
Computer equipment	18,624,162	17,505,625	1,118,537
Major equipment	9,443,955	5,607,993	3,835,962
Equipment and vehicles	37,993,896	32,474,166	5,519,730
Construction in progress	1,334,511	-	1,334,511
Software implementation	4,072,250	4,072,250	-
	\$ 360,061,716	\$ 153,018,233	\$ 207,043,483

March 31, 2012	Cost	Accumulated Amortization	Net Carrying Value
Land	\$ 2,893,317	\$ -	\$ 2,893,317
Buildings	228,442,680	66,591,746	161,850,934
Parking lots and roadway	2,988,016	782,648	2,205,368
Building renovations	12,851,706	4,039,992	8,811,714
Leasehold improvements	1,175,139	1,175,139	-
Furniture and fixtures	15,498,293	10,050,501	5,447,792
Computer equipment	18,738,442	17,709,798	1,028,644
Major equipment	8,684,074	5,404,110	3,279,964
Equipment and vehicles	35,416,770	29,328,482	6,088,288
Construction in progress	11,485,391	-	11,485,391
Software implementation	4,072,250	4,072,250	-
	\$ 342,246,078	\$ 139,154,666	\$ 203,091,412

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

6. Capital assets (continued):

April 1, 2011	Cost	Accumulated Amortization	Net Carrying Value
Land	\$ 2,893,317	\$ -	\$ 2,893,317
Buildings	190,346,025	61,233,449	129,112,576
Parking lots and roadway	2,987,520	583,436	2,404,084
Building renovations	6,533,149	2,520,221	4,012,928
Leasehold improvements	1,175,139	1,175,139	-
Furniture and fixtures	11,239,664	8,910,921	2,328,743
Computer equipment	18,738,736	17,210,927	1,527,809
Major equipment	7,434,445	4,895,209	2,539,236
Equipment and vehicles	33,371,479	26,977,098	6,394,381
Construction in progress	34,611,354	-	34,611,354
Software implementation	4,072,250	4,023,771	48,479
	\$ 313,403,078	\$ 127,530,171	\$ 185,872,907

During the year, the College acquired capital assets at an aggregated cost of \$18,144,022 (March 31, 2012 - \$29,297,333, April 1, 2011 - \$37,738,011). Of this amount \$1,516,552 (March 31, 2012 - \$1,853,828, April 1, 2011 - nil) was financed by means of transfer from restricted funds, \$40,775 (March 31, 2012 - \$101,980, April 1, 2011 - \$31,120) was a gift in kind donation, and the remaining \$16,586,695 was purchased with cash. Remaining commitments related to construction in progress at March 31, 2013 totalled \$1,485,985 (March 31, 2012 - \$6,123,636, April 1, 2011 - \$4,856,885).

7. Deferred revenue:

	March 31, 2013	March 31, 2012	April 1, 2011
Student fees and tuition	\$ 26,053,031	\$ 21,104,305	\$ 16,020,134
Ministry funding	335,031	1,194,602	1,064,737
Special projects	2,028,837	2,261,433	1,287,641
Residence	773,321	714,285	661,100
	\$ 29,190,220	\$ 25,274,625	\$ 19,033,612

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

8. Long-term debt:

	March 31, 2013	March 31, 2012	April 1, 2011
Student Centre and Residences:			
CIBC loan facility paid with student fees for the Davis Student Centre with interest at 6.59% and total principal of \$4,500,000. Repayable \$44,112 monthly including interest commencing October 1999 to March 2012	\$ -	\$ -	\$ 510,918
Sun Life loan facility (Davis Residence) with interest at 6.80% and total principal of \$15,250,000. Repayable \$105,846 monthly including interest commencing February 2002 to January 2027	11,326,331	11,808,354	12,258,775
Sun Life loan facility (Trafalgar Residence) with interest at 6.41% and total principal of \$13,610,000. Repayable \$565,938 semi-annually including interest commencing September 1999 to September 2024	9,110,776	9,633,394	10,124,058
Canada Life loan facility (Davis Gymnasium) with interest at 5.47% and total principal of \$3,024,000. Repayable \$120,000 semi-annually including interest commencing December 2006 to December 2027	2,447,966	2,549,863	2,646,407
	22,885,073	23,991,611	25,540,158
Less principal amounts due within one year	1,180,045	1,106,538	1,548,547
	\$ 21,705,028	\$ 22,885,073	\$ 23,991,611

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)
Years ended March 31, 2013 and 2012

8. Long-term debt (continued):

The principal amounts due within one year have been included in accounts payable and accrued liabilities in the statements of financial position.

