

Sheridan

Financial Statements and Supplementary Information of

SHERIDAN COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Year ended March 31, 2014



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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 statement of financial position as at March 31, 2014, and the statements of revenue and expenditures, changes in net assets and cash flows for the year ended March 31, 2014 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 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, 2014, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants
Hamilton, Canada
June 4, 2014

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**SHERIDAN COLLEGE INSTITUTE OF
TECHNOLOGY AND ADVANCED LEARNING**
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Year ended March 31, 2014

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**Sheridan College Institute of
Technology and Advanced Learning**
Statement of Financial Position
March 31, 2014, with comparative figures for 2013

	2014	2013
Assets		
Current assets:		
Cash and investments (note 3)	\$ 137,278,514	\$ 124,944,355
Grants receivable	2,610,172	2,808,047
Accounts receivable	10,844,255	9,496,124
Prepaid expenses and deposits	1,987,272	1,753,375
	<u>152,720,213</u>	<u>139,001,901</u>
Student levy receivable (note 4)	3,139,072	3,365,209
Other notes receivable	207,029	244,849
Long-term grant receivable (note 5)	-	975,900
Capital assets (note 6)	203,971,741	207,043,483
	<u>\$ 360,038,055</u>	<u>\$ 350,631,342</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 35,589,129	\$ 30,718,507
Deferred revenue (note 7)	31,008,298	29,190,220
Note payable to Sheridan Student Union Incorporated (note 8)	3,406,696	3,008,602
	<u>70,004,123</u>	<u>62,917,329</u>
Long-term debt (note 9)	20,446,576	21,705,028
Sick leave benefit entitlements (note 13)	6,268,000	6,618,000
Employee future benefits (note 13)	1,479,000	1,526,000
Deferred contributions (note 10):		
Capital assets	99,358,114	103,126,156
Expenses of future periods	23,868,093	16,019,619
	<u>221,423,906</u>	<u>211,912,132</u>
Net assets:		
Unrestricted:		
Operating	5,128,878	5,128,878
Vacation pay accrual	(10,781,912)	(9,836,508)
Sick-leave benefit accrual (note 13)	(6,268,000)	(6,618,000)
Employee future benefits accrual (note 13)	(1,479,000)	(1,526,000)
	<u>(13,400,034)</u>	<u>(12,851,630)</u>
Internally restricted (note 16)	37,994,858	37,649,377
Invested in capital assets (note 11)	82,293,998	82,276,883
Restricted for endowments (notes 3 and 15)	31,725,327	31,644,580
	<u>138,614,149</u>	<u>138,719,210</u>
Commitments (note 12)		
	<u>\$ 360,038,055</u>	<u>\$ 350,631,342</u>

See accompanying notes to financial statements

APPROVED BY THE BOARD

 Board Chair

 President

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

Statement of Revenue and Expenditures

Year ended March 31, 2014, with comparative figures for 2013

	2014	2013
Revenue:		
Grants and reimbursements	\$ 100,703,062	\$ 100,864,120
Amortization of deferred contributions related to:		
Capital assets	6,272,009	7,154,932
Expenses of future periods - other	7,955,234	8,146,261
Expenses of future periods - endowment fund	999,116	1,351,790
Student tuition	107,792,897	94,141,635
Ancillary operations	15,141,257	12,436,437
Other	29,640,457	28,674,279
Gain on disposal of capital assets	153,504	2,264
	268,657,536	252,771,718
Expenditures:		
Salaries and benefits	170,452,592	161,280,526
Supplies and services	74,698,314	61,638,629
Amortization of capital assets	14,189,685	14,194,215
Vacation pay	945,403	833,549
Employee future benefits (recovery)	(47,000)	135,000
Sick leave benefit recovery	(350,000)	(405,000)
Other expenses related to deferred contributions - schedule 1:		
Awards and bursaries	7,106,254	7,470,827
Other	1,848,096	2,027,224
	268,843,344	247,174,970
Excess of (expenditures over revenue) revenue over expenditures	\$ (185,808)	\$ 5,596,748

