

YUKON COLLEGE
FINANCIAL STATEMENTS
June 30, 2012

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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 generally accepted accounting principles for 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, 2012, and the results of its operations and cash flows for the year 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.

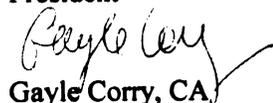
These systems and practices are also designed to provide reasonable assurance that transactions are in accordance with the *College Act*, bylaws and policies of the College.

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 year ended June 30, 2012 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 8, 2012



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 statement of financial position as at 30 June 2012, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, 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 generally accepted accounting principles, 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 audit. I conducted my audit 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 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 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Terrance DeJong, CA
Assistant Auditor General
for the Auditor General of Canada

8 December 2012
Vancouver, Canada

YUKON COLLEGE
Statement of Financial Position
as at June 30

ASSETS	<u>2012</u>	<u>2011</u>
Current Assets		
Cash (note 4)	\$ 4,939,707	\$ 3,468,150
Accounts receivable	2,809,874	3,934,263
Inventories	171,487	148,749
Prepaid expenses	<u>110,754</u>	<u>67,361</u>
	8,031,822	7,618,523
Other Assets		
Restricted cash (note 5)	2,053,930	2,017,036
Accrued pension benefit asset (note 6 a)	8,462,300	8,013,000
Capital assets (note 7)	<u>2,579,226</u>	<u>2,466,105</u>
	<u>\$ 21,127,278</u>	<u>\$ 20,114,664</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,942,453	\$ 1,576,087
Deferred contributions (note 9)	2,357,224	3,101,592
Employee vacation leave liability	<u>1,434,590</u>	<u>1,359,245</u>
	<u>5,734,267</u>	<u>6,036,924</u>
Long-term Liabilities		
Other employee future benefits (note 6 b)	<u>3,688,100</u>	<u>3,522,700</u>
Net Assets		
Capital (note 7)	2,579,226	2,466,105
Endowments (note 8)	1,969,829	1,959,325
Pension (note 6 a)	8,462,300	8,013,000
Unrestricted	<u>(1,306,444)</u>	<u>(1,883,390)</u>
	<u>11,704,911</u>	<u>10,555,040</u>
	<u>\$ 21,127,278</u>	<u>\$ 20,114,664</u>

Commitments (note 14)
Contingent liabilities (note 15)

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>2012</u>	<u>2011</u>
Revenues		
Contributions, Government of Yukon (note 11)	\$ 20,969,782	\$ 21,417,541
Third party contracts	12,883,257	19,729,926
Sales, rentals and services	1,865,398	1,510,453
Tuition and registration fees	1,178,904	1,203,196
Miscellaneous income (note 12)	1,011,659	980,640
Student assistance/scholarships	609,118	829,834
Interest income	81,288	73,304
	<u>\$ 38,599,407</u>	<u>\$ 45,744,894</u>
Expenses (note 10)		
Direct instruction	\$ 12,957,799	\$ 13,063,405
General administration	6,605,426	7,220,673
Direct instructional support	6,443,303	6,160,039
Research	3,839,246	4,134,573
Services received without charge (note 11)	3,724,670	3,371,953
Cost of sales	1,949,596	1,424,859
Facility services and utilities	1,174,048	7,658,142
Student assistance/scholarships	609,118	829,834
Amortization of capital assets	305,347	378,777
Employee leave and termination benefits	240,746	183,351
Miscellaneous	60,041	93,527
	<u>\$ 37,909,340</u>	<u>\$ 44,519,133</u>
Net operating surplus	\$ 690,067	\$ 1,225,761
Increase in accrued pension benefit asset	<u>449,300</u>	<u>1,184,600</u>
Total surplus of revenues over expenses	<u>\$ 1,139,367</u>	<u>\$ 2,410,361</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>2012</u> <u>Total</u>	<u>2011</u> <u>Total</u>
Balance, beginning of year	\$ (1,883,390)	\$2,466,105	\$ 1,959,325	\$8,013,000	\$10,555,040	\$ 8,137,931
Investment in capital assets	-	418,468	-	-	418,468	270,856
Amortization of capital assets	-	(305,347)	-	-	(305,347)	(378,777)
Change in net assets - Capital	(113,121)	-	-	-	(113,121)	107,921
Endowment contributions (note 8)	-	-	10,504	-	10,504	6,748
Increase in pension benefit asset	(449,300)	-	-	449,300	-	-
Total surplus of revenues over expenses	<u>1,139,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,139,367</u>	<u>2,410,361</u>
Balance, end of year	<u>\$ (1,306,444)</u>	<u>\$2,579,226</u>	<u>\$ 1,969,829</u>	<u>\$ 8,462,300</u>	<u>\$ 11,704,911</u>	<u>\$ 10,555,040</u>