The long-term debt related to the student centre, residences and the Davis gymnasium totaling \$22,885,073 (March 31, 2012 - \$23,991,611, April 1, 2011 - \$25,540,158) will be repaid from future student levies and residence fees.

Interest on long-term debt amounted to \$1,394,565 (2012 - \$1,458,294) and has been included in supplies and services in the statements of revenue and expenditures.

The anticipated future annual payments under the loan facilities on a fiscal year basis are as follows:

2014	\$	1,180,045
2015		1,258,452
2016		1,342,092
2017		1,431,311
2018		1,526,487
Thereafter		16,146,686
Total minimum payments		22,885,073
Less current portion of obligations included in accounts payable and accrued liabilities		(1,180,045)
Value of long-term outstanding obligations	\$	21,705,028

9. Deferred contributions:

(a) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of revenue and expenditures.

	March 31, 2013	March 31, 2012	April 1, 2011
Balance, beginning of year	\$ 106,024,866	\$ 108,941,697	\$ 84,690,086
Transfer from deferred contributions for expenses of future periods	1,516,552	1,853,828	-
Amounts amortized to revenue	(7,154,932)	(6,102,059)	(5,788,944)
Contributions received or receivable	2,739,670	1,331,400	30,040,555
Balance, end of year	\$ 103,126,156	\$ 106,024,866	\$ 108,941,697

**SHERIDAN COLLEGE INSTITUTE OF
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Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

9. Deferred contributions (continued):

(b) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent restricted grants and donations for bursary and other specific purposes.

	March 31, 2013	March 31, 2012	April 1, 2011
Balance, beginning of year	\$ 5,374,123	\$ 6,173,006	\$ 3,781,151
Amounts recongized to revenue	(8,146,261)	(7,801,376)	(5,918,023)
Transfer to deferred contributions for capital assets	(1,516,552)	(1,853,828)	-
Transfer to operating funds	-	-	(400,000)
Amount received related to future periods	9,391,374	8,856,321	8,709,878
Balance, end of year	\$ 5,102,684	\$ 5,374,123	\$ 6,173,006

10. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Capital assets	\$ 207,043,483	\$ 203,091,412	\$ 185,872,907
Less amounts financed by:			
Construction in progress (interim financing)	(1,203,337)	(11,306,821)	(34,611,354)
Deferred contributions	(103,126,156)	(106,024,866)	(75,310,213)
Long-term debt:			
Residences	(20,437,107)	(21,441,748)	(22,382,833)
Balance, end of year	\$ 82,276,883	\$ 64,317,977	\$ 53,568,507

(b) The deficiency of revenue over expenditures related to investment in capital assets is calculated as follows:

	2013	2012
Deficiency of revenue over expenditures:		
Amortization of deferred capital contributions	\$ 7,154,932	\$ 6,102,059
Amortization of capital assets	(14,194,215)	(12,599,090)
Gain on disposal of capital assets	2,264	520,261
	\$ (7,037,019)	\$ (5,976,770)

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

11. Commitments:

(a) Leases:

Sheridan's commitments to annual rental payments in the aggregate and in each of the next five years principally as a result of operating equipment leases and premise rental leases are as follows:

2014	\$ 6,988,040
2015	4,653,846
2016	2,521,398
2017	655,739
2018	225,600
	\$ 15,044,623

(b) Letter of credits:

Sheridan has posted letter of credits, totaling \$595,000 as security deposit with municipal governments in Halton and Peel regions relating to new building constructions at both the Davis and Trafalgar campuses.

(c) Hazel McCallion Campus – North Building

Sheridan partnered with the Ontario Government via Infrastructure Ontario and the Ministry of Training, Colleges and Universities to build a new building up to 220,000 square feet at the Hazel McCallion Campus in Mississauga. The College has committed to invest \$18 million in this building with the remaining funds to be provided by the Ontario Government. The building is expected to be ready for use by September 2016.

(d) Trafalgar new residence

A new residence is being built at Sheridan's Trafalgar campus by Campus Development Corporation. The new residence will accommodate up to 448 students and is expected to open for use in September 2013. Collegiate Management Services Corp. will manage the new residence by way of a property management agreement. Sheridan has guaranteed full occupancy of the new residence for 31 years.

