

YUKON COLLEGE
FINANCIAL STATEMENTS
June 30, 2013

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YUKON COLLEGE
Management Responsibility


The financial statements are the responsibility of management and the Board of Governors of the College. The financial statements have been prepared in accordance with Canadian public sector accounting standards with Section 4200 series for government not-for-profit organizations. The financial statements include estimates based on the experience and judgement of management. The financial statements present fairly the financial position of the College as at June 30, 2013 and comparative periods, and the results of its operations and cash flows for the years then ended.

The College maintains books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and accurate financial information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of College objectives and that operations are carried out effectively.

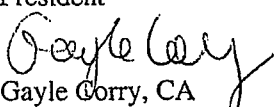
These systems and practices are also designed to provide reasonable assurance that transactions are in accordance with the *College Act*, bylaws and policies of the College.

The Board of Governors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board meets on a periodic basis with management and the external auditor to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters. The Board of Governors has reviewed and approved the financial statements.

These financial statements for the years ended June 30, 2013 and comparative periods have been independently audited by the College's auditor, the Auditor General of Canada, and his report is included herein.



Dr. Karen Barnes
President



Gayle Corry, CA
Director Finance & Administrative Services

December 14, 2013



INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of the Yukon College

I have audited the accompanying financial statements of the Yukon College, which comprise the statements of financial position as at 30 June 2013, 30 June 2012 and 1 July 2011, and the statements of operations, statements of changes in net assets and statements of cash flows for the years ended 30 June 2013 and 30 June 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 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 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.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Yukon College as at 30 June 2013, 30 June 2012 and 1 July 2011, and the results of its operations and its cash flows for the years ended 30 June 2013 and 30 June 2012 in accordance with Canadian public sector accounting standards.

Lana Dar, CPA, CA
Principal
for the Auditor General of Canada

14 December 2013
Vancouver, Canada

YUKON COLLEGE
Statement of Financial Position
As at June 30, 2013

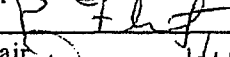
ASSETS	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>July 1, 2011</u>
Current Assets			
Cash (note 5)	\$ 4,380,620	\$ 4,939,707	\$ 3,468,150
Accounts receivable	3,275,421	2,809,874	3,934,263
Inventories	134,349	171,487	148,749
Prepaid expenses	<u>54,346</u>	<u>110,754</u>	<u>67,361</u>
	7,844,736	8,031,822	\$ 7,618,523
Other Assets			
Restricted cash (note 6)	2,069,039	2,053,930	2,017,036
Accrued pension benefit asset (note 7 a)	14,017,600	13,861,400	12,859,900
Capital assets (note 8)	3,080,875	2,579,226	2,466,105
Deposit on capital asset purchase	<u>809,564</u>	<u>-</u>	<u>-</u>
	<u>\$ 27,821,814</u>	<u>\$ 26,526,378</u>	<u>\$ 24,961,564</u>
 LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 2,119,584	\$ 1,942,453	\$ 1,576,087
Deferred contributions (note 10)	1,967,169	2,357,224	3,101,592
Vacation leave and employee future benefits	<u>2,398,204</u>	<u>1,995,591</u>	<u>1,920,245</u>
	<u>6,484,957</u>	<u>6,295,268</u>	<u>6,597,924</u>
Long-term Liabilities			
Other employee future benefits (note 7 b)	<u>3,696,400</u>	<u>3,644,600</u>	<u>3,461,300</u>
Net Assets			
Capital (note 8)	3,080,875	2,579,226	2,466,105
Endowments (note 9)	1,963,789	1,969,829	1,959,325
Pension (note 7 a)	14,017,600	13,861,400	12,859,900
Unrestricted	<u>(1,421,807)</u>	<u>(1,823,945)</u>	<u>(2,382,990)</u>
	<u>17,640,457</u>	<u>16,586,510</u>	<u>14,902,340</u>
	<u>\$ 27,821,814</u>	<u>\$ 26,526,378</u>	<u>\$ 24,961,564</u>

Commitments (note 15)

Contingent liabilities (note 16)

The accompanying notes are an integral part of the financial statements.