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

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

	<u>2012</u>	<u>2011</u>
Cash flows provided from operating activities:		
Total surplus of revenues over expenses	\$ 1,139,367	\$ 2,410,361
Items not affecting cash		
Amortization of capital assets	305,347	378,777
Increase (decrease) in non-cash working capital balances	755,601	(747,855)
Increase in accrued pension benefit asset	(449,300)	(1,184,600)
Increase in other employee future benefits	<u>165,400</u>	<u>139,900</u>
Cash flows provided from operating activities	<u>1,916,415</u>	<u>996,583</u>
Cash flows provided from financing activities:		
Endowment contributions (note 8)	<u>10,504</u>	<u>6,748</u>
Cash flows provided from financing activities	<u>10,504</u>	<u>6,748</u>
Cash flows used in investing activities:		
Capital assets acquired	(418,468)	(270,856)
(Increase) decrease in investments	<u>(36,894)</u>	<u>19,126</u>
Cash flows used in investing activities	<u>(455,362)</u>	<u>(251,730)</u>
Change in cash:		
Net increase in cash	1,471,557	751,601
Cash		
Beginning of year	<u>3,468,150</u>	<u>2,716,549</u>
End of year	<u>\$ 4,939,707</u>	<u>\$ 3,468,150</u>

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

YUKON COLLEGE
Notes to Financial Statements
June 30, 2012

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, 2012, the Society had revenues of \$14,272 and expenses of \$14,772 for a deficit of \$500. There were no significant transactions between the year-end date and June 30. Total assets were \$15,317 and total liabilities were \$15,817 with a cumulative net deficit of \$500. The Society was not consolidated with the College as its operations are deemed to be immaterial to the financial statements of the College.

2. Significant accounting policies

a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

b) Financial instruments

The College's financial instruments are classified as follows:

- Cash and investments – Held for trading
- Accounts receivable – Loans and receivables
- Accounts payable and accrued liabilities – Other liabilities

Held for trading

Cash and investments are recorded at fair value.

Loans and receivables

These financial assets are initially measured at fair value and thereafter are measured at amortized cost using the effective interest method, less any impairment.

Other liabilities

These financial liabilities are recorded at amortized cost using the effective interest rate method.

c) Capital assets

Purchased equipment and leasehold improvements are recorded at cost. The items are amortized on a straight-line basis over their estimated useful lives.

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

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

YUKON COLLEGE
Notes to Financial Statements
June 30, 2012

2. Significant accounting policies (continued)

d) Inventories

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

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 is a contributory defined benefit pension plan. The pension plan fund 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 College's pension 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 any unfunded pension liability, 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 pension plan. The pension plan assets are held by a trustee and separate financial statements are prepared for the pension plan.

The College accrues its obligations under the pension 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 estimate 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 amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 9 years.

Other non-pension benefits

The cost of benefit plans, other than pension, including severance benefits, sick 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 estimate of inflation rates, salary escalation, retirement ages of employees, and is recognized over the period in which the benefits are earned. The College accrues other vacation and leave benefits for employees as earned.

The excess of the net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by these plans is 8.4 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
June 30, 2012

2. Significant accounting policies (continued)

h) Revenue recognition

The College follows the deferral method of accounting for contributions. Restricted contributions are recognized in an amount equal to the amount reported 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, including interest earned, are recognized as direct increases in endowment net assets.

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) Net assets

Capital net assets are appropriated for equipment and leasehold improvements.

Endowment net assets are set aside for specific purposes. Generally, the principal must remain unexpended unless otherwise agreed to by the trustees of the endowment, but associated investment income may be expended in accordance with the various purposes established by the donors or the Board of Governors.

The accrued pension benefit asset is internally restricted in order to meet future pension obligations.

j) 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.

k) 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 11).

l) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the defined benefit pension plan surplus and the liabilities for accrued severance, retirement and sick leave benefits, and amortization. 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
June 30, 2012

2. Significant accounting policies (continued)

m) Future accounting changes

In October 2010, the Public Sector Accounting Board (PSAB) approved the incorporation of the “4200 series” of standards, which discusses the accounting for the unique circumstances of not-for-profit organizations (NFPO), from the CICA Handbook Accounting into the CICA Public Sector Accounting Handbook (“PSAB Handbook”). This set of standards has been modified to fit with public sector accounting standards. Effective for fiscal years beginning on or after January 1, 2012, all government not-for-profit organizations (GNFPOs) will have the option to apply either the PSAB Handbook with or without the NFPO standards. Earlier adoption is permitted. The College has decided to apply the PSAB Handbook with the NFPO standards for its fiscal year beginning July 1, 2012.

