

**AURORA COLLEGE**

Audited Financial Statements

June 30, 2014

## AURORA COLLEGE

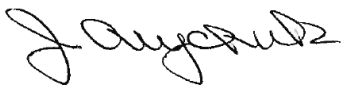
### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Aurora College (the "College") and all information in this annual report are the responsibility of the College's management and have been reviewed and approved by the Board of Governors. The financial statements have been prepared in accordance with Canadian public sector accounting standards and include some amounts that are necessarily based on management's best estimates and judgment. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized and recorded, proper records are maintained, assets are safeguarded, and the College complies with applicable laws. These controls and practices ensure the orderly conduct of business, the timely preparation of reliable financial information and adherence to the College's statutory requirements and policies.

The Board of Governors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Finance Committee of the Board, which is composed of a majority of members who are not employees of the College. The Finance Committee meets regularly with management and the external auditors. The external auditors also have full and free access to the Finance Committee.

The College's external auditor, the Auditor General of Canada, audits the financial statements and issues his report thereon to the Minister of Education, Culture and Employment.



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Jane Arychuk  
President



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Celestine Starling  
Acting Director of Finance/Chief Financial  
Officer

Fort Smith, Canada  
December 15, 2014



## INDEPENDENT AUDITOR'S REPORT

To the Minister of Education, Culture and Employment

### Report on the Financial Statements

I have audited the accompanying financial statements of Aurora College, which comprise the statement of financial position as at 30 June 2014, and the statement of operations and accumulated surplus, statement of change in net financial 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 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 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 Aurora College as at 30 June 2014, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **Report on Other Legal and Regulatory Requirements**

As required by the *Financial Administration Act* of the Northwest Territories, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by Aurora College and the financial statements are in agreement therewith. In addition, the transactions of Aurora College that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* of the Northwest Territories and regulations, the *Aurora College Act* and regulations and the by-laws of Aurora College.



Guy LeGras, CA  
Principal  
for the Auditor General of Canada

15 December 2014  
Edmonton, Canada

**AURORA COLLEGE**  
**STATEMENT OF FINANCIAL POSITION**  
**as at June 30, 2014**  
(in thousands of dollars)


	<u><b>2014</b></u>	<u><b>2013</b></u>
<b>Financial assets</b>		
Cash and cash equivalents (Note 4)	\$ 8,202	\$ 9,490
Accounts receivable (Note 5)	<u>5,328</u>	<u>2,476</u>
	<u>13,530</u>	<u>11,966</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,808	1,862
Employee leave payable	1,767	1,565
Deferred project income	256	329
Due to the Government of the Northwest Territories	2,820	1,817
Employee future benefits (Note 6)	1,960	1,970
Professional development fund (Note 7)	<u>1,961</u>	<u>1,907</u>
	<u>10,572</u>	<u>9,450</u>
<b>Net financial assets</b>	<u><b>2,958</b></u>	<u><b>2,516</b></u>
<b>Non-financial assets</b>		
Prepaid expenses	425	638
Tangible capital assets (Note 8)	<u>5,529</u>	<u>6,044</u>
	<u><b>5,954</b></u>	<u><b>6,682</b></u>
<b>Accumulated surplus (Note 9)</b>	<u><b>\$ 8,912</b></u>	<u><b>\$ 9,198</b></u>

Contingent liabilities and commitments (Notes 12 and 13)

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

Approved by the Board:

  
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Sydney O'Sullivan  
Chairperson of the Board

  
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Ethel Blondin-Andrew  
Chairperson of the Finance Committee

**AURORA COLLEGE**  
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
**for the year ended June 30, 2014**  
(in thousands of dollars)

