# College of New Caledonia

**Financial Statements**

**For the year ended March 31, 2013**

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**Contents**

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# Independent Auditor's Report

**To the Board of the
College of New Caledonia**

We have audited the accompanying financial statements of the College of New Caledonia, which comprise the Statements of Financial Position as at March 31, 2013, March 31, 2012, and April 1, 2011, and the Statements of Operations and Change in Accumulated Surplus, Change in Net Debt and Cash Flows for the years ended March 31, 2013 and March 31, 2012 and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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.

## Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation 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 of the College of New Caledonia as at March 31, 2013, March 31, 2012 and April 1, 2011 and for the years ended March 31, 2013 and March 31, 2012 are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

## Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which discloses that the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia are in accordance with Canadian public sector accounting standards except in regard to the treatment of government transfers. Note 3 to the financial statements discloses the impact of these differences.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
June 7, 2013

# College of New Caledonia
## Statement of Financial Position
**($ in thousands)**

| | March 31, 2013 | March 31, 2012 | April 1, 2011 (Note 2) |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash and short-term deposits | $ 21,045 | $ 18,512 | $ 29,836 |
| Accounts receivable | 4,176 | 4,061 | 3,052 |
| Inventory for resale | 376 | 342 | 379 |
| | 25,597 | 22,915 | 33,267 |
| **Liabilities** | | | |
| Accounts payable | $ 7,183 | $ 5,300 | $ 12,374 |
| Accrued leave entitlement | 2,408 | 2,597 | 2,779 |
| Employee future benefits (Note 6) | 2,252 | 2,360 | 2,516 |
| Deferred revenue | 12,150 | 10,010 | 13,210 |
| Deferred capital grants (Note 7) | 49,743 | 50,163 | 49,158 |
| Deferred capital grants-debt repayment (Note 7) | 9,485 | 9,766 | 10,047 |
| Long-term debt (Note 8) | 1,864 | 1,922 | 1,980 |
| | 85,085 | 82,118 | 92,064 |
| **Net Debt** | (59,488) | (59,203) | (58,797) |
| **Non-Financial Assets** | | | |
| Investments - endowment (Note 4) | 3,771 | 2,259 | 2,186 |
| Long-term usage rights | 53 | 60 | 67 |
| Tangible capital assets (Note 5) | 70,511 | 71,612 | 71,357 |
| Prepaid expenses | 390 | 359 | 247 |
| | $ 74,725 | $ 74,290 | $ 73,857 |
| **Accumulated Surplus** (Note 13) | $ 15,237 | $ 15,087 | $ 15,060 |

Approved on behalf of the Board:

_______________ Chairman of the Board _______________ Bursar

The accompanying notes form an integral part of these financial statements.

# College of New Caledonia
## Statement of Operations and Change in Accumulated Surplus
### ($ in thousands)

| For the year ended March 31 | Budget 2013 | Actual 2013 | Actual 2012 |
|---|---|---|---|
| | (Note 11) | | |
| **Revenue** | | | |
| Ministry of Advanced Education and ITA grants | $ 35,365 | $ 39,167 | $ 37,562 |
| Ancillary services | 3,537 | 3,579 | 3,783 |
| Amortization of deferred capital grants (Note 7) | - | 2,323 | 2,153 |
| Tuition fees | 8,505 | 9,882 | 9,995 |
| Specific projects | - | 656 | 598 |
| Other | 7,175 | 7,725 | 8,320 |
| | 54,582 | 63,332 | 62,411 |
| **Expenses (Note 14)** | | | |
| Instruction | 34,929 | 36,543 | 37,570 |
| Student and institutional support | 9,619 | 11,316 | 10,291 |
| Facilities operations, maintenance & infrastructure | 4,331 | 8,253 | 7,487 |
| Amortization | - | 2,864 | 2,674 |
| Ancillary services | 3,440 | 3,524 | 3,929 |
| Specific projects | - | 735 | 609 |
| Contingency reserve | 2,016 | - | - |
| | 54,335 | 63,235 | 62,560 |
| **Excess (deficiency) of revenue over expenses before endowment** | 247 | 97 | (149) |
| Endowment donations and matching grants | - | 53 | 176 |
| **Annual surplus** | 247 | 150 | 27 |
| **Accumulated surplus,** beginning of year | 15,087 | 15,087 | 15,060 |
| **Accumulated surplus,** end of year | $ 15,334 | $ 15,237 | $ 15,087 |

The accompanying notes form an integral part of these financial statements.