Approved by the Board of Governors

Chair 

Member

YUKON COLLEGE
Statement of Operations
For the year ended June 30

	<u>2013</u>	<u>2012</u>
Revenues		
Contributions, Government of Yukon (note 12)	\$ 21,865,843	\$ 20,969,782
Contracts	15,599,302	12,883,257
Sales, rentals and services	1,479,633	1,865,398
Miscellaneous income (note 13)	1,365,496	1,011,659
Tuition and registration fees	1,147,836	1,178,904
Student assistance/scholarships	648,799	609,118
Interest income	86,407	81,288
	<u>\$ 42,193,316</u>	<u>\$ 38,599,407</u>
Expenses (note 11)		
Direct instruction	\$ 15,087,763	\$ 12,957,799
Direct instructional support	7,339,945	6,443,303
General administration	7,061,764	6,605,426
Services received without charge (note 12)	3,789,576	3,724,670
Research	3,670,683	3,839,246
Cost of sales	1,591,877	1,949,596
Facility services and utilities	1,247,391	1,174,048
Student assistance/scholarships	648,799	609,118
Employee leave and termination benefits	454,414	258,646
Amortization of capital assets	311,065	305,347
Miscellaneous	86,251	60,041
	<u>\$ 41,289,528</u>	<u>\$ 37,927,240</u>
Net operating surplus	\$ 903,788	\$ 672,166
Increase in accrued pension benefit asset	<u>156,200</u>	<u>1,001,500</u>
Total surplus of revenues over expenses	<u>\$ 1,059,988</u>	<u>\$ 1,673,666</u>

The accompanying notes are an integral part of the financial statements.

YUKON COLLEGE
Statement of Changes in Net Assets
For the year ended June 30

	<u>Unrestricted</u>	<u>Capital</u>	<u>Endowments</u>	<u>Pension</u>	<u>2013</u> <u>Total</u>
Balance, beginning of year	\$(1,823,945)	\$2,579,226	\$ 1,969,829	\$13,861,400	\$16,586,510
Capital assets acquired	-	812,714	-	-	812,714
Amortization of capital assets	-	(311,065)	-	-	(311,065)
Change in net assets - Capital	(501,650)	-	-	-	(501,650)
Endowment disbursements (note 9)	-	-	(6,040)	-	(6,040)
Increase in pension benefit asset	(156,200)	-	-	156,200	-
Total surplus of revenues over expenses	<u>1,059,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,059,988</u>
Balance, end of year	<u>\$(1,421,807)</u>	<u>\$3,080,875</u>	<u>\$ 1,963,789</u>	<u>\$14,017,600</u>	<u>\$17,640,457</u>
					<u>2012</u> <u>Total</u>
	<u>Unrestricted</u>	<u>Capital</u>	<u>Endowments</u>	<u>Pension</u>	
Balance, beginning of year, as previously stated	\$(1,883,390)	\$2,466,105	\$ 1,959,325	\$ 8,013,000	\$10,555,040
Adjustments to opening net assets (note 3)	<u>\$ (499,600)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,846,900</u>	<u>\$ 4,347,300</u>
Balance, beginning of year, as currently reported	\$(2,382,990)	\$2,466,105	\$ 1,959,325	\$12,859,900	\$14,902,340
Capital assets acquired	-	418,468	-	-	418,468
Amortization of capital assets	-	(305,347)	-	-	(305,347)
Change in net assets - Capital	(113,121)	-	-	-	(113,121)
Endowment contributions (note 9)	-	-	10,504	-	10,504
Increase in pension benefit asset	(1,001,500)	-	-	1,001,500	-
Total surplus of revenues over expenses	<u>1,673,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,673,666</u>
Balance, end of year	<u>\$(1,823,945)</u>	<u>\$2,579,226</u>	<u>\$ 1,969,829</u>	<u>\$13,861,400</u>	<u>\$16,586,510</u>

The impact of restatement on the comparative figures for net assets and the surplus of revenue over expenses due to the adoption of new accounting standards is illustrated in note 3.

The accompanying notes are an integral part of the financial statements.

YUKON COLLEGE
Statement of Cash Flows
For the year ended June 30

	<u>2013</u>	<u>2012</u>
Cash flows provided from operating activities:		
Total surplus of revenues over expenses	\$ 1,059,988	\$ 1,673,666
Items not affecting cash		
Amortization of capital assets	311,065	305,347
Increase (decrease) in non-cash working capital balances	(182,312)	755,602
Increase in accrued pension benefit asset	(156,200)	(1,001,500)
Increase in other employee future benefits	51,800	183,300
Cash flows provided from operating activities	<u>1,084,341</u>	<u>1,916,415</u>
Cash flows used in investing activities:		
(Increase) decrease in restricted cash	<u>(15,110)</u>	<u>(36,894)</u>
Cash flows used in investing activities	<u>(15,110)</u>	<u>(36,894)</u>
Cash flows used in capital activities:		
Capital assets acquired	(812,714)	(418,468)
Deposit on capital asset purchase	<u>(809,564)</u>	<u>-</u>
Cash flows used in capital activities	<u>(1,622,278)</u>	<u>(418,468)</u>
Cash flows provided from financing activities:		
Endowment (disbursements) contributions (note 9)	<u>(6,040)</u>	<u>10,504</u>
Cash flows provided from financing activities	<u>(6,040)</u>	<u>10,504</u>
Change in cash:		
Net (decrease) increase in cash	(559,087)	1,471,557
Cash		
Beginning of year	<u>4,939,707</u>	<u>3,468,150</u>
End of year	<u>\$ 4,380,620</u>	<u>\$ 4,939,707</u>

The accompanying notes are an integral part of the financial statements.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

1. Purpose of the organization

Yukon College (the College) is a post-secondary educational institution and is incorporated under the *Yukon College Act*. The College is a not-for-profit organization and is a registered charity under the *Income Tax Act*. A significant portion of its funding is provided by the Government of Yukon. The College is not an institution of the Government of Yukon and, except to the extent an agency relationship is created by contracts with the Government, the College is not an agent of the Government. The purpose of the College is to provide excellent, relevant and accessible learning opportunities.