See accompanying notes to financial statements

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

Statement of Changes in Net Assets

Year ended March 31, 2014, with comparative figures for 2013

					2014	2013
	Invested in capital assets	Restricted for endowments	Unrestricted including research	Internally restricted	Total	Total
Net assets, beginning of the year	\$ 82,276,883	\$ 31,644,580	\$ (12,851,630)	\$ 37,649,377	\$ 138,719,210	\$ 141,544,618
Adjustment for change in accounting policy (note 18)	-	-	-	-	-	(8,609,046)
Net assets, beginning of year, as restated	82,276,883	31,644,580	(12,851,630)	37,649,377	138,719,210	132,935,572
Excess of (expenditures over revenue) revenue over expenditures (note 11(b))	(7,764,172)	-	7,578,364	-	(185,808)	5,596,748
Endowment fund contributions	-	80,747	-	-	80,747	186,890
Investment in capital assets	4,233,286	-	(4,233,286)	-	-	-
Repayment of long-term debt	1,072,498	-	(1,072,498)	-	-	-
Internal restrictions	-	-	(2,820,984)	2,820,984	-	-
Utilized internal restrictions	2,475,503	-	-	(2,475,503)	-	-
Net assets, end of year	\$ 82,293,998	\$ 31,725,327	\$ (13,400,034)	\$ 37,994,858	\$ 138,614,149	\$ 138,719,210

See accompanying notes to financial statements

Sheridan College Institute of Technology and Advanced Learning

Statement of Cash Flows

Year ended March 31, 2014, with comparative figures for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess of (expenditures over revenue) revenue over expenditures	\$ (185,808)	\$ 5,596,748
Items not involving cash:		
Amortization of capital assets	14,189,685	14,194,215
Amortization of deferred contributions related to capital assets	(6,272,009)	(7,154,932)
Gain on disposal of capital assets	(153,504)	(2,264)
Employee future benefits (recovery)	(47,000)	135,000
Sick leave benefit recovery	(350,000)	(405,000)
Change in non-cash operating working capital items:		
Grants receivable	244,346	369,005
Accounts receivable	(1,342,167)	780,879
Prepaid expenses and deposits	(233,897)	406,961
Accounts payable and accrued liabilities	4,792,215	(3,928,345)
Deferred revenue	1,818,078	3,915,595
Note payable to Sheridan Student Union Incorporated	398,094	831,682
Net increase in deferred contributions related to expenses of future periods	7,848,474	2,036,450
	20,706,507	16,775,994
Financing activities:		
Endowment fund contributions	80,747	186,890
Repayment of long-term debt, net	(1,180,045)	(1,106,538)
	(1,099,298)	(919,648)
Capital activities:		
Purchase of capital assets, net	(10,964,439)	(18,144,022)
Deferred contributions - capital assets	2,503,967	4,256,222
	(8,460,472)	(13,887,800)
Investing activities:		
Long-term grant receivable	929,429	1,861,070
Other notes receivable	37,820	42,680
Student levy receivable	220,173	(1,172,736)
	1,187,422	731,014
Net increase in cash and investments	12,334,159	2,699,560
Cash and investments, beginning of year	124,944,355	122,244,795
Cash and investments, end of year	\$ 137,278,514	\$ 124,944,355

See accompanying notes to financial statements

SHERIDAN COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Financial Statements

Year ended March 31, 2014, with comparative figures for 2013

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 registered charity and, as such, is exempt from income taxes under the Income Tax Act (Canada).

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.

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 year ended March 31, 2014.

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.

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

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.

(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.

(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.

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

2. Significant accounting policies (continued):

(f) Capital assets (continued):

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.

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.

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

2. Significant accounting policies (continued):

(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 January 1, 2014, and the next required valuation will be as of January 1, 2017.

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 11.7 years (2013 – 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.

(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.

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

2. Significant accounting policies (continued):

(n) Financial instruments (continued):

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 in derivatives and non-endowment investments 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)

Year ended March 31, 2014, with comparative figures for 2013

3. Cash and investments:

(a) Cash and investments include the following amounts:

	2014	2013
Restricted (trust) funds, measured at fair value	\$ 6,813,875	\$ 5,102,684
Restricted for endowment purposes, measured at fair value (b)	48,779,545	42,561,515
	55,593,420	47,664,199
Cash on hand and short-term investments, measured at fair value	81,685,094	77,280,156
	\$ 137,278,514	\$ 124,944,355

Included in cash and short-term investments are cashable Guaranteed Investment Certificates with a principal value of \$56,841,454 paying interest at rates between 2.20% and 2.31%, maturing during the month of October 2014. At March 31, 2013, cash and short-term investments included cashable Guaranteed Investment Certificates with a principal value of \$65,657,644 paying interest at rates between 2.10% and 2.25%, maturing in October 2013.