	<u>Budget</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
<b>Revenues</b>			
Government contributions (Note 10)	\$ 30,952	\$ 37,265	\$ 37,324
Project income			
Territorial government	-	3,731	4,015
Other third parties	-	2,743	2,316
Federal government	-	3,836	3,319
Tuition fees	935	1,681	1,920
Recoveries and other	364	1,177	756
Room and board	764	873	896
Interest income	<u>30</u>	<u>109</u>	<u>95</u>
	<u>33,045</u>	<u>51,415</u>	<u>50,641</u>
<b>Expenses</b>			
Financial and accounting services	1,675	2,034	1,744
Pooled services	2,157	5,257	5,163
Student services	9,448	10,327	9,334
Education and training	11,782	20,452	19,972
Community and extensions	6,340	10,831	10,344
Aurora Research Institute	<u>1,643</u>	<u>2,800</u>	<u>2,864</u>
	<u>33,045</u>	<u>51,701</u>	<u>49,421</u>
<b>Annual (deficit) surplus</b>	-	(286)	1,220
<b>Accumulated surplus at beginning of year</b>	<u>9,198</u>	<u>9,198</u>	<u>7,978</u>
<b>Accumulated surplus at end of year</b>	<u>\$ 9,198</u>	<u>\$ 8,912</u>	<u>\$ 9,198</u>

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

**AURORA COLLEGE**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**for the year ended June 30, 2014**  
(in thousands of dollars)

	<u>Budget</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
<b>Annual (deficit) surplus</b>	\$ -	\$ (286)	\$ 1,220
<b>Effect of change in tangible capital assets</b>			
Acquisition of tangible capital assets	-	(446)	(370)
Disposal of tangible capital assets	-	4	16
Amortization of tangible capital assets	<u>451</u>	<u>957</u>	<u>967</u>
	<u>451</u>	<u>515</u>	<u>613</u>
<b>Effect of change in other non-financial assets</b>			
(Increase) decrease in prepaid expenses	<u>-</u>	<u>213</u>	<u>(363)</u>
<b>Increase in net financial assets</b>	451	442	1,470
<b>Net financial assets at beginning of year</b>	<u>2,516</u>	<u>2,516</u>	<u>1,046</u>
<b>Net financial assets at end of year</b>	<u><b>\$ 2,967</b></u>	<u><b>\$ 2,958</b></u>	<u><b>\$ 2,516</b></u>

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

**AURORA COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**for the year ended June 30, 2014**  
(in thousands of dollars)

	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Operating transactions</b>		
Cash receipts from Territorial Government	\$ 35,661	\$ 34,872
Cash receipts from students and other third parties	3,364	5,309
Cash receipts from Federal Government	3,836	3,319
Cash paid for compensation and benefits	(28,095)	(26,663)
Cash paid to suppliers	(15,717)	(14,319)
Interest received	<u>109</u>	<u>95</u>
<b>Cash provided by (used in) operating transactions</b>	<u>(842)</u>	<u>2,613</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(446)	(370)
Proceeds from disposal of tangible capital assets	<u>-</u>	<u>16</u>
<b>Cash used in capital transactions</b>	<u>(446)</u>	<u>(354)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,288)</b>	<b>2,259</b>
<b>Cash and cash equivalents at beginning of year</b>	<u>9,490</u>	<u>7,231</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 8,202</u></b>	<b><u>\$ 9,490</u></b>

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



**Aurora College**  
**Notes to the Financial Statements**  
**June 30, 2014**

**1. AUTHORITY AND MANDATE**

**a) Authority and purpose**

Aurora College ("College") was established under the *Aurora College Act* and is named as a territorial corporation under the *Financial Administration Act* of the Northwest Territories. The College is exempt from income taxes.

The College is a multi-campus institution designed to provide a wide variety of educational services to adult learners of the Northwest Territories (NWT). The programs are directed specifically to the northern environment and the needs of individual northerners, the workforce and northern communities. To accomplish this, courses and services are delivered at campuses and communities throughout the NWT. Through the work of the Aurora Research Institute, the College is responsible for the facilitation and preparation of research activity in the NWT.

**b) Contributions from the Government of the Northwest Territories**

The College receives contributions from the Government of the Northwest Territories (Government) as set out in the Government's Main Estimates and adjusted by supplementary appropriations. The contributions are to be utilized for the administration and delivery of the College's adult and post-secondary education programs in the NWT. The College is allowed to retain all surpluses and is responsible for all deficits.

The College is economically dependent upon the contributions received from the Government for its ongoing operations.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS"). The following is a summary of the significant accounting policies.