The Hill Top Bistro and Culinary Arts Society (the Society) is incorporated under the *Societies Act* of the Yukon. The purpose of the Society is to provide training and development opportunities to those interested in participating in the culinary arts and hospitality programs offered by the College. The College controls the Society as its employees are directors of the organization. The Society operates out of the College's main campus building with the assistance of College employees from the Culinary Program and the accounting function of the Society is performed by the College. The Society's year end is March 31. For the year ended March 31, 2013, the Society had revenues of \$42,867 (2012 - \$14,272) and expenses of \$35,590 (2012 - \$14,772) for a surplus of \$7,277 (2012 - deficit \$500). The Society had no transactions prior to the March 2012 year end. There were no significant transactions between the current year-end date and June 30. Total assets were \$28,797 (2012 - \$15,317) and total liabilities were \$22,020 (2012 - \$15,817) with a cumulative net surplus of \$6,776 (2012 - deficit \$500). The Society is not consolidated in the College's financial statements.

2. Significant accounting policies

a) Basis of presentation

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The College has elected to apply the Section 4200 series for government-not-for-profit organizations.

b) Financial instruments

All financial instruments of the College are recorded at cost or amortized cost. The College does not have any financial instruments that are carried at fair value.

c) Capital assets

Purchased equipment and leasehold improvements are recorded at cost, net of accumulated amortization. The items are amortized on a straight-line basis over their estimated useful lives. The College has not received any contributed capital assets of significant value during the year.

	<u>Years</u>
Equipment – general	10
Leasehold improvements	20
Equipment – electronic data processing (EDP)	3
Furniture & fixtures	10
Mobile trailers	20
Vehicles	5

The Works of Art are capitalized at cost and no amortization is recorded.

d) Inventories

Inventories are carried at the lower of cost and net realizable value.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

2. Significant accounting policies (continued)

e) Contributed services

The College benefits from services provided by volunteers in assisting the institution in carrying out its activities. The fair value of these services is not determinable and accordingly is not included in the financial statements.

f) Employee future benefits

Pension benefits

The Yukon College Employees' Pension Plan (the "Plan") is a contributory defined benefit pension plan. The Plan provides mandatory pension benefits for all full-time employees and optional benefits for part-time employees of the College after 24 months of continuous service. The Plan provides for defined retirement benefits based on an employee's years of service and average final earnings, in accordance with the Federal *Pension Benefits Standards Act*, and is indexed in accordance with the change in Consumer Price Index for 12 months ending September 30th. For the solvency deficiency, the College has obtained a letter of credit in lieu of making solvency payments. The amount of the letter of credit is equal to the amount of solvency payments required as determined by the actuary. Contributions by the College are recorded in the financial statements using an accrued benefit method. The College has contracted with external organizations to provide the services of trustee, administration, consulting and investment management for the Plan. The Plan assets are held by a trustee and separate financial statements are prepared for the Plan.

The College accrues its obligations under the Plan and the related costs, net of plan assets.

The cost of pension benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, inflation rates, salary escalation, and retirement ages of employees.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Past service costs from plan amendments are accounted for in the period of the plan amendments.

The cost of the retirement benefits recognized during the period is comprised of the retirement benefits expense and the retirement benefits interest expense.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group, which is estimated to be 9 years.

Other non-pension benefits

The cost of benefit plans, other than pension, including severance benefits, non-vesting but accumulating sick and special leave and managers' accrued leave, payable upon termination of employment, death or retirement, is actuarially determined using the projected accrued benefit method prorated on employment services using management's best estimates of inflation rates, salary escalation, retirement ages of employees, and is recognized over the period in which the benefits are earned (i.e. the period the employee renders service to the College). The College accrues other vacation and leave benefits for employees as earned. Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group, which is estimated to be 8.8 years.

g) Employee vacation leave

Employee vacation leave is expensed as the benefits accrue to employees under their respective terms of employment.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

2. Significant accounting policies (continued)

h) Revenue recognition

The College follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue on the same basis and in the same periods as expenses under the terms of the restrictions.

Revenues received for a future period are deferred until the services are provided.

Unrestricted contributions, such as operating grants, 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 in endowment net assets. Interest earned on endowment contributions that are restricted are deferred until the interest is spent on the specified purpose. Unrestricted interest earned on investments is recorded as revenue when earned.

