

Financial Statements of

**SIR SANDFORD FLEMING
COLLEGE OF APPLIED ARTS
AND TECHNOLOGY**

Year ended March 31, 2007



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AUDITORS' REPORT

To the Board of Governors of Sir Sandford Fleming
College of Applied Arts and Technology

We have audited the balance sheet of Sir Sandford Fleming College of Applied Arts and Technology as at March 31, 2007 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

May 11, 2007

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Balance Sheet

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash	\$ 1,284,696	\$ 488,272
Short-term investments (note 2)	9,908,836	7,211,077
Grants and reimbursements receivable	4,551,254	5,383,153
Accounts receivable	2,023,845	1,696,070
Inventory and prepaids	936,486	694,707
Notes receivable (note 3)	157,000	176,000
	<u>18,862,117</u>	<u>15,649,279</u>
Notes receivable (note 3)	2,229,205	2,388,854
Capital assets (note 4)	79,024,304	82,164,731
	<u>\$ 100,115,626</u>	<u>\$ 100,202,864</u>

	2007	2006
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,817,909	\$ 3,936,273
Accrued payroll and employee benefits	9,205,518	8,537,331
Grants received in excess of entitlements	743,976	1,398,693
Deferred revenue	3,627,109	3,964,861
Fleming College Foundation (note 15)	1,366,714	1,181,413
Current portion of long-term debt (note 8)	3,125,900	680,967
	<u>22,887,126</u>	<u>19,699,538</u>
Long-term debt (note 8)	21,683,000	20,163,140
Employee future benefits (note 6)	850,000	1,009,000
Deferred contributions:		
Expense of future periods	564,100	833,314
Deferred capital contributions (note 5)	49,196,211	51,368,829
	<u>49,760,311</u>	<u>52,202,143</u>
Net assets:		
Invested in capital assets (note 9)	6,238,572	10,327,382
Internally restricted (note 10)	-	2,420,215
Unrestricted net assets:		
Operating	2,949,735	(1,157,988)
Employee future benefits	(850,000)	(1,009,000)
Vacation pay accrual	(4,966,752)	(4,823,743)
Sick leave gratuity	(1,448,410)	(1,434,826)
Restricted for endowment	3,012,044	2,807,003
	<u>4,935,189</u>	<u>7,129,043</u>
Commitments and contingencies (note 16)		
	<u>\$ 100,115,626</u>	<u>\$ 100,202,864</u>

See accompanying notes to financial statements.

On behalf of the Board of Governors:

Chair of the Board of Governors

President

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Revenue and Expenditures

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Grants and reimbursements	\$ 45,443,787	\$ 43,926,135
Student tuition	16,065,206	14,449,400
Other	7,059,437	6,617,324
Ancillary operations	3,707,480	3,681,822
Amortization of deferred capital contributions (note 5)	4,356,200	5,556,003
Contract training	673,698	1,003,479
Special projects	545,694	625,403
	<u>77,851,502</u>	<u>75,859,566</u>
Expenditures:		
Salaries	43,698,520	38,827,082
Benefits	7,661,361	6,800,943
Instructional support costs	4,540,848	4,478,954
Travel and professional development	1,341,037	1,624,107
Advertising	1,101,175	952,069
Telephone, legal and audit	1,069,172	1,078,715
Equipment maintenance	691,602	801,796
Plant and security	2,525,738	2,186,302
Rental and taxes	331,063	335,856
Utilities	2,424,940	2,449,325
Contract services and other	3,182,785	2,150,606
Bursaries	2,475,726	2,576,898
Supplementary	1,378,470	1,819,513
Long-term debt interest	1,575,995	1,418,511
Amortization of capital assets (note 9)	6,410,965	7,084,748
Employee future benefits recovery	(159,000)	(1,110,000)
	<u>80,250,397</u>	<u>73,475,425</u>
<u>Excess (deficiency) of revenue over expenditures</u>	<u>\$ (2,398,895)</u>	<u>\$ 2,384,141</u>