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

(b) Restricted for endowment purposes:

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

	2014	2013
Net assets restricted for endowments	\$ 31,725,327	\$ 31,644,580
Realized investment income on endowment funds in excess of disbursements	5,857,171	4,607,728
Unrealized gains on endowment fund investments	11,197,047	6,309,207
Total endowment funds, measured at fair value	48,779,545	42,561,515
Cumulative capital contribution (book value)	31,725,327	31,644,580
Funds available for use	\$ 17,054,218	\$ 10,916,935

(c) Investment income and realized investment gains and losses from the cash and investment portfolio related to endowment funds are \$2,242,961 for the year ended March 31, 2014 (2013 - \$1,162,255).

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

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, 2014 is \$113,511 (2013 - \$107,547).

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, 2014 is \$250,000 (2013 - \$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 2015 - \$1,000,000

The long-term grant receivable has been recorded at its fair value of \$975,900 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)

Year ended March 31, 2014, with comparative figures for 2013

6. Capital assets:

2014	Cost	Accumulated Amortization	Net Carrying Value
Land	\$ 2,893,317	\$ -	\$ 2,893,317
Buildings	245,646,241	78,399,580	167,246,661
Parking lots and roadway	2,988,016	1,181,050	1,806,966
Building renovations	21,727,002	9,848,479	11,878,523
Leasehold improvements	1,175,139	1,175,139	-
Furniture and fixtures	19,548,334	13,644,177	5,904,157
Computer equipment	12,863,008	12,173,928	689,080
Major equipment	9,828,013	5,602,192	4,225,821
Equipment and vehicles	33,099,506	27,727,310	5,372,196
Construction in progress	3,955,020	-	3,955,020
Software implementation	4,072,250	4,072,250	-
	\$ 357,795,846	\$ 153,824,105	\$ 203,971,741

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

During the year, the College acquired capital assets at an aggregated cost of \$10,964,439 (2013 - \$18,144,022). Of this amount \$140,555 (2013 - \$1,516,552) was financed by means of transfer from restricted funds, \$nil (2013 - \$40,775) was a gift in kind donation, and the remaining \$10,823,884 was purchased with cash. Remaining commitments related to construction in progress at March 31, 2014 total \$1,303,533 (2013 - \$1,485,985).

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

7. Deferred revenue:

	2014	2013
Student fees and tuition	\$ 25,888,249	\$ 26,053,031
Ministry funding	292,688	335,031
Special projects	2,691,021	2,028,837
Residence	2,136,340	773,321
	\$ 31,008,298	\$ 29,190,220

8. Note payable to Sheridan Student Union Incorporated:

Note payable to Sheridan Student Union Incorporated is unsecured, due on demand and bears interest at the overnight rate (variable) earned by the College on daily cash balances.

9. Long-term debt:

	2014	2013
Student Centre and Residences:		
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	\$ 10,810,489	\$ 11,326,331
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	8,554,120	9,110,776
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	2,340,419	2,447,966
	21,705,028	22,885,073
Less principal amounts due within one year	1,258,452	1,180,045
	\$ 20,446,576	\$ 21,705,028

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

9. Long-term debt (continued):

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

The long-term debt related to the student centre, residences and the Davis gymnasium totaling \$21,705,028 (2013 - \$22,885,073) will be repaid from future student levies and residence fees.

Interest on long-term debt amounted to \$1,326,526 (2013 - \$1,394,565) and has been included in supplies and services in the statement of revenue and expenditures.

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

2015	\$	1,258,452
2016		1,342,092
2017		1,431,311
2018		1,526,487
2019		1,628,015
Thereafter		14,518,671
Total minimum payments		21,705,028
Less current portion of obligations included in accounts payable and accrued liabilities		1,258,452
Value of long-term outstanding obligations	\$	20,446,576

10. 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.