Sales, rentals and services, miscellaneous income, and tuition and registration fees are reported as revenue at the time the services are substantially provided or the products are delivered. Tuition fees received in advance of courses being delivered are deferred and recognized when the courses are delivered.

i) Allocation of expenses

The College allocates the majority of its expenses by function. General administration expenses are not allocated to other functions but are disclosed separately. The College does not incur any significant expenses for fundraising. Administration related to fundraising is included in general administration expenses.

j) Restrictions on net assets

Invested in capital assets represents the amount the College has spent on capital assets using its own funding sources. Endowment net assets include endowment principal which must remain unexpended. The accrued pension benefit asset is restricted in order to meet future pension obligations.

k) Internal appropriations

Internal appropriations are established under the authority of the Board of Governors, by appropriation from unrestricted net assets and other employee future benefits to provide for anticipated fiscal requirements not funded from other sources.

l) Services provided without charge

The free rental of the College's main campus and certain other facilities provided by the Government is recorded as contribution revenue and certain offsetting operating expenses (see note 12).

m) Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards applicable for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of lease commitments at the date of the financial statements and the reported amount of revenue and expenses for the year. Significant areas requiring the use of management estimates relate to the determination of the defined benefit pension plan surplus and the liabilities for accrued other non-pension benefits, and the estimated useful lives of capital assets. Financial results as determined by actual events could differ significantly from these estimates. Estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period which they become known.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

2. Significant accounting policies (continued)

n) Contingent liabilities

Contingent liabilities may arise from time to time in the normal course of operations. Liabilities on any litigation are recognized in the financial statements when it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated.

3. Adoption of new accounting standards

Effective July 1, 2012, the College adopted Canadian public sector accounting standards with the Section 4200 series applicable for a government not-for-profit organization (GNPO). These amended standards were retroactively adopted and therefore the comparative figures for the year ended June 30, 2012 have been restated.

In addition, effective July 1, 2012, the College adopted Sections PS 3450, Financial Instruments, PS 2601, Foreign Currency Translation and related amendments to other Sections on a prospective basis, without restating comparative figures. Key adjustments resulting from the adoption of these accounting standards are as follows:

The College made an adjustment to the 2011 financial statements with respect to the accounting for employee future benefits. Specifically, this adjustment related to accounting policy differences under public sector accounting standards with respect to the discount rate used to determine the post-retirement benefit costs, recognition of unamortized past service costs in net assets and the recognition of an accrued benefit liability for sick and special leave benefits which do not vest. Under previous GAAP, not-for-profit organizations used a discount rate based on corporate bond interest rates to value the accrued benefit pension asset and employee future benefits. PS 3250 requires that the discount rate be either the cost of borrowing or the expected return on plan assets. The expected rate of return on plan assets is used to value the accrued pension benefit asset and the cost of borrowing is used on the employee future benefits. Upon termination of employment employees are not paid for accumulated special leave and a portion of their sick leave. For the purposes of attributing the cost of non-vested, accumulating benefits to the period prior to the valuation date (i.e. the accrued benefit obligation), the past accumulated credits expected to be used in the next 6 years were estimated, taking into account assumed rates of future pay increases and the probability of continuing in employment to each of these years.

The College has elected to use the following exemption under PS 2125, First Time Adoption by Government Organizations, to recognize cumulative actuarial gains and losses at the date of transition to public sector accounting standards directly in net assets.

The College has elected an exemption from PS 3150, Tangible Capital Assets. Conditions for a write-down of a tangible capital asset are applied on a prospective basis from the date of transition.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

3. Adoption of new accounting standards (continued)

The impact of these restatements on the comparative figures is as follows:

Net assets as at July 1, 2011

Net assets, as previously reported	\$ 10,555,040
Adjustment to employee future benefits liability	
Adjustment to recognize non-vested sick and special leave under PSAS	(203,600)
Change in discount rate	8,530,600
Recognition of unamortized actuarial gain/loss at date of transition	<u>(3,979,700)</u>
Net assets, as currently reported	<u>\$ 14,902,340</u>

Surplus of revenue over expenses for the year ended June 30, 2012

Annual surplus of revenue over expenses, as previously reported	\$ 1,139,367
Adjustment to recognize non-vested sick and special leave under PSAS	(17,900)
Adjustment to accrued pension benefit asset due to change in discount rate	<u>552,199</u>
Annual surplus of revenue over expenses, as currently reported	<u>\$ 1,673,666</u>

Statement of cash flows

The transition had no significant impact on the College's cash flows other than presentation of capital-related cash flows as "cash flow used in capital activities" instead of "cash flow used in investing activities" and the changes to net assets and the surplus of revenue over expenses described above.

4. Financial risk management

(a) Fair value of financial instruments

The College's financial instruments consist of cash, accounts receivable, restricted cash and accounts payable and accrued liabilities. The fair values of the College's financial instruments approximate their carrying values.