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

Year ended March 31, 2007, with comparative figures for 2006

					2007	2006
	Invested in capital assets (note 9(a))	Internally restricted (note 10)	Restricted for endowment	Unrestricted	Total	Total
Net assets, beginning of year	\$ 10,327,382	\$ 2,420,215	\$ 2,807,003	\$ (8,425,557)	\$ 7,129,043	\$ 4,084,826
Excess (deficiency) of revenue over expenditures (note 9(b))	(1,993,961)	–	–	(404,934)	(2,398,895)	2,384,141
Endowment contributions	–	–	205,041	–	205,041	660,076
Net change in invested capital assets (note 9(b))	(2,094,849)	–	–	2,094,849	–	–
Internally imposed restrictions (note 10)	–	(2,420,215)	–	2,420,215	–	–
Net assets, end of year	\$ 6,238,572	\$ –	\$ 3,012,044	\$ (4,315,427)	\$ 4,935,189	\$ 7,129,043

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenditures	\$ (2,398,895)	\$ 2,384,141
Items not involving cash:		
Amortization of capital assets	6,410,965	7,084,748
Gain on disposal of capital assets	(60,804)	(254,814)
Amortization of deferred capital contributions	(4,356,200)	(5,556,003)
Sick leave	13,584	(84,975)
Employee future benefits recovery	(159,000)	(1,110,000)
Donation of capital assets	(142,835)	(157,875)
	(693,185)	2,305,222
Change in non-cash operating working capital:		
Grants and reimbursements receivable	831,899	(1,117,617)
Accounts receivable	(327,775)	(70,104)
Inventory and prepaids	(241,779)	(274,275)
Accounts payable and accrued liabilities	881,636	(1,314,833)
Accrued payroll and employee benefits	654,603	(1,429,312)
Grants received in excess of entitlements	(654,717)	(69,204)
Deferred revenue	(337,752)	491,852
	112,930	(1,478,271)
Financing activities:		
Deferred capital contributions	2,183,582	4,549,107
Deferred contributions expense of future periods	(269,214)	(356,535)
Endowment contributions	205,041	660,076
Issuance of long-term debt	5,000,000	-
Principal payments on long-term debt	(1,035,207)	(640,592)
Fleming College Foundation, net	185,301	104,916
	6,269,503	4,316,972
Investing activities:		
Invested in short-term investments, net	(2,697,759)	2,599,366
Purchase of capital assets	(3,127,703)	(8,386,733)
Proceeds on disposal of capital assets	60,804	513,975
Notes receivable	178,649	115,524
	(5,586,009)	(5,157,868)
Increase (decrease) in cash	796,424	(2,319,167)
Cash, beginning of year	488,272	2,807,439
Cash, end of year	\$ 1,284,696	\$ 488,272
Supplemental cash flow information:		
Interest paid	\$ 1,575,995	\$ 1,418,509

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2007

Sir Sandford Fleming College (the "College") was established as a corporation without share capital, as set out in the Ontario Colleges of Applied Arts and Technology Act. The Corporations Act governs the corporate affairs of the College and became effective April 1, 2003. The College is principally involved in providing post-secondary educational services. Under the Income Tax Act (Canada), the College is considered a registered charity and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements are the representation of management and have been prepared in accordance with the "Governance and Accountability Framework for Universities and Colleges of Ontario" and generally accepted accounting principles.

(b) Deferred revenue:

The College defers the portion of the delivery of programs and courses that takes place after March 31.

(c) Revenue recognition:

The College follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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. Endowment contributions are recognized as direct increases to net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

1. Significant accounting policies (continued):

(d) Short-term investments:

Short-term investments are recorded at the lower of cost and market value.

(e) Library books:

Library book purchases are recorded as an operating expenditure at the time of purchase.

(f) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenditure. Betterments which extend the estimated life of an asset are capitalized. Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2-1/2%
Site improvements	10%
Furniture and equipment	20%
Computer equipment	33-1/3%
Residence furniture	6-2/3%
Fibre optic system	5%
Enterprise Resource Planning system	14%
Leasehold improvements	Over term of lease
Donated software	25% - 50%
Sport and Wellness Centre	Over term of lease

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

1. Significant accounting policies (continued):

(g) Accumulated sick leave credits:

The College is liable to pay 50% of an employee's accumulated sick leave credits on termination or retirement after 10 years of service. This program to accumulate sick leave credits ceased for employees hired after March 31, 1991.

Accrued payroll and employee benefits include an amount of \$1,448,410 (2006 - \$1,434,826) for sick leave accruals.