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

12. Employee future benefits and sick leave entitlements:

The College maintains defined benefit plans providing other retirement and future employee benefits to most of its employees.

The cost of other post-employment benefits (including medical benefits, dental care, and life insurance premiums waived during long-term disability (“LTD”)) related to the employees’ current service is charged to income annually. The cost is computed on an actuarial basis using the projected benefit method estimating the usage frequency and cost of services covered and management’s best estimates of investment yields, salary escalation, and other factors. Plan assets are valued at fair value for purposes of calculating the expected return on plan assets.

The fair value of plan assets and accrued benefit obligations were determined by independent actuaries on behalf of the College System as a whole as at March 1, 2011 for the obligations set out below.

The following tables outline the components of the College’s post-employment benefits and the related expense:

	March 31, 2013	March 31, 2012	April 1, 2011
Accrued benefit obligations	\$ 1,809,000	\$ 1,675,000	\$ 1,451,000
Fair value of plan assets	248,000	262,000	257,000
Funded status-plan deficit	1,561,000	1,413,000	1,194,000
Unamortized actuarial loss	(35,000)	(22,000)	-
Employee future benefits accrual	\$ 1,526,000	\$ 1,391,000	\$ 1,194,000

	March 31, 2013	March 31, 2012
Current service cost	\$ 9,000	\$ 9,000
Interest on accrued benefit obligation	7,000	10,000
Experience losses	173,000	241,000
Amortization of actuarial gain	(1,000)	-
Benefit payments	(53,000)	(63,000)
Total expense	\$ 135,000	\$ 197,000

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

12. Employee future benefits and sick leave entitlements (continued):

The following tables outline the components of the College's sick leave benefit entitlements:

	March 31, 2013	March 31, 2012	April 1, 2011
Vesting sick leave:			
Accrued benefit obligation	\$ 576,000	\$ 757,000	\$ 1,032,000
Unamortized actuarial loss	2,000	(17,000)	-
Sick leave benefit entitlements	578,000	740,000	1,032,000
Non-vesting sick leave:			
Accrued benefit obligation	6,122,000	6,616,000	6,605,000
Unamortized actuarial loss	(82,000)	(333,000)	-
Non-vesting sick leave benefit entitlements	6,040,000	6,283,000	6,605,000
Total sick leave benefit entitlements	\$ 6,618,000	\$ 7,023,000	\$ 7,637,000

	March 31, 2013	March 31, 2012
Vesting sick leave:		
Current service cost	\$ 31,000	\$ 29,000
Interest on accrued benefit obligation	15,000	27,000
Amortization of actuarial loss	6,000	-
Benefit payments	(214,000)	(348,000)
	(162,000)	(292,000)
Non-vesting sick leave:		
Current service cost	341,000	309,000
Interest on accrued benefit obligation	148,000	198,000
Amortization of actuarial loss	32,000	-
Benefit payments	(764,000)	(829,000)
	(243,000)	(322,000)
Total sick leave benefit recovery	\$ (405,000)	\$ (614,000)

The unamortized actuarial loss is amortized over the expected average remaining service life as listed below:

Sick leave benefit entitlements	8.8 years
Post employment benefits	12.8 years

These amounts represent the results of the actuarial valuation completed effective March 1, 2011 and extrapolated to March 31, 2013.

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

12. Employee future benefits and sick leave entitlements (continued):

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

Assumptions	2013	2012
Discount rate	2.1% per annum	2.25% per annum
Medical cost increase		
Hospital:	4% per annum	4.5% per annum
Drugs:	10.5% per annum in 2011, grading down to 4% by 2026	10.5% per annum in 2011, grading down to 4% by 2026
Other Medical:	4% per annum	4.5% per annum
Vision/Hearing Care:	4% per annum	4.5% per annum
Dental costs increase	4% per annum	4.5% per annum
Expected return on plan assets	1.7%	3.30%

13. Pension plans:

Qualifying employees participate in the contributory retirement pension plans governed by the Colleges of Applied Arts and Technology (CAAT) Pension Plan Board Trustees.

The College makes contributions to these plans equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long term viability of the Plan. For the year ending March 31, 2013, the College's contributions amounted to \$11,909,510 (2012 - \$9,539,220) recorded in salaries and benefits in the statements of revenue and expenditures for all plans. There is no indication that the College may be liable for any funding payments in excess of current conditions.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates.