3. Financial instruments

The College's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities.

The fair value of the College's financial instruments approximate their carrying values due to the short-term nature of these instruments.

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.

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, investments 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.

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 investments, which are held in a Canadian chartered bank, due to the short-term nature of these instruments.

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.

YUKON COLLEGE
Notes to Financial Statements
June 30, 2012

4. 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. The College's credit facility interest rates are subject to fluctuations in the prime rate.

5. Restricted cash

Restricted cash includes \$1,969,829 (2011 - \$1,959,325) for endowments (note 8) and \$84,101 (2011 - \$57,711) for long-term prepaid leave for a total of \$2,053,930 (2011 - \$2,017,036).

Restricted cash consists of high interest savings accounts and the average annual return on restricted cash was 1.2% (2011 - 0.4%).

6. 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, 2012. No adjustment is made for contributions/payments in transit at that date.

An actuarial valuation for accounting purposes was performed as of June 30, 2012 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, 2013.

An actuarial valuation for funding purposes was performed as of June 30, 2011 and the next actuarial valuation for funding purposes will be performed as of June 30, 2012. As of December 8, 2012 the actuarial valuation for June 30, 2012 was not yet complete. The actuarial valuation for funding purposes performed by the actuary established the College's required current service contributions as 168% (2011 - 161%) 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 plan benefits.

Total benefit payments were \$1,667,000 (2011 - \$2,071,300).

YUKON COLLEGE
Notes to Financial Statements
June 30, 2012

6. 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 estimate of these future events. Key assumptions are summarized below:

	<u>2012</u>	<u>2011</u>
Weighted-average assumptions for benefit costs		
Discount rate	5.25%	5.50%
Expected long-term rate of return on plan assets	6.40%	7.00%
Rate of compensation increase	4.25%	4.25%
Weighted-average assumptions for accrued benefit obligation		
Discount rate	4.00%	5.25%
Rate of compensation increase	4.25%	4.25%
Change in accrued benefit obligation:		
Accrued benefit obligation - beginning of year	\$ 55,209,500	\$ 50,412,400
Current service cost	1,963,000	1,982,100
Interest cost	2,930,100	2,798,800
Employee contributions	907,100	1,038,300
Benefits paid	(1,667,000)	(2,071,300)
Actuarial losses	<u>14,001,100</u>	<u>1,049,200</u>
Accrued benefit obligation - end of year	<u>\$ 73,343,800</u>	<u>\$ 55,209,500</u>
Change in plan assets:		
Fair value of plan assets - beginning of year	\$ 59,297,600	\$ 49,961,400
Actual return on plan assets	1,853,600	7,640,200
Employer contributions	1,522,900	2,729,000
Employee contributions	907,100	1,038,300
Benefits paid	<u>(1,667,000)</u>	<u>(2,071,300)</u>
Fair value of plan assets - end of year	<u>\$ 61,914,200</u>	<u>\$ 59,297,600</u>
Market value of plan assets - end of year	\$ 61,914,200	\$ 59,297,600
Reconciliation of funded status:		
Accrued benefit obligation - end of year	\$ 73,343,800	\$ 55,209,500
Fair value of plan assets	<u>(61,914,200)</u>	<u>(59,297,600)</u>
Funding (surplus) deficit	11,429,600	(4,088,100)
Unamortized net actuarial loss	<u>(19,891,900)</u>	<u>(3,924,900)</u>
Accrued pension benefit asset	<u>\$ (8,462,300)</u>	<u>\$ (8,013,000)</u>

YUKON COLLEGE
Notes to Financial Statements
June 30, 2012

6. Employee future benefits (continued)

a) Pension benefits (continued)

	<u>2012</u>	<u>2011</u>
Elements of defined pension plan benefit costs recognized in the year:		
Current service cost, net of employee contributions	\$ 1,963,000	\$ 1,982,100
Interest cost on benefit obligation	2,930,100	2,798,800
Actual return on plan assets	(1,853,600)	(7,640,200)
Actuarial loss on accrued benefit obligation	<u>14,001,100</u>	<u>1,049,200</u>
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	17,040,600	(1,810,100)
Adjustment to recognize the long-term nature of employee future benefit costs:		
Difference between expected return and actual return on plan assets for year	(1,965,900)	4,083,500
Difference between actuarial (gain) loss recognized for the year and actual actuarial benefit (gain) loss on accrued benefit obligation for the year	(14,001,100)	(809,500)
Difference between amortization of past service costs for the year and actual plan amendments for year	<u>-</u>	<u>80,500</u>
Net periodic pension cost recognized	<u>\$ 1,073,600</u>	<u>\$ 1,544,400</u>

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

	<u>2012</u>	<u>2011</u>
Equity securities	58%	57%
Debt securities	40%	40%
Other	<u>2%</u>	<u>3%</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, 2012.