# College of New Caledonia
## Statement of Change in Net Debt
### ($ in thousands)

| For the year ended March 31 | Budget 2013 (Note 11) | Actual 2013 | Actual 2012 |
|---|---|---|---|
| **Annual surplus** | $ **247** | $ **150** | $ 27 |
| Acquisition of tangible capital assets | **-** | **(1,756)** | (2,922) |
| Amortization of tangible capital assets | **-** | **2,864** | 2,674 |
| | **-** | **1,108** | (248) |
| Net effect of endowment contributions | **-** | **(1,512)** | (73) |
| Net effect of prepaid expenses | **-** | **(31)** | (112) |
| **Increase (decrease) in net debt for year** | **247** | **(285)** | (406) |
| **Net debt,** beginning of year | **(59,203)** | **(59,203)** | (58,797) |
| **Net debt,** end of year | $ **(58,956)** | $ **(59,488)** | $ (59,203) |

The accompanying notes form an integral part of these financial statements.

## College of New Caledonia
### Statement of Cash Flows
**($ in thousands)**

| **For the year ended March 31** | **2013** | 2012 |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating transactions** | | |
| Annual surplus | **$ 150** | $ 27 |
| Non-cash items: | | |
| Amortization | **2,864** | 2,674 |
| Amortization of deferred capital grants | **(2,323)** | (2,153) |
| Net change in non-cash working capital items | **3,546** | (11,696) |
| | **4,237** | (11,148) |
| **Capital transactions** | | |
| Property and equipment additions | **(1,756)** | (2,922) |
| **Investing transactions** | | |
| Increase in investments | **(1,512)** | (73) |
| **Financing transactions** | | |
| Debt principal payments | **(58)** | (58) |
| Receipt of capital grants | **1,622** | 2,877 |
| | **1,564** | 2,819 |
| **Net change in cash inflow (outflow)** | **2,533** | (11,324) |
| **Cash and short-term deposits,** beginning of year | **18,512** | 29,836 |
| **Cash and short-term deposits,** end of year | **$ 21,045** | $ 18,512 |

The accompanying notes form an integral part of these financial statements.

## 1. Significant Accounting Policies

(a) Description of Organization

The College of New Caledonia ("the College") is designated as a post-secondary educational institution under the College and Institute Act of British Columbia (the "Act"), and as such is subject to the terms and conditions of the Act. The College is a not-for-profit organization and, as such, is exempt from income taxes under section 149 of the Income Tax Act (Canada).

(b) Basis of Accounting

These financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act (BTAA) of the Province of British Columbia and the Restricted Contribution Regulation 198/2011 issued pursuant to it. This requires that these financial statements be prepared in accordance with Canadian public sector accounting standards (PSAS) issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants except that the contributions received or receivable by the College for the purpose of acquisition of tangible capital assets are accounted for as deferred capital contributions as described in Notes 1(c) and 3.

Commencing with the fiscal year ended March 31, 2013, the College has adopted PSAS with the exception described above. The transition date to PSAS is April 1, 2011.

PSAS provides options and elections on adoption of the standards. Pursuant to Section 23.1(1)(a) of the BTAA and the Government Organization Accounting Standards Regulation, the College is required to adopt PSAS without electing application of the PS4200 series not-for-profit provisions.

(c) Revenue Recognition

*Operating grants*

These grants are unrestricted and are recognized when received or receivable. If received for a future period, the grants are deferred and reported in the relevant future period.