(b) Financial risks

The College's financial instruments are exposed to the following risks: credit risk, interest rate risk, foreign exchange risk, and liquidity risk. The College manages these risk exposures on an ongoing basis. The College is not party to any financial derivatives.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

4. Financial risk management (continued)

Credit risk

Credit risk arises from the possibility that the issuer of a financial instrument fails to meet its obligation. The carrying amount of cash, restricted cash and accounts receivable represents the maximum credit exposure. The credit risk associated with these instruments is considered to be minimal due to the nature of the instruments and the fact that the majority of the accounts receivable are due from the federal, territorial, first nation and municipal governments.

Credit risk on cash and restricted cash is minimized as these assets are held with a Canadian Chartered bank and an investment firm affiliated with the bank.

The College's accounts receivable have a carrying value of \$3,275,421 as of June 30, 2013 (2012 - \$2,809,974, July 1, 2011 - \$3,934,263). As of June 30, 2013, approximately 16% (2012 - 6%, July 1, 2011 - 13%) of accounts receivable were over 90 days past due, whereas 69% (2012 - 90%, July 1, 2011 - 83%) were current or less than 30 days past due. The College's allowance for doubtful accounts is \$12,575 as at June 30, 2013 (2012 - \$56,678, July 1, 2011 - \$51,640).

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 the market interest rates. The College is not exposed to significant interest rate risk on its cash and restricted cash, which are held in a Canadian chartered bank and an investment firm affiliated with the bank.

Foreign exchange risk

Foreign exchange risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates. The College is not exposed to any significant foreign exchange risk because instruments held in foreign currency are not considered significant.

Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they become due. The College monitors its cash balance and cash flows from operations to ensure that it has sufficient liquidity on hand to meet its liabilities when due.

The College manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the College's reputation. As at June 30, 2013 and 2012, substantially all of the College's accounts payable and accrued liabilities is due within 6 months of year-end.

5. Cash

The College has, if needed, an operating demand line of credit with its banker that allows the College to borrow up to \$500,000 at bank prime. The credit line was unused at year-end, at June 30, 2012 and at July 1, 2011. The College's credit facility interest rates are subject to fluctuations in the prime rate.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

6. Restricted cash

Restricted cash includes \$1,963,788 (June 30, 2012 - \$1,969,829; July 1 2011 - \$1,959,325) for endowments (note 9) and \$105,251 (June 30, 2012 - \$84,101; July 1 2011 - \$57,711) for long-term prepaid leave.

Restricted cash consists of high interest savings accounts and the average annual return on restricted cash was 1.4% (2012 - 1.2 %).

7. Employee future benefits

a) Pension benefits

Assets in the Yukon College Employees' Pension Plan are based on fair values as reported by the custodian of the funds as at June 30, 2013. No adjustment is made for contributions/payments in transit at that date.

An actuarial valuation for accounting purposes was performed as of June 30, 2013 by Morneau Shepell using the projected benefits method prorated on services. The next actuarial valuation for accounting purposes will be performed as of June 30, 2014.

An actuarial valuation for funding purposes was performed as of June 30, 2012 and the next actuarial valuation for funding purposes will be performed as of June 30, 2013 and will be completed by December 31, 2013. The actuarial valuation for funding purposes performed by the actuary in 2012 established the College's required current service contributions as 183.7% (2011 – 168.3%) of employee contributions. Under economic and demographic assumptions used in these calculations, this level of College contributions together with the employee contributions is sufficient to fund the current service costs of the pension plan benefits.

Total benefit payments were \$2,179,800 (2012 - \$1,667,000).

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

7. Employee future benefits (continued)

a) Pension benefits (continued)

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect management's best estimates of these future events. Key assumptions are summarized below:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Weighted-average assumptions for benefit costs			
Discount rate	6.00%	6.40%	5.50%
Expected long-term rate of return on plan assets	6.00%	6.40%	7.00%
Rate of compensation increase	4.25%	4.25%	4.25%
Weighted-average assumptions for accrued benefit obligation			
Discount rate	5.90%	6.00%	5.25%
Rate of compensation increase	4.25%	4.25%	4.25%

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

7. Employee future benefits (continued)

a) Pension benefits (continued)

	<u>2013</u>	<u>2012</u>
Change in accrued benefit obligation:		
Accrued benefit obligation - beginning of year	\$ 53,573,800	\$ 46,437,700
Current service cost	1,516,500	1,350,000
Interest cost	3,224,400	2,990,900
Employee contributions	994,900	907,100
Benefits paid	(2,179,800)	(1,667,000)
Actuarial losses	<u>2,631,800</u>	<u>3,555,100</u>
Accrued benefit obligation - end of year	<u>\$ 59,761,600</u>	<u>\$ 53,573,800</u>
Change in plan assets:		
Fair value of plan assets - beginning of year	\$ 61,914,200	\$ 59,297,600
Actual return on plan assets	5,643,600	1,853,600
Employer contributions	1,777,900	1,522,900
Employee contributions	994,900	907,100
Benefits paid	<u>(2,179,800)</u>	<u>(1,667,000)</u>
Fair value of plan assets - end of year	<u>\$ 68,150,800</u>	<u>\$ 61,914,200</u>
Reconciliation of funded status:		
Accrued benefit obligation - end of year	\$ 59,761,600	\$ 53,573,800
Fair value of plan assets	<u>(68,150,800)</u>	<u>(61,914,200)</u>
Funding (surplus) deficit	(8,389,200)	(8,340,400)
Unamortized net actuarial loss	<u>(5,628,400)</u>	<u>(5,521,000)</u>
Accrued pension benefit asset	<u>\$ (14,017,600)</u>	<u>\$ (13,861,400)</u>