**a) Measurement uncertainty**

The preparation of financial statements in accordance with PSAS requires the College to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. By their nature, these

**Aurora College**  
**Notes to the Financial Statements**  
**June 30, 2014**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a) Measurement uncertainty (continued)**

estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these statements, the College believes the estimates and assumptions to be reasonable. Some of the more significant management estimates relate to the allowance for doubtful accounts, employee future benefits, amortization, and revenues accruals.

**b) Cash and cash equivalents**

Cash and cash equivalents are comprised of bank account balances net of outstanding cheques and short term highly liquid investments that are readily convertible to cash. Cash equivalents are recorded at cost.

**c) Tangible capital assets**

Tangible capital assets transferred to the College when it was established were recorded at their estimated fair market value. Subsequent acquisitions are recorded at cost. Tangible capital assets are amortized over their estimated remaining useful lives on a straight-line basis at the following annual rates:

Mobile equipment	3 to 20 years
Building additions and renovations	20 years
Furniture and equipment	2 to 10 years
Leasehold improvements	over the remaining term of the lease

**d) Employee future benefits**

***i) Pension benefits***

All eligible employees participate in the Public Service Pension Plan (the "Plan") administered by the Government of Canada. The College's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The College's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the College. The College is not currently required to make contributions with respect to any actuarial deficiencies of the Plan.

**Aurora College**  
**Notes to the Financial Statements**  
**June 30, 2014**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***ii) Employee severance and removal benefits***

Employees are entitled to severance benefits and reimbursement of removal costs, as provided under labour contracts and conditions of employment, based upon years of service. The benefits are paid upon resignation, retirement or death of an employee.

The cost of these benefits is accrued as employees render the services necessary to earn them. Termination benefits are also recorded when employees are identified for lay-off. The cost of the benefits has been determined based on management's best estimates using the expected compensation level and employee leave credits.

**e) Government contributions**

Government funding is recognized as revenue when the funding is authorized and all eligibility criteria are met, except to the extent that funding stipulations give rise to an obligation that meets the definition of a liability.

The College receives its annual appropriation from the Government on a monthly basis based on the approved yearly cash flow. These contributions are recognized as revenue in the period in which the funding relates once all eligibility criteria have been met and it has been authorized.

**f) Government contributions – services received without charge**

The Government provides certain services without charge to the College. The estimated value of these services are recognized as expenses with an offsetting credit to revenues in order to reflect the full cost of the College's operations in its financial statements.

**g) General revenues**

Tuition fees, room and board, interest income, and other income are recognized on an accrual basis as they are earned.

**h) Project income and deferred project income**

The College provides education and research services to private companies, federal and territorial government departments, agencies, and corporations through contractual

**Aurora College**  
**Notes to the Financial Statements**  
**June 30, 2014**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**h) Project income and deferred project income (continued)**

arrangements. Payments received under these contracts for which the development and delivery of courses and projects are not completed are recorded as deferred project income until completion in accordance with the stipulations of these agreements.

Revenue from federal and territorial government departments, agencies and corporations is recorded once the eligibility criteria are met; the payments are authorized, except to the extent that funding stipulations give rise to an obligation that meets the definitions of a liability.

**i) Contract services**

Contract services acquired by the College include printing services, food service contracts, instruction contracts, leases and rental agreements. These amounts are recognized as expenses in the year the services are rendered.

**j) Contingent liabilities**

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

**k) Prepaid expenses**

Prepaid expenses are charged to expense over the periods expected to benefit from it.

**l) Funds and reserves**

Certain amounts, as approved by the Board of Governors, are set aside as reserves in accumulated surplus for future operating and capital purposes. Transfers to and from funds and reserves are recorded when approved.

**Aurora College**  
**Notes to the Financial Statements**  
**June 30, 2014**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**m) Financial instruments**

Financial instruments are identified by financial asset and financial liability classifications.