The funded status of the pension plan, a surplus of \$7,144,900 as at June 30, 2011 (2010 - \$6,355,500), presented in these financial statements has been determined on the basis that the pension plan remains a going concern. As at June 30, 2011, the date of the most recent actuarial valuation for funding purposes, the pension plan had a deficit of \$12,029,900 (2010 - \$9,191,600) if valued on the basis that the pension plan were terminated/wound up as at June 30, 2011.

The solvency ratio of the plan was 83.1% at June 30, 2011 (2010 - 84.8%). During the fiscal year the College contributed \$1,522,900 (2011 - \$2,729,000) to the plan. The Government of Yukon did not provide pension funding in 2012. Funding of \$1,307,725 was provided in 2011 to the College (note 11). All required contributions to the Plan have been made.

YUKON COLLEGE
Notes to Financial Statements
June 30, 2012

6. Employee future benefits (continued)

a) Pension benefits (continued)

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 \$124,900 (2011 - \$121,867) per month up to an amount of \$3,238,300 (2011 - \$1,462,400), which is the amount of solvency payments required up to June 30, 2013. The value of this letter of credit at June 30, 2012 was \$1,739,500 (2011 - \$243,733). The letter of credit expires on June 30, 2013 but the College plans to renew the letter of credit no later than May 2013 as required by the legislation and in the amount determined by the actuarial valuation for June 30, 2012. 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, 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, 2012 is:

	<u>2012</u>	<u>2011</u>
Accrued benefit obligation, end of year	\$ 4,057,300	\$3,577,500
Unamortized actuarial loss	<u>(369,200)</u>	<u>(54,800)</u>
Accrued benefit liability, end of year	<u>\$ 3,688,100</u>	<u>\$3,522,700</u>

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

	<u>2012</u>	<u>2011</u>
Accrued benefit liability, beginning of year	\$ 3,522,700	\$3,382,800
Add: Annual benefit plan cost	590,400	564,900
Less: Benefits paid by College	<u>(425,000)</u>	<u>(425,000)</u>
Accrued benefit liability, end of year	<u>\$ 3,688,100</u>	<u>\$3,522,700</u>

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

	<u>2012</u>	<u>2011</u>
Weighted average assumption for benefit costs:		
Discount rate	5.25%	5.50%
Rate of compensation increase		
for 10 years	4.25%	4.25%
thereafter	4.75%	4.75%
Weighted average assumptions for accrued benefit obligation:		
Discount rate	4.00%	5.25%
Rate of compensation increase		
for 10 years	4.25%	4.25%
thereafter	4.75%	4.75%

YUKON COLLEGE
Notes to Financial Statements
June 30, 2012

7. Capital assets

	<u>2012</u>			<u>2011</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	\$ 2,585,244	\$ 866,632	\$ 1,718,612	\$ 1,736,396
Equipment - general	885,799	258,095	627,704	476,065
Equipment - EDP	70,001	55,456	14,545	45,269
Mobile trailers	111,304	22,261	89,043	94,608
Furniture & fixtures	89,080	30,486	58,594	43,828
Art	52,349	-	52,349	52,349
Vehicles	<u>35,873</u>	<u>17,494</u>	<u>18,379</u>	<u>17,590</u>
	<u>\$ 3,829,650</u>	<u>\$ 1,250,424</u>	<u>\$ 2,579,226</u>	<u>\$ 2,466,105</u>

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 11).

8. Endowments

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 1,959,325	\$ 1,952,577
Endowment contributions	<u>10,504</u>	<u>6,748</u>
Balance, end of year	<u>\$ 1,969,829</u>	<u>\$ 1,959,325</u>

Endowment contributions include principal and interest earned and allocated to the endowment in accordance with the terms of the trust agreement (note 5).