(h) Employee future benefits:

The cost of post-retirement benefits is recognized over the periods in which the employee renders services to the College in return for the benefits. The curtailment gains are recognized when the event that causes the gain occurs. The accrued benefit obligation and the current service cost were actuarially determined using the projected benefit method prorated on service and based on management's assumptions.

(i) Use of estimates:

The preparation of financial statements 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 year. Actual results could differ from those estimates.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

2. Short-term investments:

	2007		2006	
	Carrying value	Market value	Carrying value	Market value
Money market	\$ 6,726,636	\$ 6,726,636	\$ 4,895,382	\$ 4,895,381
Fixed income	2,645,245	2,681,084	1,862,597	1,871,075
Canadian equity	428,727	543,119	453,098	554,285
Global equity	108,228	111,085	—	—
	<u>\$ 9,908,836</u>	<u>\$ 10,061,924</u>	<u>\$ 7,211,077</u>	<u>\$ 7,320,741</u>

The interest rates and maturity dates for fixed income securities vary from 3.35% to 6.73% and April 15, 2007 to December 22, 2019.

Fair values of investments are determined as follows:

Bonds and equities are valued at year-end quoted market prices where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

Guaranteed investment certificates, term deposits maturing after a year, mortgages and real estate debentures are valued at the present value of estimated future cash flows discounted at interest rates in similar type, quality, and maturity.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

3. Notes receivable:

The notes receivable balance includes \$867,756 (2006 - \$889,038) and \$1,518,449 (2006 - \$1,665,816) due from the Student Association, Frost Campus, Sir Sandford Fleming College ("SA") and from the Sir Sandford Fleming College Student Administrative Council, Peterborough Campus ("SAC"), respectively.

SA utilized the funds to construct a Student Centre at the Frost Campus and SAC utilized the funds for their contribution to The Peterborough Sport and Wellness Centre construction.

The notes receivable bear interest at the average interest rate earned on the College bank account of 4.1% (2006 - 2.9%). The repayments will vary year to year as the Building Fund Fee is based on enrolment at the respective campuses. The repayment period will continue indefinitely until the balances of the notes receivable plus accrued interest are fully paid. The current portions of the notes receivable are estimated by using the repayments net of projected interest received during the year as the basis of determination.

Total interest earned during the year is \$85,169 (2006 - \$73,997), and principal repayments received during the year totalled \$178,649 (2006 - \$198,199).

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

4. Capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,384,936	\$ –	\$ 2,384,936	\$ 2,384,936
Buildings	85,205,290	22,947,454	62,257,836	64,082,160
Site improvements	2,775,833	1,400,430	1,375,403	1,526,137
Furniture and equipment	18,126,212	14,462,510	3,663,702	4,716,315
Computer equipment	11,881,556	10,453,620	1,427,936	2,093,297
Residence furniture	1,086,301	402,248	684,053	756,473
Fiber optic system	1,078,056	210,755	867,301	921,204
Enterprise Resource Planning system	3,845,273	434,088	3,411,185	–
Leasehold improvements	252,793	121,799	130,994	37,560
Donated software	3,392,962	3,383,295	9,667	372,199
Sport and Wellness Centre	2,448,053	89,762	2,358,291	2,383,583
Capital under development	453,000	–	453,000	2,890,867
	\$ 132,930,265	\$ 53,905,961	\$ 79,024,304	\$ 82,164,731

The total capital asset additions purchased and donated during the year was \$3,270,538 (2006 - \$8,544,608). The Ministry of Training, Colleges and Universities ("MTCU") contributed \$974,218 (2006 - \$3,774,850), private companies, \$142,835 (2006 - \$193,318), fundraising, \$222,739 (2006 - \$509,764), and internal funds, \$1,930,746.

The capital under development consists of capital expenditures to date on Dark Fibre to Haliburton of \$453,000. The Dark Fibre is scheduled to be operational by June 2007 with a total capital cost of \$480,000.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

5. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of revenue and expenditures. The changes in the deferred capital contributions balance are as follows:

	2007	2006
Balance, beginning of year	\$ 51,368,829	\$ 52,375,725
Less amounts amortized to revenue	4,356,200	5,556,003
	47,012,629	46,819,722
Interest earned on SuperBuild funds	-	4,261
Contributions received for capital purposes	2,183,582	4,544,846
Balance, end of year	\$ 49,196,211	\$ 51,368,829

As at March 31, 2007, there was \$1,219,379 (2006 - \$375,587) of deferred capital contributions received that were not spent.