	2014		2013	
Balance, beginning of year	\$	103,126,156	\$	106,024,866
Transfer from deferred contributions for expenses of future periods		140,555		1,516,552
Amounts amortized to revenue		(6,272,009)		(7,154,932)
Contributions received or receivable		2,363,412		2,739,670
Balance, end of year	\$	99,358,114	\$	103,126,156

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

10. 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, unrealized gains on investments in the endowment fund and realized investment income on endowment funds in excess of disbursements.

	2014	2013
Balance, beginning of year, as restated	\$ 16,019,619	\$ 5,374,123
Change in accounting policy (note 18)	-	8,609,046
Balance, beginning of year, as restated	16,019,619	13,983,169
Unrealized gains on endowment fund investments	4,893,438	2,497,424
Realized investment income on endowment funds	2,242,961	1,162,255
Amounts recognized to revenue for endowment disbursements	(999,116)	(1,351,790)
Amounts recognized to revenue	(7,955,234)	(8,146,261)
Transfer to deferred contributions for capital assets	(140,555)	(1,516,552)
Contributions from Sheridan Student Union Incorporated	350,000	-
Amounts received related to future periods	9,456,980	9,391,374
Balance, end of year	\$ 23,868,093	\$ 16,019,619

11. Invested in capital assets:

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

	2014	2013
Capital assets	\$ 203,971,741	\$ 207,043,483
Amounts financed by:		
Construction in progress		
(interim financing)	(3,955,020)	(1,203,337)
Deferred contributions	(99,358,114)	(103,126,156)
Deferred contributions not in use	1,000,000	-
Long-term debt:		
Residences	(19,364,609)	(20,437,107)
Balance, end of year	\$ 82,293,998	\$ 82,276,883

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

11. Invested in capital assets (continued):

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

	2014	2013
Excess of expenditures over revenue:		
Amortization of deferred capital contributions	\$ 6,272,009	\$ 7,154,932
Amortization of capital assets	(14,189,685)	(14,194,215)
Gain on disposal of capital assets	153,504	2,264
	\$ (7,764,172)	\$ (7,037,019)

12. 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:

2015	\$ 9,760,376
2016	7,239,762
2017	3,865,373
2018	2,693,701
2019	2,458,021
	\$ 26,017,233

(b) Letters of credit:

Sheridan has posted letters of credit 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; US \$13,002 as required by U.S. Department of Education for administering U.S. loans to eligible students.

(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 of 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.

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

12. Commitments (continued):

(d) Trafalgar new residence

A new residence was built at Sheridan’s Trafalgar campus by Campus Development Corporation. The new residence accommodates 476 students and opened in September 2013. Collegiate Management Services Corp. manages the new residence by way of a property management agreement. Sheridan has guaranteed full occupancy of the new residence for 31 years starting September 2013.

13. 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 January 1, 2014 for the obligations set out below.

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

	2014		2013	
Accrued benefit obligations	\$	1,612,000	\$	1,809,000
Fair value of plan assets		263,000		248,000
Funded status-plan deficit		1,349,000		1,561,000
Unamortized actuarial loss (gain)		130,000		(35,000)
Employee future benefits accrual	\$	1,479,000	\$	1,526,000

	2014		2013	
Current service cost	\$	9,000	\$	9,000
Interest on accrued benefit obligation		7,000		7,000
Experience (gains) losses		(19,000)		173,000
Amortization of actuarial loss (gain)		4,000		(1,000)
Benefit payments		(48,000)		(53,000)
Total expense (recovery)	\$	(47,000)	\$	135,000

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

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

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

	2014	2013
Vesting sick leave:		
Accrued benefit obligation	\$ 514,000	\$ 576,000
Unamortized actuarial (gain) loss	(42,000)	2,000
Sick leave benefit entitlements	472,000	578,000
Non-vesting sick leave:		
Accrued benefit obligation	5,042,000	6,122,000
Unamortized actuarial loss (gain)	754,000	(82,000)
Non-vesting sick leave benefit entitlements	5,796,000	6,040,000
Total sick leave benefit entitlements	\$ 6,268,000	\$ 6,618,000

	2014	2013
Vesting sick leave:		
Current service cost	\$ 27,000	\$ 31,000
Interest on accrued benefit obligation	9,000	15,000
Amortization of actuarial loss	1,000	6,000
Benefit payments	(143,000)	(214,000)
	(106,000)	(162,000)
Non-vesting sick leave:		
Current service cost	381,000	341,000
Interest on accrued benefit obligation	144,000	148,000
Amortization of actuarial loss	13,000	32,000
Benefit payments	(782,000)	(764,000)
	(244,000)	(243,000)
Total sick leave benefit recovery	\$ (350,000)	\$ (405,000)

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

Sick leave benefit entitlements	8.9 years
Post employment benefits	11.7 years

These amounts represent the results of the actuarial valuation completed effective January 1, 2014 and extrapolated to March 31, 2014.