*Unrestricted contributions and pledges*

These amounts are recorded as revenue when received.

*Other unrestricted revenue*

Student tuition, sales of good and services, and other unrestricted revenues are recognized when services are provided.

**1. Significant Accounting Policies (Continued)**

*Gifts in kind*

Gifts in kind are recorded at their fair market value at the time of the donation or at nominal value if fair value cannot reasonably be determined.

*Endowment contributions*

Restricted revenues from endowments, matching grants and any related restricted investment earnings are recognized in the period they are received or earned.

*Contributions restricted for capital purposes*

As described in Note 1(b) the College is required to defer recognition of these contributions and to amortize them to revenue at the same rate as the underlying tangible capital asset is amortized.

*Other restricted contributions*

Other restricted contributions are deferred and recognized in the period that the related expenses are incurred.

*Investment income and statement of remeasurement gains and losses*

Investment income includes interest recorded on an accrual basis, dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where a loss of value is determined to be other than temporary. For investments recorded at fair value, unrealized gains and losses are recorded in the Statement of Remeasurement Gains and Losses. Currently such fair value differences are not material and therefore a Statement of Remeasurement Gains and Losses has not been prepared.

(d) Inventory

Inventory held for resale is valued at the lower of actual cost and net realizable value. Other inventory, held for consumption, is charged as an expense in the year in which it is acquired.

(e) Interest on Debenture Debt

Interest on debenture debt is recorded on the accrual basis.

## 1. Significant Accounting Policies (Continued)

(f) Non-financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(g) Tangible Capital Assets

Tangible capital assets are a category of non-financial assets. They are recorded at cost, or in the case of donated assets, at their fair market value. Long-term usage rights are amortized on a straight line basis over the term of the rights. Buildings and equipment are amortized at the following rates:

| | |
|---|---|
| Buildings | straight-line basis over 20-70 years |
| Furniture fixtures and equipment | straight-line basis over 5-30 years |
| Computer equipment | straight-line basis over 2-5 years |
| Work-in-progress | not amortized until put in use |

(h) Impairment of Long-lived Assets

Long-lived assets are tested for impairment whenever circumstances indicate that the service potential has declined. When events or circumstances indicate that the service potential has declined, the long-lived assets are written down based upon the relative loss of service potential and a related expense recognized in the statement of operations and fund balances. A long-lived asset taken completely out of use is written down to its residual value. There was no write down of long-lived assets in 2013 or 2012.

(i) Annual Leave

Annual leave entitlement for employees are accrued as they are earned by the employees.

(j) Employee Future Benefits

The College provides certain benefits, including accumulated sick leave for certain employees pursuant to certain contracts and union agreements. The College accrues the cost of these employee future benefits over the period which the employees earn the benefits. These costs are actuarially determined using the projected benefit cost method prorated on the length of service and management's best estimate of salary escalation, retirement ages of employees and expected plan benefits costs. The most recent valuation of the obligation was performed for March 31, 2010. The plans are partially funded. Employer contributions are made based upon expected annual benefit payments.

## 1. Significant Accounting Policies (Continued)

(k) Financial Instruments

The College's financial instruments consist of cash and short term deposits, portfolio investments, accounts receivable, accounts payable and long-term debt. Financial instruments are classified into two categories: fair value or cost.

*Fair value category*

Portfolio investment that are equity instruments and are quoted in an active market are reflected at fair value as of the reporting date. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income. Gain and losses arising from changes in fair value would be recognized in the Statement of Remeasurement Gains and Losses.

*Cost category*

Portfolio investments such as bonds and guaranteed investment certificates as well as other financial instruments are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method.

(l) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Areas requiring the greatest degree of estimation include provisions for doubtful accounts receivable, estimated lives of property and equipment, and assumptions made in the accrual of employee future benefits.