6. Employee future benefits other than pension:

The College pays certain benefits on behalf of its retired employees in addition to pension (note 7). Information regarding the College's plan is as follows:

	2007	2006
Balance, beginning of year	\$ 1,009,000	\$ 2,119,000
Employee future benefits income	(159,000)	(1,110,000)
Balance, end of year	\$ 850,000	\$ 1,009,000

The actuarial assumption used in the valuation is a discount rate of 4.85%.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

6. Employee future benefits other than pension (continued):

Effective September 1, 2005, for those employees who retire after August 31, 2005, the benefit plan has been modified so that the early retiree benefits premium rates have been separated from the active employee benefit rates. However, academic early and normal retirees will continue to pay the same premium rate as active employees for life insurance benefits to age 75, as outlined in the collective agreement. This change has resulted in a curtailment gain that reduced the employee future benefit accrual and increased the excess of revenue over expenditures by \$1,110,000 during fiscal 2006.

7. Pension plan:

The College has a defined benefit multi-employer pension plan for its employees, which is jointly trusted. Under this arrangement, the College makes contributions to this plan equal to those of the employees. The College follows defined contribution accounting for its portion of the multi-employer plan. The employer portion of pension contributions for the year was \$2,753,098 (2006 - \$2,585,022). The pension plan is administered by a Board of Trustees and, based on the latest actuarial report of January 1, 2005 the plan has a surplus on a going concern basis and a solvency basis. Any unfunded liability would be shared equally between the colleges and their employees.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

8. Long-term debt:

	2007	2006
Lindsay Student Residence loan payable, \$27,963 monthly, including interest at 4.06%, due September 2007, secured by specific property	\$ 2,165,900	\$ 2,408,107
Less principal repayments due within one year	2,165,900	241,967
	–	2,166,140
Brealey Student Residence loan payable, secured by specific property	17,997,000	18,436,000
Less principal repayment due within one year	468,000	439,000
	17,529,000	17,997,000
Peterborough Sport and Wellness Centre loan payable, secured by specific property	1,467,000	–
Less principal repayment due within one year	46,000	–
	1,421,000	–
Enterprise Resource Planning Software loan payable, secured by specific property	3,179,000	–
Less principal repayment due within one year	446,000	–
	2,733,000	–
	\$ 21,683,000	\$ 20,163,140

The College has entered into an interest rate swap for the Brealey Student Residence loan. The swap has a total notional value of \$20,000,000, whereby that portion of the loan payable is fixed at 7.05%, inclusive of the stamping fee. Principal repayments are due quarterly with the swap agreement expiring on October 31, 2011. The Brealey Student Residence loan also matures on October 31, 2011.

The College has entered into two interest rate swaps during the year. The Peterborough Sport and Wellness Centre swap has a notional value of \$1,500,000, whereby that portion of the loan payable is fixed at 5.34%, inclusive of the stamping fee. Principal repayments are due quarterly with the swap agreement expiring on June 13, 2026.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

8. Long-term debt (continued):

The Enterprise Resource Planning System swap has a notional value of \$3,500,000, whereby that portion of the loan payable is fixed at 5.05%, inclusive of the stamping fee. Principal repayments are due quarterly with the swap agreement expiring on June 13, 2013.

It is management's intention to renegotiate the terms of the Lindsay Student Residence loan upon maturity of the existing agreement.

The principal repayments due in the next five years are as follows:

2008	\$ 3,125,900
2009	1,018,000
2010	1,080,000
2011	1,143,000
2012	18,442,000
	\$ 24,808,900

The long-term debt interest amounted to \$1,575,995 (2006 - \$1,418,509) during the year.