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

Employee future benefits (continued)

a) Pension benefits (continued)

	<u>2013</u>	<u>2012</u>
Elements of defined pension plan benefit costs recognized in the year:		
Current service cost, net of employee contributions	\$ 1,516,500	\$ 1,350,000
Interest cost on benefit obligation	3,224,400	2,990,900
Actual return on plan assets	(5,643,600)	(1,853,600)
Actuarial loss on accrued benefit obligation	<u>2,631,800</u>	<u>3,555,100</u>
 Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	 1,729,100	 6,042,400
 Adjustment to recognize the long-term nature of employee future benefit costs:		
Difference between expected return and actual return on plan assets for year	1,911,000	(1,965,900)
Difference between actuarial (gain) loss recognized for the year and actual actuarial benefit (gain) loss on accrued benefit obligation for the year	(2,018,400)	(3,555,100)
Difference between amortization of past service costs for the year and actual plan amendments for year	-	-
Net periodic pension cost recognized	<u>\$ 1,621,700</u>	<u>\$ 521,400</u>

Based on fair value of plan assets held as at June 30, the assets were composed of:

	<u>2013</u>	<u>2012</u>
Equity securities	61%	58%
Debt securities	37%	40%
Other	<u>2%</u>	<u>2%</u>
Total	100%	100%

The accrued benefit asset has been recorded on the College's books of account and is included on the statement of financial position as at June 30, 2013.

The funded status of the pension plan, a surplus of \$2,403,400 as at June 30, 2012 (June 30, 2011 - \$7,144,900; July 1, 2011 - \$7,144,900), has been determined on the basis that the pension plan remains a going concern. As at June 30, 2012, the date of the most recent actuarial valuation for funding purposes, the pension plan had a deficit of \$19,794,100 (June 30, 2011 - \$12,029,900; July 1, 2011 - \$12,029,900) if valued on the basis that the pension plan were terminated/wound up as at June 30, 2012.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

7. Employee future benefits (continued)

a) Pension benefits (continued)

The solvency ratio of the pension plan was 76.3% at June 30, 2012 (2011 – 83.1%). During the fiscal year the College contributed \$1,777,900 (2012 - \$1,522,900) to the pension plan. The Government of Yukon provided pension funding of \$174,000 (2012 - \$0) to the College (note 12). All required contributions to the pension plan have been made.

In May 2011, the College acquired a letter of credit for the pension plan. The *Pension Benefits Standards Act* permits that letters of credit can be obtained in lieu of making special solvency payments. The letter of credit is an escalating letter of credit that increases by \$210,692 (2012 - \$124,900) per month up to an amount of \$6,710,308 (2012 - \$3,238,300), which is the amount of solvency payments required up to June 30, 2014. The value of this letter of credit at June 30, 2013 was \$4,182,008 (2012 - \$1,739,500; July 1, 2011 - \$243,733). The letter of credit expires on June 30, 2014 but the College plans to renew the letter of credit no later than May 2014 as required by the legislation and in the amount determined by the actuarial valuation for June 30, 2013. The letter of credit is guaranteed by the Government of Yukon.

b) Other non-pension benefit plans

The non-pension benefit plan is not funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. The benefits include severance, prorated sick leave, special leave and other outstanding leave entitlements and will be paid from future sources of revenue. The actuarial valuation of the accrued benefit liability as at June 30, 2013 is:

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

7. Employee future benefits (continued)

b) Other non-pension benefit plans

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Accrued benefit obligation, end of year	\$ 4,235,900	\$ 4,325,500	\$3,577,500
Unamortized actuarial gain (loss)	200,500	(119,900)	(54,800)
Add: Transitional impact of change in accounting standards	<u>-</u>	<u>-</u>	<u>499,600</u>
Actuarially determined other employee future benefits, end of year	4,436,400	4,205,600	4,022,300
Less: Current portion included in vacation leave and employee future benefits	<u>(740,000)</u>	<u>(561,000)</u>	<u>(561,000)</u>
Long-term portion other employee future benefits, end of year	<u>\$ 3,696,400</u>	<u>\$ 3,644,600</u>	<u>\$3,461,300</u>