The College's financial assets include cash and cash equivalents and accounts receivable which are both measured at cost. Financial liabilities include accounts payable and accrued liabilities and due to Government of the Northwest Territories which are both measured at cost.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations and Accumulated Surplus. The allowance for doubtful accounts is based on management's best estimate of probable losses. The allowance is calculated based on a percentage of specific aged receivables where management believes an impairment has occurred. The allowance is shown as a reduction to accounts receivable. Management recommends write-offs of student accounts that are deemed uncollectible. Student and other receivables related to write-offs are submitted to the Board of Governors for their approval. Any write-offs greater than \$20,000 must be submitted to the Financial Management Board for approval.

**3. FUTURE ACCOUNTING CHANGES**

**Liability for Contaminated Sites, Section PS 3260**

PSAB released Section PS 3260 – Liability for Contaminated Sites. This new Section establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CPA Canada Public Sector Accounting Handbook.

This Section is effective for fiscal periods beginning on or after April 1, 2014.

The College expects to adopt these standards for the year ending June 30, 2015 and is in the process of evaluating the impact of the transition on the financial statements.

**Aurora College**  
**Notes to the Financial Statements**  
**June 30, 2014**

**4. CASH AND CASH EQUIVALENTS**

	<u>2014</u>	<u>2013</u>
	(in thousands)	
Cash	\$1,367	\$ 651
Cash equivalents	<u>6,835</u>	<u>8,839</u>
	<u>\$ 8,202</u>	<u>\$ 9,490</u>

The College's cash balances are pooled with the Government of the Northwest Territories' surplus cash and are invested in a diversified portfolio of high-grade short term income producing assets. The cash can be withdrawn at any time and is not restricted by maturity dates on investments made by the Government of the Northwest Territories. The Department of Finance approves the eligible classes of securities, categories of issuers, limits and terms. All instruments, depending on their investment class, are rated R-2 High or better by the Dominion Bond Rating Service Ltd. The College's average annual investment yield for the year ended June 30, 2014 was 1.10% (2013 – 1.10%).

**5. ACCOUNTS RECEIVABLE**

	<u>2014</u>		<u>2013</u>	
	(in thousands)			
	<b><u>Accounts</u></b>			
	<b><u>Receivable</u></b>	<b><u>Allowance</u></b>	<b><u>Net</u></b>	<b><u>Net</u></b>
Project income:				
Government	\$ 791	\$ 68	\$ 723	\$ 707
Other	4,601	80	4,521	1,677
Students	260	176	84	92
Advances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,652</u>	<u>\$ 324</u>	<u>\$ 5,328</u>	<u>\$ 2,476</u>

**6. EMPLOYEE FUTURE BENEFITS**

**Aurora College**  
**Notes to the Financial Statements**  
**June 30, 2014**

**a) Pension benefits**

The College and all eligible employees contribute to the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the College. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution effective at year end was \$1.45 (2013 - \$1.64) for every dollar contributed by the employee, and \$7.59 (2013 - \$8.00) for every dollar contributed by the employee for the portion of the employee's salary above \$155 thousand (2013 - \$150.9 thousand).

For new employees who are participating in the Plan on or after January 1, 2013, the College contributes \$1.43 (2013 - \$1.57) for every dollar contributed by the employee, and \$7.59 (2013 - \$8.00) for every dollar contributed by the employee for the portion of the employee's salary above \$155 thousand (2013 - \$150.9 thousand).

The College's and employees' contributions to the Public Service Pension Plan for the year were as follows:

	<u><b>2014</b></u>	<u><b>2013</b></u>
	(in thousands)	
College's contributions	\$ 2,618	\$ 2,384
Employees' contributions	<u>1,609</u>	<u>1,381</u>
	<u><b>\$ 4,227</b></u>	<u><b>\$ 3,765</b></u>

**b) Employee severance and removal benefits**

The College provides severance benefits to its employees based on years of service and final salary. The College also provides removal assistance to eligible employees, as provided under labour contracts. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Future benefits will be paid out of future appropriations.