## 2. First Time Adoption

Effective April 1, 2012, the College adopted the requirements of the PSAS accounting framework as amended with respect to deferred capital contributions accounting ("Amended PSAS") described in Note 1(b). These are the College's first financial statements prepared in accordance with this framework. The accounting policies set out in Significant Accounting Policies (Note 1) have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and the preparation of an opening statement of financial position at the date of transition of April 1, 2011.

## 2. First Time Adoption (Continued)

The adoption of Amended PSAS has been accounted for by retroactive application with restatement of prior periods subject to the requirements of PS2125: First-time Adoption by Government Organizations, unless otherwise noted.

(a) In preparing these financial statements, the College has applied the mandatory exceptions and certain of the optional exemptions on transition to Amended PSAS:

*Tangible capital asset impairment*

The College has elected to apply the conditions for a write-down of tangible capital assets in section PS3150 on a prospective basis from the date of transition.

*Estimates*

The estimates previously made by the College were not revised for the application of Amended PSAS and accordingly has not used hindsight to revise estimates.

*Financial instruments*

The College has adopted the provisions of PS3450 which requires measurement of portfolio investments in equities to be at fair value; however the College has no equity investments. Related to this is adoption of Foreign Currency PS2601 although this did not have any significant impact to the College.

(b) The College issued financial statements for the year ended March 31, 2012 using general accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of Amended PSAS resulted in the following adjustments:

*Employee future benefits*

The adoption of the Amended PSAS standards in this area resulted in a $369 thousand increase to the liability as of April 1, 2011 and a corresponding decrease to the accumulated surplus as of that date. The impact to the year end March 31, 2012 was minimal with result as there was no impact to the annual surplus for the comparative period.

($ in thousands)

## 3. Impact of Accounting for Capital Contributions on a Deferral Basis

As set out in Notes 1(a) and (b), the College is required to defer recognition of government transfers for capital and recognize them in revenue over the life of the funded asset. This policy is not in accordance with PSAS which requires that such transfers be deferred only if the funding agreements contain stipulations that create a liability and then to recognize revenue over the period that the liability is extinguished.

The impact of this difference from PSAS is as follows:

| | |
|---|---|
| March 31, 2013 | overstate liabilities, overstate net debt and understate accumulated surplus by $59,228 thousand |
| March 31, 2012 | overstate liabilities, overstate net debt and understate accumulated surplus by $59,929 thousand |
| April 1, 2011 | overstate liabilities, overstate net debt and understate accumulated surplus by $59,205 thousand |
| Year ended March 31, 2013 | overstate revenue and overstate annual surplus by $701 thousand |
| Year ended March 31, 2012 | understate revenue and understate annual surplus by $724 thousand |

## 4. Investments

| | **March 31, 2013** | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Prescribed long-term securities | **$ 3,771** | $ 2,259 | $ 2,186 |
| The following items also relate to the endowment fund: | | | |
| Interest bearing bank account | **218** | 1,626 | 1,434 |
| Accounts receivable less accounts payable | **8** | 8 | 4 |
| | **$ 3,997** | $ 3,893 | $ 3,624 |

The College has established a permanent endowment fund to provide income from which scholarships and bursaries can be awarded to students at the College. The capital of the fund is provided partly from designated funds, partly through donations from third parties and partly by matching government or other grants; the capital cannot be used for any other purpose. See also Note 13.

**($ in thousands)**

## 4. Investments (Continued)

Long-term securities are comprised mainly of GICs and federal, provincial and municipal bonds. Effective interest rates are between 1.45% and 5.50% ( 2012 - 2.10% and 5.20%) with maturities from 2013 to 2019.

Not included elsewhere in these financial statements are investments with the Prince George Community Foundation with a market value of $388 thousand ( 2012 - $364 thousand) and the Vancouver Foundation with a market value of $392 thousand ( 2012 - $378 thousand). These amounts are held in perpetuity by the stated Foundations and because they are not controlled by the College are not included as assets of the College. The College does receive payments from these investments based on investment earnings of the Foundations and reports this as income when declared. During the year the College received $19 thousand ( 2012 - $19 thousand) in interest income from these investments.