The annual benefit plan cost and change in accrued benefit liability are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Accrued benefit liability, beginning of year	\$ 4,205,600	\$ 4,022,300	\$3,382,800
Add: Annual benefit plan cost:			
Current service cost	603,200	561,400	370,000
Interest on accrued benefit obligation	174,300	182,900	194,900
Amortization of net actuarial loss	<u>14,300</u>	<u>-</u>	<u>-</u>
Total annual benefit plan cost	791,800	744,300	564,900
Add: Transitional impact of change in accounting standards	-	-	499,600
Less: Benefits paid by College	<u>(561,000)</u>	<u>(561,000)</u>	<u>(425,000)</u>
Actuarially determined other employee future benefits, end of year	4,436,400	4,205,600	4,022,300
Less: Current portion included in vacation leave and employee future benefits	<u>(740,000)</u>	<u>(561,000)</u>	<u>(561,000)</u>
Long-term portion other employee future benefits, end of year	<u>\$ 3,696,400</u>	<u>\$ 3,644,600</u>	<u>\$3,461,300</u>

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

7. Employee future benefits (continued)

b) Other non-pension benefit plans (continued)

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligation are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Weighted average assumption for benefit costs:			
Discount rate	3.75%	4.25%	5.50%
Rate of compensation increase			
for 10 years	4.25%	4.25%	4.25%
thereafter	4.75%	4.75%	4.75%
Weighted average assumptions for accrued benefit obligation:			
Discount rate	4.25%	3.75%	4.25%
Rate of compensation increase			
for 10 years	4.25%	4.25%	4.25%
thereafter	4.75%	4.75%	4.75%

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

8. Capital assets

	Leasehold Improvements	Equipment General	Equipment EDP	Mobile Trailers	Furniture & Fixtures	Works of Art	Vehicles	Total
Cost								
Balance at July 1, 2011	\$ 2,529,527	\$ 720,123	\$ 127,817	\$ 111,304	\$ 74,002	\$ 52,349	\$ 29,237	\$ 3,644,359
Additions	122,991	224,395	42,276	-	22,168	-	6,636	418,466
Disposals	(67,274)	(58,719)	(100,092)	-	(7,090)	-	-	(233,175)
Balance at June 30, 2012	\$ 2,585,244	\$ 885,799	\$ 70,001	\$ 111,304	\$ 89,080	\$ 52,349	\$ 35,873	\$ 3,829,650
Balance at July 1, 2012	\$ 2,585,244	\$ 885,799	\$ 70,001	\$ 111,304	\$ 89,080	\$ 52,349	\$ 35,873	\$ 3,829,650
Additions	29,433	621,652	132,496	-	29,133	-	-	812,714
Disposals	(69,142)	(51,092)	(54,031)	-	-	-	-	(174,265)
Balance at June 30, 2013	\$ 2,545,535	\$ 1,456,359	\$ 148,466	\$ 111,304	\$ 118,213	\$ 52,349	\$ 35,873	\$ 4,468,099
Amortization								
Balance at July 1, 2011	\$ 793,127	\$ 244,062	\$ 82,547	\$ 16,695	\$ 30,175	\$ -	\$ 11,648	\$ 1,178,254
Amortization for the year	140,777	72,757	72,999	5,566	7,401	-	5,846	305,347
Disposals	(67,272)	(58,724)	(100,090)	-	(7,090)	-	-	(233,177)
Balance at June 30, 2012	\$ 866,632	\$ 258,095	\$ 55,456	\$ 22,261	\$ 30,486	\$ -	\$ 17,494	\$ 1,250,424
Balance at July 1, 2012	\$ 866,632	\$ 258,095	\$ 55,456	\$ 22,261	\$ 30,486	\$ -	\$ 17,494	\$ 1,250,424
Amortization for the year	145,733	89,956	53,727	5,565	8,909	-	7,175	311,065
Disposals	(69,142)	(51,092)	(54,031)	-	-	-	-	(174,265)
Balance at June 30, 2013	\$ 943,223	\$ 296,959	\$ 55,152	\$ 27,826	\$ 39,395	\$ -	\$ 24,669	\$ 1,387,224
Carrying amounts								
Balance at July 1, 2011	\$ 1,736,400	\$ 476,061	\$ 45,270	\$ 94,609	\$ 43,827	\$ 52,349	\$ 17,589	\$ 2,466,105
Balance at June 30, 2012	\$ 1,718,612	\$ 627,704	\$ 14,545	\$ 89,043	\$ 58,594	\$ 52,349	\$ 18,379	\$ 2,579,226
Balance at June 30, 2013	\$ 1,602,312	\$ 1,159,400	\$ 93,315	\$ 83,478	\$ 78,818	\$ 52,349	\$ 11,204	\$ 3,080,875

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

8. Capital assets (continued)

The land and buildings at Ayamdigut Campus and some community campuses are owned by the Government of Yukon and leased to the College at no charge. The Government of Yukon is responsible for major maintenance and upkeep of the building and grounds, and the College is responsible for minor interior maintenance and repairs (note 12).