Information about the plan, measured as at the Statement of Financial Position date, is as follows:

**6. EMPLOYEE FUTURE BENEFITS (continued)**

**Aurora College**  
**Notes to the Financial Statements**  
**June 30, 2014**

**b) Employee severance and removal benefits (continued)**

	<u><b>2014</b></u>	<u><b>2013</b></u> (in thousands)
Accrued benefit obligation, beginning of year	\$ 1,970	\$ 1,859
Cost for the year	150	181
Benefits paid during the year	<u>(160)</u>	<u>(70)</u>
Accrued benefit obligation, end of year	<u><u>\$ 1,960</u></u>	<u><u>\$ 1,970</u></u>

**7. PROFESSIONAL DEVELOPMENT FUND**

Under collective agreements, the College is required annually to make available a specific amount of funding, against which approved instructor professional development expenses are charged. The balance represents the accumulated unspent amount of the College's obligation to instructors.

Information about the fund is as follows:

	<u><b>2014</b></u>	<u><b>2013</b></u> (in thousands)
Professional development fund, beginning of year	\$ 1,907	\$ 1,797
Contributions	450	442
Recovery of funds	-	17
Professional development paid during the year	<u>(396)</u>	<u>(349)</u>
Professional development fund, end of year	<u><u>\$ 1,961</u></u>	<u><u>\$ 1,907</u></u>



**Aurora College**  
**Notes to the Financial Statements**  
**June 30, 2014**

**8. TANGIBLE CAPITAL ASSETS**

<b>June 30, 2014</b>	<b>Mobile equipment</b>	<b>Building additions and renovations</b>	<b>Furniture and equipment</b>	<b>Leasehold improvements</b>	<b>2014 Total</b>	<b>2013 Total</b>
<b>Cost</b>						
Opening balance	\$ 5,134	\$ 1,991	\$ 7,197	\$ 2,385	\$ 16,707	\$ 16,353
Additions	178	-	80	188	446	370
Disposals	<u>-</u>	<u>-</u>	<u>(777)</u>	<u>(450)</u>	<u>(1,227)</u>	<u>(16)</u>
Closing balance	<u>5,312</u>	<u>1,991</u>	<u>6,500</u>	<u>2,123</u>	<u>15,926</u>	<u>16,707</u>
<b>Accumulated amortization</b>						
Opening balance	2,404	1,543	4,952	1,764	10,663	9,696
Amortization	235	100	508	114	957	967
Disposals	<u>-</u>	<u>-</u>	<u>(775)</u>	<u>(448)</u>	<u>(1,223)</u>	<u>-</u>
Closing balance	<u>2,639</u>	<u>1,643</u>	<u>4,685</u>	<u>1,430</u>	<u>10,397</u>	<u>10,663</u>
<b>Net book value</b>	<b><u>\$ 2,673</u></b>	<b><u>\$ 348</u></b>	<b><u>\$ 1,815</u></b>	<b><u>\$ 693</u></b>	<b><u>\$ 5,529</u></b>	<b><u>\$6,044</u></b>

**Aurora College**  
**Notes to the Financial Statements**  
**June 30, 2014**

**9. ACCUMULATED SURPLUS**

The accumulated surplus balance includes the net book value of tangible capital assets transferred to the College when it was established and the results of operations since that date. The following appropriations have been made from accumulated surplus:

(in thousands)					
<b>Reserves</b>	<b>Balance, opening July 1, 2013</b>	<b>Net results of operations</b>	<b>Appropriated</b>	<b>Used in operations</b>	<b>Balance, ending June 30, 2014</b>
a) Mallik research reserve	\$ 100	\$ -	\$ -	\$ -	\$ 100
b) Northern strategic research reserve	481	-	5	-	486
c) Program delivery	300	-	-	-	300
d) Research & development	130	-	55	(40)	145
e) HEO replacement & maintenance	140	-	-	-	140
f) Restricted donations	35	-		-	35
 Total reserves	 1,186	 -	 60	 (40)	 1,206
 <b>Operating surplus (deficit)</b>	 8,012	 (286)	 (60)	 40	 7,706
 <b>Total accumulated surplus</b>	 \$ 9,198	 \$ (286)	 \$ -	 \$ -	 \$ 8,912

**Aurora College**  
**Notes to the Financial Statements**  
**June 30, 2014**

**9. ACCUMULATED SURPLUS (continued)**

**a) Mallik research reserve**

This appropriation was established from the surplus of the Methane Hydrate Research project to set funds aside to complete the scientific publishing.