**SHERIDAN COLLEGE INSTITUTE OF
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Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

14. Ontario Student Opportunity Trust Fund and other endowments:

The Ministry requires Sheridan to include in its financial statements the following disclosures for its Ontario Student Opportunity Trust Funds (“OSOTF I” and “OSOTF II”), and Ontario Trust for Student Support (“OTSS”):

OSOTF I

Schedule of changes in endowed funds related to OSOTF I within the Endowment Fund balance for the year ended March 31, 2013 (schedule based on book value):

	2013	2012
Fund balance, beginning of year	\$ 25,258,608	\$ 25,258,608
Cash donations received	-	-
Preservation of capital	-	-
Fund balance, end of year	\$ 25,258,608	\$ 25,258,608

Schedule of changes in expendable funds related to OSOTF I available for awards for the year ended March 31, 2013 (schedule based on book value):

	2013	2012
Balance, beginning of year	\$ 4,511,286	\$ 3,355,849
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	885,660	1,266,989
Bursaries awarded (2013 - 1,655; 2012 - 61)	(1,139,205)	(111,552)
Balance, end of year	\$ 4,257,741	\$ 4,511,286

Endowment total based on book value	<u>\$ 29,516,349</u>	<u>\$ 29,769,894</u>
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The market value of the endowment as at March 31, 2013 was \$35,449,537 (2012 - \$33,560,202).

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

14. Ontario Student Opportunity Trust Fund and other endowments (continued):

OSOTF II

Schedule of changes in endowed funds related to OSOTF II within the Endowment Fund balance for the year ended March 31, 2013 (schedule based on book value):

	2013		2012	
Fund balance, beginning of year	\$	615,174	\$	615,174
Cash donations received		-		-
Preservation of capital		-		-
Fund balance, end of year	\$	615,174	\$	615,174

Schedule of changes in expendable funds related to OSOTF II available for awards for the year ended March 31, 2013 (schedule based on book value):

	2013		2012	
Balance, beginning of year	\$	11,836	\$	1,099
Realized investment income, net of direct investment-related expenses and preservation of capital contributions		19,968		29,241
Bursaries awarded (2013 - 16; 2012 - 20)		(18,133)		(18,504)
Balance, end of year	\$	13,671	\$	11,836
Endowment total based on book value	\$	628,845	\$	627,010

The market value of the endowment as at March 31, 2013 was \$778,050 (2012 - \$727,904).

**SHERIDAN COLLEGE INSTITUTE OF
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Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

14. Ontario Student Opportunity Trust Fund and other endowments (continued):

OTSS

Schedule of changes in endowed funds related to OTSS within the Endowment Fund balance for the year ended March 31, 2013 (schedule based on book value):

	2013	2012
Fund balance, beginning of year	\$ 4,229,352	\$ 3,733,350
Cash donations received	61,873	222,799
Matching funds from the Ministry	-	273,203
Preservation of capital	-	-
Fund balance, end of year	\$ 4,291,225	\$ 4,229,352

Schedule of changes in expendable funds related to OTSS available for awards for the year ended March 31, 2013 (schedule based on book value):

	2013	2012
Balance, beginning of year	\$ 189,534	\$ 82,277
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	113,636	155,550
Bursaries awarded (2013 - 34; 2012 - 35)	(53,479)	(48,293)
Balance, end of year	\$ 249,691	\$ 189,534
Endowment total based on book value	<u>\$ 4,540,916</u>	<u>\$ 4,418,886</u>

The market value of the endowment as at March 31, 2013 was \$4,763,585 (2012 - \$4,383,989).

**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

14. Ontario Student Opportunity Trust Fund and other endowments (continued):

Total endowment fund balance is comprised of:

	2013	2012
Endowed fund related to OSOFT I, OSOTF II and OTSS within endowment fund	\$ 30,165,007	\$ 30,103,134
Expendable funds available for OSOTF I, OSOTF II and OTSS awards	4,521,103	4,712,656
	34,686,110	34,815,790
Other endowed funds	1,566,198	1,394,642
Endowment fund balance, end of year	\$ 36,252,308	\$ 36,210,432

The market value of other endowed funds as at March 31, 2013 was \$1,570,342 (2012 – \$1,394,642).