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9. 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>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 3,101,592	\$ 2,741,820
Amounts received in the year	34,130,369	42,732,713
Amount recognized to revenue in the year	<u>(34,874,737)</u>	<u>(42,372,941)</u>
Balance, end of year	<u>\$ 2,357,224</u>	<u>\$ 3,101,592</u>

The balance consists of funds restricted for:

Capital	\$ -	\$ 31,421
Trusts and endowments	314,796	350,148
Third party contracts and other revenue	<u>2,042,428</u>	<u>2,720,023</u>
Balance, end of year	<u>\$ 2,357,224</u>	<u>\$ 3,101,592</u>

10. Expenditures by object

	<u>2012</u>	<u>2011</u>
Salaries, wages and benefits	\$22,500,101	\$ 23,401,424
Contract services	5,989,830	12,655,872
Cost of sales and ancillary services	2,130,164	1,391,472
Utilities and communications	1,771,686	1,640,856
Materials and supplies	1,594,998	1,471,183
Travel	906,944	911,231
Rental of facilities and equipment	834,436	614,604
Student assistance/scholarships	609,118	829,834
Promotion, events and advertising	460,691	463,966
Amortization of capital assets	305,347	378,777
Employee leave and termination benefits	240,746	183,351
Licenses, permits and memberships	183,893	213,113
Other	140,066	147,531
Books and subscriptions	99,988	111,745
Interest, bank and credit card fees	86,006	70,106
Postage and freight	<u>55,326</u>	<u>34,068</u>
	<u>\$37,909,340</u>	<u>\$ 44,519,133</u>

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11. Government of Yukon contributions

	<u>2012</u>	<u>2011</u>
Operating contributions	\$ 17,245,112	\$ 18,045,588
Services provided without charge	<u>3,724,670</u>	<u>3,371,953</u>
	<u>\$ 20,969,782</u>	<u>\$ 21,417,541</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 2012 Government of Yukon contributions made up 54% of total revenues (2011 - 47%). Operating contributions for 2011 included \$1,307,725 for the pension solvency deficiency payments (note 6a).

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.

12. Miscellaneous income:

Miscellaneous income consists of the following:

	<u>2012</u>	<u>2011</u>
Pension contract recovery	\$ 395,136	\$ 283,539
Other miscellaneous revenue	177,900	359,536
Computer lab usage fees	121,205	101,130
Non-vested pension liability adjustment	95,424	-
General student fees	77,752	69,865
Course materials recovery	52,209	76,837
Facilities rental	48,217	55,290
Conference fees	-	5,490
Book, publication and supply sales	<u>43,816</u>	<u>28,953</u>
	<u>\$ 1,011,659</u>	<u>\$ 980,640</u>

13. 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 \$9,102,771 (2011 - \$12,301,993), and which includes amounts billed to the government for the construction of two community campuses and a cold storage/research lab, are recorded as third party contract revenue on the Statement of Operations. 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, 2012 there was \$168,263 (2011 - \$140,132) of accounts payable and \$1,496,689 (2011 - \$2,182,239) of accounts receivable related to the Government of Yukon.

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14. Commitments

Leases and system maintenance contracts

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

	<u>Leases</u>	<u>Systems Maintenance</u>	<u>Total</u>
2012-13	\$ 152,384	\$ 100,261	\$ 252,645
2013-14	113,384	103,578	216,962
2014-15	75,805	-	75,805
2015-16	<u>39,835</u>	<u>-</u>	<u>39,835</u>
	<u>\$ 381,408</u>	<u>\$ 203,839</u>	<u>\$ 585,247</u>

15. 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 the outcome becomes reasonably determinable. In management's judgment, no material exposure exists at this time on the eventual settlement of any existing litigation.

As described in note 6(a), the College acquired a letter of credit for the pension plan. The amount outstanding at June 30, 2012 is \$1,739,500 (2011 - \$243,733).

16. Capital disclosures

The College considers its capital to be its net assets which consist of Unrestricted and Capital. In general, Endowment funds are restricted as to use by external agencies. The College's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide services to its students, clients and research funding agencies. Annual budgets are developed and monitored to ensure the College's capital is maintained at an appropriate level. The College's base funding agreement with the Government of Yukon requires the College to ensure that no deficit is incurred, except that which may result from the full disclosure of leave accrual and amortization charges, that cannot be covered with internal resources. That condition has been met.

There have been no changes to the entity capital management since the prior year.

17. Comparative figures

Certain comparative figures for 2011 have been reclassified to conform with the 2012 presentation.

18. Subsequent event

Subsequent to year end, the College has signed a draft agreement with the Canadian Northern Economic Development Agency (CanNor) for the funding and delivery of an adult basic education program in the North. The College will receive and be responsible for a total budget of \$4,283,000 from 2012 to 2016.