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

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

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

Assumptions	2014	2013
Discount rate	2.7% per annum	2.1% per annum
Medical cost increase		
Hospital:	4% per annum	4% per annum
Drugs:	9% per annum in 2014, grading down to 4% by 2034	10.5% per annum in 2011, grading down to 4% by 2026
Other Medical:	4% per annum	4% per annum
Vision/Hearing Care:	4% per annum	4% per annum
Dental costs increase	4% per annum	4% per annum
Expected return on plan assets	1.7%	1.7%

14. Pension plans:

Qualifying employees of the College are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), which is a multi-employer jointly-sponsored defined benefit plan for eligible employees of public colleges and related employers in Ontario. The College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long-term viability of the Plan.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2014 indicated an actuarial surplus of \$525 million. For the year ending March 31, 2014, the College made contributions to the Plan and its associated retirement compensation arrangement of \$13,283,291 (2013 - \$11,909,510), which has been recorded in salaries and benefits in the statement of revenue and expenditures.

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

15. Ontario Student Opportunity Trust Fund and other endowments:

Endowments represent restricted donations received by the College where the principal is required to be maintained. The investment income generated from the endowments must be used in accordance with the various purposes specified by the donors. The College ensures that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Investment income on endowments that was disbursed during the year has been recorded in the statement of revenue and expenditures once the donors' conditions have been met. The unspent portion of investment income is recorded in deferred contributions for expenses of future periods. Total investment income on endowed assets recognized during the year is \$999,116 (2013 - \$1,351,790). Total investment income deferred during the year in excess of disbursements is \$6,137,283 (2013 - \$2,307,889).

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, 2014 (schedule based on book value):

	2014	2013
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, 2014 (schedule based on book value):

	2014	2013
Balance, beginning of year	\$ 4,257,741	\$ 4,511,286
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	1,811,684	885,660
Bursaries awarded (2014-242; 2013-1,655)	(696,262)	(1,139,205)
Balance, end of year	\$ 5,373,163	\$ 4,257,741

Endowment total based on book value	\$ 30,631,771	\$ 29,516,349
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The market value of the endowment as at March 31, 2014 is \$40,688,632 (2013 - \$35,449,537).

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

15. 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, 2014 (schedule based on book value):

	2014	2013
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, 2014 (schedule based on book value):

	2014	2013
Balance, beginning of year	\$ 13,671	\$ 11,836
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	46,097	19,968
Bursaries awarded (2014-37; 2013-16)	(39,657)	(18,133)
Balance, end of year	\$ 20,111	\$ 13,671
Endowment total based on book value	\$ <u>635,285</u>	\$ <u>628,845</u>

The market value of the endowment as at March 31, 2014 is \$871,284 (2013 - \$778,050).

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

15. 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, 2014 (schedule based on book value):

	2014	2013
Fund balance, beginning of year	\$ 4,291,225	\$ 4,229,352
Cash donations received	21,772	61,873
Matching funds from the Ministry	-	-
Preservation of capital	-	-
Fund balance, end of year	\$ 4,312,997	\$ 4,291,225

Schedule of changes in expendable funds related to OTSS available for awards for the year ended March 31, 2014 (schedule based on book value):

	2014	2013
Balance, beginning of year	\$ 249,691	\$ 189,534
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	209,683	113,636
Bursaries awarded (2014-56; 2013-34)	(90,711)	(53,479)
Balance, end of year	\$ 368,663	\$ 249,691
Endowment total based on book value	\$ 4,681,660	\$ 4,540,916

The market value of the endowment as at March 31, 2014 is \$5,477,643 (2013 - \$4,763,585).