**b) Northern strategic research reserve**

This appropriation was established from the surplus of the Methane Hydrate Research project to set funds aside for strategic research conducted in the north which will benefit northerners.

**c) Program delivery**

This appropriation is established to cover program costs contemplated in the annual Programs and Services Proposal prepared by the College, for which Government funding has not been approved. Allocations to and from this appropriation must be approved by the Board of Governors.

**d) Research & development**

This appropriation is established to help fund research and development of the Research Associate and Fellowship programs at the Aurora Research Institute (ARI). Annually all unencumbered ARI administration revenue after fulfillment of third party contracts is transferred to this appropriation. Use of the appropriation must be approved by the Research Advisory Council.

**e) HEO (Heavy Equipment Operator) replacement & maintenance**

This appropriation is established to help fund replacement and maintenance of the HEO program heavy equipment. Annually net equipment rental fees charged to the third party contractors for HEO courses are transferred to this appropriation. Use of the appropriation must be approved by the Board of Governors.

**f) Restricted donations**

From time to time, the College receives donations from individuals and corporations with conditions attached to them. In order to ensure that the wishes of the contributors are carried out, the donations are transferred to restricted donations until the conditions are met.

**Aurora College**  
**Notes to the Financial Statements**  
**June 30, 2014**

**10. GOVERNMENT CONTRIBUTIONS**

	<u>2014</u>	<u>2013</u>
	(in thousands)	
Operating contributions	\$31,555	\$ 30,225
Capital contributions	190	361
Services received without charge (Note 11)	<u>5,520</u>	<u>6,738</u>
	<u>\$37,265</u>	<u>\$37,324</u>

**11. RELATED PARTIES**

The College is related in terms of common ownership to all Government created departments, territorial corporations and public agencies. The College enters into transactions with these entities in the normal course of business at normal trade terms.

**Accounts receivable and accounts payable**

The College has Government receivables from tuition revenue, contract revenue and the base funding contribution. The College also owes funds to the Government from administrative agreements for facility operating and utility costs, employee benefits and other expenses.

	<u>2014</u>	<u>2013</u>
		(in thousands)
Accounts receivable (Note 5)	\$ 791	\$ 801
Amounts due to the Government	\$ 2,820	\$ 1,817

**Revenues**

Included in Recoveries and other revenues is \$175 (2013 – nil) of Territorial government funding.

**Expenses**

Under the terms of administrative agreements, the Government charges for certain support services provided to the College. The College reimbursed the Government \$1,134,000 (2013 – \$926,000) for facility operating and utility costs, employee benefits and other expenses recorded in these statements.

**Services received without charge**

During the year, the College received without charge from the Government services including utilities \$1,819,000 (2013 – \$2,392,000) and repairs and maintenance \$1,627,000 (2013 – \$1,631,000).

**Aurora College**  
**Notes to the Financial Statements**  
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**11. RELATED PARTIES (continued)**

**Services received without charge (continued)**

Payroll processing, insurance and risk management, legal counsel, construction management, records storage, computer operations, asset disposal, project management, and translation services were also provided to the College without charge. These services would have cost the College an estimated \$367,000 (2013 – \$334,000) based on the exchange amount confirmed by the related parties.

The College also receives from the Government, without any rental charges, the use of facilities for two of its campuses, certain student housing units and community learning centres. The use of these facilities would have cost the College an estimated \$1,661,000 (2013 – \$2,335,000) based on the Government's amortization expense for these assets.

The Government also pays for medical travel costs for the College. The medical travel costs paid by the Government on behalf of the College for the period amounted to \$46,000 (2013 – \$ 45,000).

These services without charge have been recognized as a government contribution – services received without charge (Note 10) and included in the following expenses:

	<b><u>2014</u></b>	<b><u>2013</u></b>
	(in thousands)	
Contract services	\$ 367	\$ 334
Repairs and maintenance	1,627	1,631
Building utilities	1,819	2,393
Building leases	1,661	2,335
Medical travel	<u>46</u>	<u>45</u>
	<b><u>\$ 5,520</u></b>	<b><u>\$ 6,738</u></b>

**12. CONTINGENT LIABILITIES**

The College is subject to claims and lawsuits arising in the ordinary course of operations. While the outcome of these matters is subject to future resolution, management's evaluation and analysis of such matters indicates that, individually and in the aggregate, the probable ultimate resolution of such matters will not have a material financial impact on the College's financial position, results of operations or liquidity.