The market value of total endowment fund as at March 31, 2013 was \$42,561,515 (2012 - \$40,066,736).

15. Internally restricted net assets:

Internally restricted net assets are for:

	March 31, 2013	March 31, 2012	April 1, 2011
Capital projects	\$ 26,168,819	\$ 34,855,217	\$ 31,379,591
Strategic initiatives	8,937,216	11,842,622	11,838,430
Operating expenses for the following year	2,543,342	2,879,025	3,690,370
Total	\$ 37,649,377	\$ 49,576,864	\$ 46,908,391

16. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The College is exposed to credit risk with respect to the accounts receivable, grants receivable, student levy receivable, other notes receivable, cash and investments.

The College assesses, on a continuous basis, all receivable balances and provides for any amounts that are not collectible in the allowance for doubtful accounts. Accounts receivable and student levy receivable are due from students. Credit risk is mitigated by financial approval processes before a student is enrolled. The College measures its exposure to credit risk based on how long the amounts have been outstanding. The maximum exposure to credit risk of the College at March 31, 2013 is the carrying value of these assets.

**SHERIDAN COLLEGE INSTITUTE OF
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Notes to the Financial Statements (continued)
Years ended March 31, 2013 and 2012

16. Financial risks and concentration of credit risk (continued):

(a) Credit risk (continued):

The carrying amount of all receivable balances is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of revenue and expenditures. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of revenue and expenditures. The balance of the allowance for doubtful accounts at March 31, 2013 is \$528,112 (2012 - \$498,915, 2011 - \$392,716).

As at March 31, 2013, \$2,455,998 (2012 - \$2,591,156, 2011 - \$1,528,585) of accounts receivable were past due, but not impaired.

The College holds its cash accounts with federally regulated chartered banks and credit unions who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up to \$300,000 (2012 - \$300,000).

The maximum exposure to investment credit risk is outlined in Note 3.

There have been no significant changes to the credit risk exposure from 2012.

(b) Liquidity risk:

Liquidity risk is the risk that the College will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The College manages its liquidity risk by monitoring its operating requirements. The College prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice. The contractual maturities of long-term debt are disclosed in note 8.

There have been no significant changes to the liquidity risk exposure from 2012.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the College's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(i) Foreign exchange risk:

The College is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the College makes purchases denominated in U.S. dollars. The College does not currently enter into forward contracts to mitigate this risk. The College does not have any material transactions during the year or financial instruments denominated in foreign currencies at year end.

There have been no significant changes to the foreign exchange risk exposure from 2012.

**SHERIDAN COLLEGE INSTITUTE OF
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Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

16. Financial risks and concentration of credit risk (continued):

(c) Market risk (continued):

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the College to cash flow interest rate risk. The College is exposed to this risk through its interest bearing investments and long-term debt.

The College's long-term debt is fixed rate debt as disclosed in note 8. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

As at March 31, 2013, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the estimated impact on the market value of investments would approximate \$1,074,729.

The College's investments are disclosed in note 3.

There has been no change to the interest rate risk exposure from 2012.

17. Transitional adjustment:

(a) Net assets:

The following table summarizes the impact of the transition to Canadian public sector accounting standards on the College's net assets as of April 1, 2011:

Net assets:	
As previously reported under Canadian generally accepted accounting principles, March 31, 2011	\$ 134,608,160
Adjustment to recognize non-vested sick leave and adjust vested sick leave benefit entitlements (i)	(6,167,603)
Transitional election to recognize cumulative actuarial gains on employee future benefits (ii)	127,000
Adjustment for change in discount rate used to calculate employee future benefits (iii)	(56,000)
Restated, April 1, 2011	<u>\$ 128,511,557</u>

**SHERIDAN COLLEGE INSTITUTE OF
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Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

17. Transitional adjustment (continued):

(a) Net assets (continued):

In accordance with transitional provisions of public sector accounting standards, the College has elected to use the following exemption for employee future benefits:

The College has elected to recognize all cumulative actuarial gains and losses in opening net assets.

(i) Non-vesting sick leave:

Public sector accounting standards requires the recognition of a liability for sick leave benefits that accumulate, but do not vest. As a result, the College has recognized a liability and charge to net assets as described in the table above.

(ii) Amortization of actuarial gains/losses:

The College has elected to recognize actuarial gains and losses at the date of transition to public sector accounting standards directly in net assets. As a result, the College has recognized a decreased liability and an increase to net assets as described in the table above.