9. Net assets invested in capital assets:

(a) Net assets invested in capital assets represent the following:

	2007	2006
Capital assets, at cost	\$ 132,930,265	\$ 131,789,423
Accumulated amortization	(53,905,961)	(49,624,692)
Long-term debt:		
Long-term portion	(21,683,000)	(20,163,140)
Current portion	(3,125,900)	(680,967)
Deferred contributions related to capital assets	(47,976,832)	(50,993,242)
Balance, end of year	\$ 6,238,572	\$ 10,327,382

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

9. Net assets invested in capital assets (continued):

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

	2007	2006
Deficiency of revenue over expenditures:		
Amortization of deferred capital contributions	\$ 4,356,200	\$ 5,556,003
Amortization of capital assets	(6,410,965)	(7,084,748)
Gain on disposal of capital assets	60,804	254,814
	<u>\$ (1,993,961)</u>	<u>\$ (1,273,931)</u>
Net change in investment in capital assets:		
Donated and purchased capital assets	\$ 3,270,538	\$ 8,544,608
Proceeds on disposal of capital assets	(60,804)	(513,975)
Amounts funded by deferred capital contributions	(1,339,790)	(4,501,830)
Repayment of long-term debt	1,035,207	640,592
Issuance of long-term debt	(5,000,000)	-
	<u>\$ (2,094,849)</u>	<u>\$ 4,169,395</u>

10. Internally restricted net assets:

	2007	2006
Marketing and consulting	\$ -	\$ 79,863
Capital	-	2,340,352
	<u>\$ -</u>	<u>\$ 2,420,215</u>

Internally restricted net assets represent funds restricted by board motion. Board approval is required for expenditures.

On June 7, 2006, the board approved a transfer of \$79,863 from unrestricted to internally restricted net assets for the purposes of marketing, consulting and capital.

On January 10, 2007, the Board approved a transfer of \$2,420,215 from internally restricted to unrestricted net assets for the purpose of the ERP system and capital.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

11. Investment income:

Investment income earned and recorded in the statement of revenue and expenditures is calculated as follows:

	2007	2006
Investment income:		
Unrestricted resources	\$ 351,225	\$ 223,928
SuperBuild funds	–	4,261
Endowment funds	81,775	75,425
	<u>433,000</u>	<u>303,614</u>
Amounts deferred and restricted for:		
SuperBuild Project	–	(4,261)
Endowment purposes	(81,775)	(75,425)
	<u>(81,775)</u>	<u>(79,686)</u>
	<u>\$ 351,225</u>	<u>\$ 223,928</u>

12. Fair values of financial instruments:

The carrying values of cash, inventory, grants and reimbursements receivable, accounts receivable, accounts payable and accrued liabilities and accrued payroll and employee benefits approximate their fair values due to the relatively short period to maturity of these instruments. The fair value of the notes receivable is not determinable as the repayment amounts fluctuate each year and the maturity date is not known. The fair value of long-term debt approximates its carrying value, as the interest rate is similar to that currently available to the College.

Fair values of short-term investments are as disclosed in note 2.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

12. Fair values of financial instruments (continued):

The College is exposed to interest rate risk on the financing of the student residence at the Brealey Campus, the Wellness Centre and the Enterprise Resource Planning System, as follows:

(a) Student residence:

On May 15, 2000, the College entered into an interest rate swap to swap the floating interest payments on the student residence debt into three-month bankers' acceptance fixed rate payments. The swap had an initial notional amount of \$20,000,000 that reduces on a basis consistent with the principal value of the underlying debt, and it matures on October 31, 2011.

(b) Wellness Centre:

On June 13, 2006, the College entered into an interest rate swap to swap the floating interest payments to fixed rate quarterly payments, commencing on September 13, 2006. The swap had an initial notional amount of \$1,500,000 that reduces on a basis consistent with the principal value of the underlying debt, and it matures on June 13, 2026.

(c) Enterprise Resource Planning System:

On June 13, 2006, the College entered into an interest rate swap to swap the floating interest payments to fixed rate quarterly payments, commencing on September 13, 2006. The swap had an initial notional amount of \$3,500,000 that reduces on a basis consistent with the principal value of the underlying debt, and it matures on June 13, 2013.

Each of the swaps was entered into with a highly rated counterparty, consistent with the College's risk management objectives.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

13. Ontario Student Opportunity Trust Funds:

Net assets restricted for endowments include monies provided by the Government of Ontario from the Student Opportunity Trust Fund Phase 1 and Phase 2 ("OSOTF") matching program to award student aid as a result of raising an equal amount of endowed donations.