## 5. Tangible Capital Assets

| **Net Book Value** | **March 31, 2013** | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Buildings | **$ 60,516** | $ 61,784 | $ 32,772 |
| Furniture and equipment | **7,289** | 7,122 | 7,662 |
| Land | **2,706** | 2,706 | 2,706 |
| Work-in-progress | **-** | - | 28,217 |
| Total | **$ 70,511** | $ 71,612 | $ 71,357 |

The following table details the costs of tangible capital assets to determine their net book values:

| **Cost** | Balance at March 31, 2012 | Additions | **Balance at March 31, 2013** |
|---|---|---|---|
| Buildings | $ 85,435 | $ - | **$ 85,435** |
| Furniture and equipment | 28,355 | 1,756 | **30,111** |
| Land | 2,706 | - | **2,706** |
| Total | $ 116,496 | $ 1,756 | **$ 118,252** |

**($ in thousands)**

### 5. Tangible Capital Assets (Continued)

The following table details the accumulated amortization of tangible capital assets to determine their net book values:

| **Accumulated Amortization** | Balance at March 31, 2012 | Amortization Expense | **Balance at March 31, 2013** |
|---|---|---|---|
| Buildings | $ 23,651 | $ 1,268 | **$ 24,919** |
| Furniture and equipment | 21,233 | 1,589 | **22,822** |
| Total | $ 44,884 | $ 2,857 | **$ 47,741** |

### 6. Employee Future Benefits

The College provides accumulated sick pay for certain employees pursuant to certain contracts and union agreements. Information about these future benefits is as follows:

| | **March 31, 2013** | March 31, 2012 |
|---|---|---|
| Accrued sick leave, beginning of year | **$ 2,360** | $ 2,516 |
| Service and interest cost | **222** | 223 |
| Benefit payments | **(330)** | (379) |
| Accrued sick leave, end of year | **$ 2,252** | $ 2,360 |

The significant actuarial assumptions used to determine the College's accrued sick leave are as follows:

| | **2013** | 2012 |
|---|---|---|
| Discount rate | **3.75%** | 3.75% |
| Expected future inflation rate | **2.0%** | 2.0% |
| Rate of salary escalation | **2.75%** | 2.75% |

**($ in thousands)**

## 7. Deferred Capital Grants

| | **March 31, 2013** | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Deferred capital grants, balance beginning of year | **$ 50,163** | $ 49,158 | $ 25,142 |
| Capital grants used to finance acquisition of assets | **1,622** | 2,877 | 25,899 |
| Amortization to revenue | **(2,042)** | (1,872) | (1,883) |
| Deferred capital grants, balance end of year | **$ 49,743** | $ 50,163 | $ 49,158 |

| | | | |
|---|---|---|---|
| Deferred capital revenue - debt repayment, balance beginning of year | **$ 9,766** | $ 10,047 | $ 10,328 |
| Amortization to revenue | **(281)** | (281) | (281) |
| Deferred capital revenue - debt repayment, balance, end of year | **$ 9,485** | $ 9,766 | $ 10,047 |

## 8. Long-term Debt

The long-term debt relates to the Student Residence loan of $2.575 million, bears interest at 9.0% per annum, and is due on August 23, 2024. The debt is reported net of sinking fund balance of $711 thousand (March 31, 2012 - $660 thousand, March 31, 2011 - $595 thousand).