**Aurora College**  
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**13. COMMITMENTS**

In addition to facilities provided by the Government, the College has operating leases and service agreements for student accommodation, classroom space, office equipment and other services and is committed to basic payments as follows:

	(in thousands)
2015	\$ 5,098
2016	1,890
2017	1,361
2018	1,303
2019	1,186
2020	534
	<u>\$ 11,372</u>

**14. FINANCIAL RISK MANAGEMENT**

The College's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, due to Government of the Northwest Territories and are measured at cost. The Corporation has exposure to the following risks from its use of financial instruments:

**a) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with its financial liabilities. The College manages its liquidity risk by regularly monitoring forecasted and actual cash flows. The College does not believe that it will encounter difficulty in meeting its future obligations associated with its financial liabilities.

**b) Credit risk**

The College is exposed to credit risk on its cash and cash equivalents and accounts receivable.

**Aurora College**  
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**14. FINANCIAL RISK MANAGEMENT (continued)**

**Cash and cash equivalents**

Credit risk on cash and cash equivalents arises from the possibility that the counterparty to the instrument fails to meet their obligations. In order to manage this risk, the College deals with senior Canadian chartered banks for its cash. The College's cash equivalents are invested by the Government of the Northwest Territories in high quality short term income producing investments. The maximum exposure to credit risk is \$8,202,000 (2013 - \$9,490,000).

**Accounts receivable**

Credit risk on accounts receivable arises from the possibility that the customer fails to meet their obligations. This risk is influenced by the type of debtor and at 30 June 2014 the College's debtors are the Government of the Northwest Territories, students, and others.

In order to manage this risk, the College monitors the age of accounts receivable and initiates collection action. Credit exposure is minimized by dealing mostly with creditworthy counterparties such as government agencies and the College also enforces approved collection policies for student accounts. The maximum exposure to credit risk is \$5,328,000 (2013 - \$2,476,000).

At 30 June 2014 there are accounts receivable past due but not impaired. These amounts for students are: 31-60 days \$18,000; 61-90 days \$12,000; and over 90 days \$19,000. These amounts for the Government and for other parties are shown below.

	91-365 days	1 to 2 years	over 2 years
Territorial government	\$241,000	\$3,000	Nil
Other third parties	\$583,000	\$27,000	Nil
Federal government	\$2,171,000	\$4,000	Nil

The College establishes an allowance for doubtful accounts that reflects the estimated impairment of accounts receivable. The allowance is based on specific amounts and is determined by considering the College's knowledge of the financial condition of customers, the aging of accounts receivable, current business condition and historical experience.

**14. FINANCIAL RISK MANAGEMENT (continued)**

**Aurora College**  
**Notes to the Financial Statements**  
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**c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The College is exposed to interest rate risk in that changes in market interest rates will cause fluctuations in the interest revenue from cash equivalents. This risk is not significant due to the short terms to maturity of cash equivalents.

Although management monitors exposure to interest rate fluctuations, it does not employ any interest rate management policies to counteract interest rate fluctuations.

The College is not exposed to significant currency or other price risks.

**15. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

The fair values of the cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and due to Government of the Northwest Territories approximate their carrying amounts because of the short term to maturity.

**16. SEGMENT DISCLOSURE**

The College is a multi-campus institution designed to provide a wide variety of educational services to adult learners of the Northwest Territories (NWT). For management reporting purposes the College's operations and activities are organized and reported by funds. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with the budget, strategy and work plan, restrictions or limitations. The College's services are provided by departments and their activities are reported in these funds.

Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

**Finance and accounting**

Finance's role is to ensure the long term viability of the College including the preparation and controls over the budgets, financial reporting, the implementation and oversight of financial controls, and management of the cash flows. Finance includes the functioning of the head office and regional offices.