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

Public sector accounting standards 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. Prior to transition to these new standards, 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. As a result, the College has recognized a liability and charge to net assets as described in the table above.

(b) Statement of revenue and expenditures:

As a result of the above noted elections and the retrospective application of public sector accounting standards, the College recorded the following adjustments to excess of revenue over expenditures for the year ended March 31, 2012:

Excess of revenue over expenditures:

As previously reported under Canadian generally accepted accounting principles for the year ended March 31, 2012	\$ 13,109,575
Reduction in employee future benefit expense as a result of recognizing non-vested sick leave plans and adjusting vested sick leave benefit entitlements	305,481
Increase in employee future benefit expense as a result of changing the discount rate used	(120,000)

Restated for the year ended March 31, 2012	\$ 13,295,056
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**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**

Notes to the Financial Statements (continued)

Years ended March 31, 2013 and 2012

18. Change in accounting policy:

On April 1, 2012, the College adopted public sector accounting standards *PS 3450 - Financial Instruments 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 statement 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 2 – Significant accounting policies).

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

A decrease of \$3,811,783 to restricted for endowment net assets and an increase of \$3,811,783 to accumulated remeasurement gains is due to the unrealized gain of the College's equity investments in the endowment fund. The unrealized gain was previously classified as available-for-sale and has been reclassified to accumulated remeasurement gains at April 1, 2012.

**Sheridan College Institute of
Technology and Advanced Learning**

Schedule 1 - Endowment and Deferred Contributions for Expenses of Future Periods

Year ended March 31, 2013

	March 31, 2013				
	Endowment fund (note 3 (b))	Bursaries and scholarships	Other	Student Centre	Total
Balance, beginning of year	\$ 40,066,736	\$ 1,745,934	\$ 2,225,859	\$ 1,402,331	\$ 45,440,860
Receipts:					
Donations	186,890	1,395,528	1,712,248	1,388,643	4,683,309
Gain and interest on investments	1,162,254	816	3,102	19,273	1,185,445
Unrealized gain	2,497,424	-	-	-	2,497,424
Tuition reinvestment fund contributions	-	4,871,764	-	-	4,871,764
Ontario government matching funds and other	-	-	-	-	-
	3,846,568	6,268,108	1,715,350	1,407,916	13,237,942
	43,913,304	8,014,042	3,941,209	2,810,247	58,678,802
Disbursements:					
Awards	1,236,253	6,233,122	1,452	-	7,470,827
Other	115,536	602,810	454,328	854,550	2,027,224
Transfer to deferred capital contributions	-	-	1,516,552	-	1,516,552
	1,351,789	6,835,932	1,972,332	854,550	11,014,603
Balance, end of year	\$ 42,561,515	\$ 1,178,110	\$ 1,968,877	\$ 1,955,697	\$ 47,664,199

**Sheridan College Institute of
Technology and Advanced Learning**

Schedule 1 - Endowment and Deferred Contributions for Expenses of Future Periods

Year ended March 31, 2012

	March 31, 2012				
	Endowment fund (note 3 (b))	Bursaries and scholarships	Other	Student Centre	Total
Balance, beginning of year	\$ 40,328,731	\$ 1,558,645	\$ 2,736,400	\$ 1,877,961	\$ 46,501,737
Receipts:					
Donations	303,258	1,482,144	1,600,712	1,306,966	4,693,080
Gain and interest on investments	1,629,931	883	17,700	18,248	1,666,762
Unrealized loss	(2,137,171)	-	-	-	(2,137,171)
Tuition reinvestment fund contributions	-	4,429,669	-	-	4,429,669
Ontario government matching funds and other	273,203	-	-	-	273,203
	69,221	5,912,696	1,618,412	1,325,214	8,925,543
	40,397,952	7,471,341	4,354,812	3,203,175	55,427,280
Disbursements:					
Awards	191,449	5,314,733	17,937	-	5,524,119
Other	139,767	410,674	257,188	1,800,844	2,608,473
Transfer to deferred capital contributions	-	-	1,853,828	-	1,853,828
	331,216	5,725,407	2,128,953	1,800,844	9,986,420
Balance, end of year	\$ 40,066,736	\$ 1,745,934	\$ 2,225,859	\$ 1,402,331	\$ 45,440,860