Future annual payments are the following:

| | Sinking fund | Interest |
|---|---|---|
| 2014 | $ 23 | $ 232 |
| 2015 | 23 | 232 |
| 2016 | 23 | 232 |
| 2017 | 23 | 232 |
| Thereafter | 169 | 1,719 |
| | $ 261 | $ 2,647 |

($ in thousands)

## 9. Commitments

(a) Operating Leases

The College is committed to total minimum rentals, under operating leases, for office premises for each of the following fiscal years:

| | |
|---|---|
| 2014 | $ 108 |
| 2015 | 108 |
| 2016 | 72 |
| | $ 288 |

(b) Purchase Orders

Purchase orders outstanding for goods and services not received prior to the fiscal year end total:

| | **March 31, 2013** | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Operating fund | **$ 878** | $ 478 | $ 553 |
| Capital fund | **39** | 41 | 1,851 |
| Other funds | **521** | 200 | 257 |
| | **$ 1,438** | $ 719 | $ 2,661 |

## 10. Pension Plan

The public sector pension plans are jointly trusteed pension plans. The pension plans are multiemployer plans.

The college and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusteed pension plans. The board of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are based on a formula. The College Pension Plan has about 13,000 active members from college senior administration and instructional staff and approximately 5,000 retired members. The Municipal Pension Plan has about 176,000 active members, with approximately 5,700 from colleges.

## 10. Pension Plan (Continued)

The most recent actuarial valuation for the College Pension Plan as at August 31, 2009 indicated a $1 million funding surplus for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2009 indicated a $1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the plan as the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan.

Contributions made to the plans for the year by the College were $2,703 thousand ( 2012 - $2,671 thousand) and by employees were $2,588 thousand ( 2012 - $2,545 thousand).

## 11. Budget Information

Budget information is presented for comparison purposes and represents the Budget for Operating, Ancillary and Special Purposes passed by the Board of the College on April 27, 2012. The Capital Fund (including amortization) and Specific Projects Fund were not included in this budget. The Capital Fund and Specific Projects Fund has combined revenues of $6,329 thousand and combined expenses of $6,704 thousand in the fiscal year ended March 31, 2013.

## 12. Financial Instrument Risks

The College through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2013.

(a) Credit Risk

Credit risk is the risk that the College will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the College to significant concentrations of credit risk consist primarily of cash and investments and amounts receivable. The College limits its exposure to credit risk by placing its cash and investments with high credit quality investments in accordance with investment policies adopted by the College.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The College is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments. The interest rates and terms of investments are as disclosed in Note 4.

**($ in thousands)**

## 12. Financial Instrument Risks (Continued)

(c) Liquidity Risk

Liquidity risk is the risk that the College will not be able to meet its obligations as they fall due. The College maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

(d) Capital Risk Management

The College's capital consists of its accumulated surplus which includes endowments and investment in tangible capital assets which are restricted. Unrestricted amounts are available to meet future obligations and commitments. The College's objectives when managing its capital are to maintain an appropriate level in order to meet its operational goals. Annual budgets are developed and monitored to ensure that the College's capital is maintained at an appropriate level.

## 13. Accumulated Surplus

The components of accumulated surplus are as follows:

| | **March 31, 2013** | March 31, 2012 | April 1, 2011 |
|---|---|---|---|
| Investment in tangible capital assets | **$ 9,472** | $ 9,821 | $ 10,239 |
| Endowment funds | **3,997** | 3,893 | 3,624 |
| Internally restricted & unrestricted amounts | **1,768** | 1,373 | 1,197 |
| | **$ 15,237** | $ 15,087 | $ 15,060 |

**($ in thousands)**

## 14. Expenses by Object

The following is a summary of expenses by object:

| | | March 31, 2013 | | March 31, 2012 |
|---|---|---|---|---|
| Salaries and benefits | **$** | **40,768** | $ | 40,530 |
| Supplies and services | | **8,729** | | 9,036 |
| Facility infrastructure maintenance | | **3,628** | | 3,780 |
| Amortization of tangible capital assets | | **2,864** | | 2,674 |
| Contract and professional services | | **2,770** | | 2,372 |
| Cost of goods sold | | **2,127** | | 2,217 |
| Utilities | | **1,579** | | 1,419 |
| Scholarships and bursaries | | **538** | | 300 |
| Debenture interest | | **232** | | 232 |
| | **$** | **63,235** | $ | 62,560 |