9. Endowments

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 1,969,829	\$ 1,959,325
Endowment (disbursements) contributions	<u>(6,040)</u>	<u>10,504</u>
Balance, end of year	<u>\$ 1,963,789</u>	<u>\$ 1,969,829</u>

Endowment contributions include donations received by the College. Endowment contributions are recognized as direct increases in endowment net assets. Interest earned on endowment contributions that are restricted are deferred until the interest is spent on the specified purpose. Unrestricted interest earned on investments is recorded as revenue when earned.

10. Deferred contributions

These represent unspent externally restricted resources which have been received and relate to expenses that will occur in subsequent periods, and are therefore not recognized as revenue until the related expenses are incurred.

Change in Deferred Contributions:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 2,357,224	\$ 3,101,592
Amounts received in the year	38,013,686	34,130,369
Amount recognized to revenue in the year	<u>(38,403,741)</u>	<u>(34,874,737)</u>
Balance, end of year	<u>\$ 1,967,169</u>	<u>\$ 2,357,224</u>

The balance consists of funds restricted for:

Trusts and endowments	\$ 341,278	\$ 314,796
Contracts and other revenue	<u>1,625,891</u>	<u>2,042,428</u>
Balance, end of year	<u>\$ 1,967,169</u>	<u>\$ 2,357,224</u>

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

11. Expenditures by object

	<u>2013</u>	<u>2012</u>
Salaries, wages and benefits	\$25,013,764	\$22,500,101
Contract services	5,926,549	5,989,830
Materials and supplies	2,114,236	1,594,998
Utilities and communications	1,878,506	1,771,686
Cost of sales and ancillary services	1,591,877	2,130,164
Travel	1,171,762	906,944
Rental of facilities and equipment	854,258	834,436
Student assistance/scholarships	648,799	609,118
Promotion, events and advertising	569,479	460,691
Employee leave and termination benefits	454,414	258,646
Licenses, permits and memberships	332,602	183,893
Amortization of capital assets	311,065	305,347
Other	187,031	140,066
Interest, bank and credit card fees	99,844	86,006
Books and subscriptions	91,732	99,988
Postage and freight	43,610	55,326
	<u>\$41,289,528</u>	<u>\$37,927,240</u>

12. Government of Yukon contributions

	<u>2013</u>	<u>2012</u>
Operating contributions	\$ 18,076,267	\$ 17,245,112
Services provided without charge	3,789,576	3,724,670
	<u>\$21,865,843</u>	<u>\$ 20,969,782</u>

A significant portion of the College's income is received from the Government of Yukon in the form of annual operating contributions and services provided without charge. In 2013 Government of Yukon contributions made up 52% of total revenues (2012 - 54%). Operating contributions includes \$174,000 (2012 - \$0) for the pension solvency deficiency payments (note 7a).

The majority of the services provided without charge represent costs associated with facilities provided by the Government of Yukon at a reduced, or no, charge. The estimated value of these services is based on the Government's amortization expense (for the main campus), and on an estimated value for other spaces, plus any related operating expenses.

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

13. Miscellaneous income:

	<u>2013</u>	<u>2012</u>
Pension contract recovery	\$ 420,387	\$ 395,136
Non-vested pension liability adjustment	235,432	95,424
Salary, travel and other expense recovery	233,994	-
Computer lab usage fees	129,510	121,205
General student fees	94,896	77,752
Facilities and equipment rental	75,682	48,217
Other miscellaneous revenue	69,734	177,900
Course materials recovery	54,477	52,209
Book, publication and supply sales	48,466	43,816
Conference fees	2,918	-
	<u>\$ 1,365,496</u>	<u>\$ 1,011,659</u>

14. Related party transactions

The College regularly enters into contracts for the provision of services to Departments of the Government of Yukon. These contracts, the value of which is \$8,167,476 (2012 - \$9,102,771), are recorded as contract revenue on the Statement of Operations. The College also receives funds from the Government of Yukon for student training allowances, the value of which is \$637,500 and this is recognized on the Statement of Operations as student assistance/scholarships. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

At June 30, 2013 there was \$187,217 (June 30, 2012 - \$168,263; July 1 2011 - \$140,132) of accounts payable and \$1,462,250 (June 30, 2012 - \$1,496,689; July 1, 2011 - \$2,182,239) of accounts receivable related to the Government of Yukon.

15. Commitments

Leases

The following is a schedule of future minimum payments under operating leases entered into for more than one year:

	<u>Leases</u>
2013-14	\$ 152,384
2014-15	75,805
2015-16	<u>39,835</u>
	<u>\$ 268,024</u>

YUKON COLLEGE
Notes to Financial Statements
Year ended June 30, 2013

16. Contingent liabilities

The College is involved from time to time in litigation which arises in the normal course of operations. Liabilities on any litigation are recognized in the financial statements when it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. In management's judgment, no material exposure exists at this time on the eventual settlement of any existing litigation. Therefore no amount has been included in the Statement of Financial Position for contingent liabilities.

As described in note 7(a), the College acquired a letter of credit for the pension plan. The amount outstanding at June 30, 2013 is \$4,182,008 (June 30, 2012 - \$1,739,500; July 1 2011 - \$243,733).