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

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

Total endowment fund balance is comprised of:

	2014	2013
Endowed fund related to OSOFT I, OSOTF II and OTSS within endowment fund	\$ 30,186,779	\$ 30,165,007
Other endowed funds	1,538,548	1,479,573
Endowment fund balance, end of year	31,725,327	31,644,580
Expendable funds available for OSOTF I, OSOTF II and OTSS awards	5,761,937	4,521,103
Expendable funds available for other endowed funds	95,234	86,625
Expendable funds within deferred contribution - expenses of future periods based on book value	\$ 5,857,171	\$ 4,607,728

The market value of other endowed funds as at March 31, 2014 is \$1,741,986 (2013 - \$1,570,342).

The market value of total endowment fund as at March 31, 2014 is \$48,779,545 (2013 - \$42,561,515).

16. Internally restricted net assets:

Internally restricted net assets are for:

	2014	2013
Capital projects	\$ 23,391,561	\$ 26,168,819
Strategic initiatives	9,342,885	8,937,216
Operating expenses for the following year	5,260,412	2,543,342
Total	\$ 37,994,858	\$ 37,649,377

17. 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.

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

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

(a) Credit risk (continued):

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, 2014 is the carrying value of these assets.

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, 2014 is \$513,750 (2013 - \$528,112).

As at March 31, 2014, \$2,099,465 (2013 - \$2,455,998) 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 \$200,000 (2013 - \$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 2013.

(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 9.

There have been no significant changes to the liquidity risk exposure from 2013.

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

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

(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 2013.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of 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 9. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

As at March 31, 2014, 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 \$1,048,812.

The College's investments are disclosed in Note 3.

There has been no change to the interest rate risk exposure from 2013.

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

Notes to the Financial Statements (continued)

Year ended March 31, 2014, with comparative figures for 2013

18. Change in accounting policy:

On April 1, 2013, the College adopted the revisions to public sector accounting standards PS 3450 – Financial Instruments. The standard revisions were adopted retroactively from the date of adoption. The revised standard requires the recognition of changes in the fair value of a financial instrument that is externally restricted as revenue in the period in which the resources are used for the purpose specified and otherwise recognized as a liability until the resources are used for the specified purpose.

In accordance with the provisions, the College reflected effective April 1, 2013 the following reclassifications:

- a decrease of \$6,309,207 (April 1, 2012 – decrease of \$3,811,783) in accumulated remeasurement gains and an increase in deferred contributions for expenses of future periods for unrealized gains of the College's investments in the endowment fund; and
- a decrease of \$4,607,728 (April 1, 2012 – decrease of \$4,797,263) in net assets restricted for endowments and an increase in deferred contributions for expenses of future periods for realized investment income on endowment funds in excess of disbursements.

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

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

Year ended March 31, 2014, with comparative figures for 2013

							2014	2013
	Endowment fund (note 3 (b))	Endowment fund investment income and disbursements	Bursaries and scholarships	Other	Student Centre	Total	Total	
Balance, beginning of year	\$ 31,644,580	\$ 10,916,935	\$ 1,178,110	\$ 1,968,877	\$ 1,955,697	\$ 47,664,199	\$ 45,440,860	
Receipts:								
Donations	80,747	-	1,347,764	1,485,393	1,429,017	4,342,921	4,683,309	
Gain and interest on investments	-	2,242,961	740	6,276	33,683	2,283,660	1,185,445	
Unrealized gain	-	4,893,438	-	-	-	4,893,438	2,497,424	
Tuition reinvestment fund contributions	-	-	5,154,107	-	-	5,154,107	4,871,764	
Contribution from Sheridan Student Union Incorporated	-	-	-	-	350,000	350,000	-	
	80,747	7,136,399	6,502,611	1,491,669	1,812,700	17,024,126	13,237,942	
	31,725,327	18,053,334	7,680,721	3,460,546	3,768,397	64,688,325	58,678,802	
Disbursements:								
Awards	-	870,815	6,223,679	11,760	-	7,106,254	7,470,827	
Other	-	128,301	779,990	865,768	74,037	1,848,096	2,027,224	
Transfer to deferred capital contributions	-	-	-	-	140,555	140,555	1,516,552	
	-	999,116	7,003,669	877,528	214,592	9,094,905	11,014,603	
Balance, end of year	\$ 31,725,327	\$ 17,054,218	\$ 677,052	\$ 2,583,018	\$ 3,553,805	\$ 55,593,420	\$ 47,664,199	