**16. SEGMENT DISCLOSURE (continued)**



**Aurora College**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Pooled services**

This represents College wide expenditures which are required for the global operation. These represent allocation of costs related to professional development, amortization, cost of employee future benefits, and costs for the President's Office. The Office of the President includes services related to the operations of the College, plus communications and public relations. The Office of the President is mandated to manage the daily operations of the College, pursue its missions and vision, and develop and implement a strategic plan to ensure the long term success of the College.

**Student services**

Student services include Fort Smith, Yellowknife, and Inuvik locations facilities and the registrar and regional admission offices.

**Education and training**

Education and training includes the vice-president education and training, school of trades, school of education, school of business and leadership, school of health and human services, school of arts and science, information systems and technology, and the library.

**Community and extensions**

Community and extensions represents special programs and additional resources provided to the communities through the College. This includes the school of developmental studies, the Beaufort Delta region, the Sahtu region, the Dehcho region, the Tlicho region, and the Akaitcho and South Slave region.

**Aurora Research Institute**

Through the work of the Aurora Research Institute, the College is also responsible for the facilitation and preparation of research activity in the NWT.

**Aurora College**  
**Segmented disclosures**  
**June 30, 2014**

<b>For the period ended June 30, 2014</b>	<b>Financial and accounting (in thousands)</b>	<b>Pooled services ** (in thousands)</b>	<b>Student services (in thousands)</b>	<b>Education and training (in thousands)</b>	<b>Community and extensions (in thousands)</b>	<b>Aurora Research Institute (in thousands)</b>	<b>2014 Total (in thousands)</b>	<b>2014 Budget (in thousands)</b>	<b>2013 Total (in thousands)</b>
<b>Revenues</b>									
Government contributions	\$ 1,645	\$ 4,835	\$ 8,663	\$ 13,831	\$ 6,706	\$ 1,585	\$ 37,265	\$ 30,952	\$ 37,324
Project income									
Territorial government	-	-	93	2,725	802	111	3,731	-	4,015
Other third parties	-	-	84	2,206	147	306	2,743	-	2,316
Federal government	-	-	-	182	3,064	590	3,836	-	3,319
Tuition fees	-	-	71	1,108	502	-	1,681	935	1,920
Recoveries and other	175	700	37	88	51	126	1,177	364	756
Room and board	-	-	795	-	-	78	873	764	896
Interest income	109	-	-	-	-	-	109	30	95
	<u>1,929</u>	<u>5,535</u>	<u>9,743</u>	<u>20,140</u>	<u>11,272</u>	<u>2,796</u>	<u>51,415</u>	<u>33,045</u>	<u>50,641</u>
<b>Expenses</b>									
Compensation and benefits	1,780	1,138	4,349	12,478	8,071	1,701	29,517	22,367	27,049
Building leases	-	-	4,933	1,676	9	-	6,618	4,933	6,750
Materials and supplies	18	395	173	810	254	46	1,696	1,384	1,516
Utilities	-	-	198	1,832	1	8	2,039	178	2,542
Contract services	35	392	82	675	661	523	2,368	1,248	2,077
Repairs and maintenance	1	1,627	230	273	68	22	2,221	-	2,439
Small equipment	3	6	138	423	151	33	754	160	478
Fees and payments	56	558	52	611	172	143	1,592	1,282	1,616
Travel and accommodation	71	132	58	491	499	129	1,380	618	1,341
Professional services	2	2	16	986	788	84	1,878	-	1,900
Amortization of tangible capital assets	-	957	-	-	-	-	957	451	967
Communication, postage and freight	68	50	98	197	157	111	681	424	746
	<u>2,034</u>	<u>5,257</u>	<u>10,327</u>	<u>20,452</u>	<u>10,831</u>	<u>2,800</u>	<u>51,701</u>	<u>33,045</u>	<u>49,421</u>
<b>Annual surplus (deficit)</b>	<b>\$ (105)</b>	<b>\$ 278</b>	<b>\$ (584)</b>	<b>\$ (312)</b>	<b>\$ 441</b>	<b>\$ (4)</b>	<b>\$ (286)</b>	<b>\$ -</b>	<b>\$ 1,220</b>

\*\* Pooled Services includes the revenues and expenses for the President's Office