The College has recorded the following amounts under the OSOTF programs:

Schedule of changes in endowment balance:

			2007	2006
	OSOTF	OSOTF 2	Total	Total
Fund balance, beginning of year	\$ 1,416,337	\$ 472,412	\$ 1,888,749	\$ 1,888,365
Preservation of capital	321	35	356	384
Fund balance, end of year	\$ 1,416,658	\$ 472,447	\$ 1,889,105	\$ 1,888,749

Schedule of changes in expendable funds available for awards:

			2007	2006
	OSOTF	OSOTF 2	Total	Total
Balance, beginning of year	\$ 164,000	\$ 39,139	\$ 203,139	\$ 134,405
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	91,987	17,122	109,109	141,484
Bursaries awarded:				
OSOTF (2007 - 68; 2006 - 77)	(55,250)	—	(55,250)	(57,900)
OSOTF 2 (2007 - 13; 2006 -11)	—	(17,050)	(17,050)	(14,850)
Balance, end of year	\$ 200,737	\$ 39,211	\$ 239,948	\$ 203,139

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

13. Ontario Student Opportunity Trust Funds (continued):

The market value of the OSOTF and OSOTF 2 endowments and expendable funds as at March 31, 2007 was \$1,701,050 and \$538,009, respectively.

14. Ontario Trust for Student Support:

Net assets restricted for endowments include monies provided by the Government of Ontario from the Ontario Trust for Student Support ("OTSS") matching program to award student aid.

Schedule of donations received between April 1, 2006 and March 31, 2007:

Cash donations matched between April 1, 2006 and March 31, 2007	\$ 99,201
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Schedule of changes in endowment fund balances for the period from April 1, 2006 to March 31, 2007:

Fund balance, beginning of year	\$ 648,905
Eligible cash donations received in compliance with the November 2005 Program Guidelines and Reporting Requirements	102,326
Matching funds received/receivable from MTCU in 2006/07	102,326
Preservation of capital	33
<hr/> Fund balance, end of year	<hr/> \$ 853,590

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

14. Ontario Trust for Student Support (continued):

Schedule of changes in expendable funds available for awards for the period from April 1, 2006 to March 31, 2007:

Fund balance, beginning of year	\$ 3,797
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	27,801
Bursaries awarded (total number - 9)	(6,900)
Fund balance, end of year	\$ 24,698

Market value of endowments as at March 31, 2007 was \$865,230.

Status of recipients	OSAP recipients		Non-OSAP recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-time	6	\$ 4,500	3	\$ 2,400	9	\$ 6,900
Part-time	N/A	N/A	N/A	N/A	N/A	N/A

15. Fleming College Foundation:

The College exercises significant influence over Fleming College Foundation ("Foundation"). The Foundation was established to raise funds for the use of the College. The Foundation was incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act (Canada). Net resources of the Foundation amount to \$2,393,244 (2006 - \$2,118,544), of which \$2,244,682 (2006 - \$1,860,549) is restricted.

The net assets and results from operations of the Foundation are not included in the financial statements of the College. Separate financial statements of the Foundation are available upon request.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

15. Fleming College Foundation (continued):

Related party transactions during the year not separately disclosed in the financial statements include the College's contribution of \$332,000 (2006 - \$308,900) toward the Foundation's administrative expenses.

The College received \$231,384 in donations from the Foundation during the year (2006 - \$460,055) and transfers of \$102,326 for OTSS.

The balance due to the Foundation bears interest at the College rates earned on their short-term investments (note 2). Interest paid during the year amounted to \$55,879 (2006 - \$38,984). This related party balance arose as the College holds funds for investment on behalf of the Foundation.

16. Commitments and contingencies:

(a) The College is committed to the following operating lease payments in each of the following years and thereafter:

2008	\$ 372,359
2009	366,142
2010	357,554
2011	91,002
2012	150

(b) The College entered into an agreement during fiscal 2007 to supply and install four heating, ventilating and air conditioning units at the Frost Campus. The project is expected to be completed by August 2007 at a total cost of \$1,325,000. During the year, the College has spent \$116,000 resulting in a commitment at March 31, 2007 of \$1,209,000.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2007

17. Reporting entity project:

The government announced in the 2004 Budget its plans to consolidate the financial information of colleges in the province's financial statements beginning in their fiscal year ending March 31, 2006. The MTCU has provided funding to the colleges for the collection of information required to consolidate the college financial information into the province's financial report. The funding received during the year was \$42,337 and was spent on the following items:

Salaries	\$ 34,687
Benefits	7,650
	<hr/>
	\$ 42,337

18. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.