



## Financial Statements

The Confederation College of Applied  
Arts and Technology

March 31, 2023

# Independent Auditor's Report

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To the Board of Governors of  
The Confederation College of Applied Arts and Technology

## Opinion

We have audited the financial statements of The Confederation College of Applied Arts & Technology ("the College"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Confederation College of Applied Arts & Technology as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Grant Thornton LLP*

Thunder Bay, Canada  
June 8, 2023

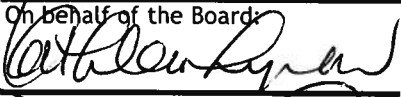
Chartered Professional Accountants  
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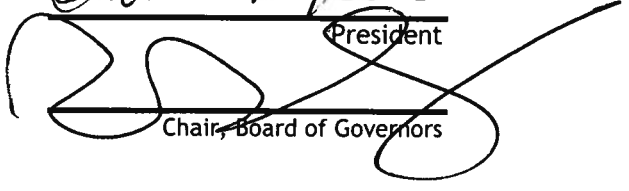
The Confederation College of Applied Arts and Technology  
Statement of Financial Position

(Restated - Note 23)

As at	March 31, 2023	March 31, 2022
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 25,844,216	\$ 66,163,351
Current Portion of GIC Investments (Note 3)	24,000,000	-
Accounts receivable (Note 4)	5,532,778	4,567,523
Inventory	816,389	774,674
Current portion of notes and long-term receivable (Note 5)	257,684	252,774
Grants receivable	6,415,830	1,399,839
Prepaid expenses	715,891	320,100
	<b>63,582,788</b>	<b>73,478,261</b>
Investment portfolio - endowments restricted (Note 6)	11,512,461	10,983,911
GIC Investments (Note 3)	26,000,000	-
Notes and long-term receivable (Note 5)	6,363,053	6,611,890
Capital assets (Note 7)	67,297,962	68,610,690
	<b>\$ 174,756,264</b>	<b>\$ 159,684,752</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 29,810,203	\$ 24,863,831
Deferred revenue (Note 9)	8,889,711	9,867,037
Vacation payable	2,967,929	2,966,582
Current portion of long-term debt (Note 11)	358,832	348,994
	<b>42,026,675</b>	<b>38,046,444</b>
Post-employment benefits and compensated absences (Note 12)	2,227,000	2,236,000
Deferred capital contributions (Note 13)	58,702,661	60,217,753
Deferred capital contributions - construction in progress (Note 13)	-	-
Asset Retirement Obligation (Note 10)	3,417,160	3,307,905
Long-term debt (Note 11)	8,763,903	9,122,735
	<b>115,137,399</b>	<b>112,930,837</b>
<b>Net Assets</b>		
<b>Unrestricted</b>		
Operating	\$ 6,178,592	\$ 6,322,080
Post-employment benefits and compensated absences	(2,227,000)	(2,236,000)
Vacation Pay	(2,967,929)	(2,966,582)
	<b>983,663</b>	<b>1,119,498</b>
Invested in capital assets (Note 14)	6,392,313	6,079,884
Internally and externally restricted (Note 15)	40,972,856	29,058,368
Endowments restricted (Note 16)	11,270,032	10,496,165
	<b>58,635,201</b>	<b>45,634,417</b>
	<b>59,618,864</b>	<b>46,753,915</b>
	<b>\$ 174,756,264</b>	<b>\$ 159,684,752</b>

On behalf of the Board:

  
 \_\_\_\_\_  
 President

  
 \_\_\_\_\_  
 Chair, Board of Governors

**The Confederation College of Applied  
Arts and Technology  
Statement of Operations**

(Restated - Note 23)

For the year ended March 31	2023	2022
<b>Revenue</b>		
MCU Post Secondary Grant	\$ 8,925,631	\$ 11,662,847
MCU Performance Funding	11,129,416	8,460,838
MCU Northern & Rural	12,882,071	11,882,071
Other MCU Grant	2,760,291	2,218,288
Other Provincial Revenue	7,574,657	7,037,511
Tuition - Domestic	6,690,572	6,785,133
Tuition - International	21,716,912	14,686,595
Tuition - International Recovery Fee	1,136,625	675,644
Student Fees Revenue	4,263,825	3,235,043
Contract Training	6,125,231	2,590,460
Special Programs	9,414,070	6,721,772
Ancillary Operations	2,439,249	1,520,608
Facilities Renewal Fund (FRP)	2,277,900	3,208,345
Other Revenue	5,903,279	2,249,309
Deferred Capital Contribution	5,361,753	5,148,708
	<b>108,601,482</b>	<b>88,083,173</b>
<b>Expenses</b>		
Full Time Salaries & Benefits	\$ 43,334,211	\$ 41,311,572
Part Time Salaries & Benefits	12,799,024	12,640,263
Plant and Property Maintenance	1,168,993	4,135,517
Utilities	1,348,883	1,428,928
Contract Services	14,567,243	7,218,630
Furniture & Equipment	399,178	103,732
Office and Instructional Supplies	3,928,760	4,226,389
Insurance	1,441,516	999,904
Professional Dues & Audit Fees	3,450,115	2,092,550
Bank and Other Charges	400,124	307,537
Scholarships and Tuition Set-Aside	1,096,210	1,270,699
Travel and Professional Development	828,346	389,101
Rental of Facilities	480,116	435,797
Miscellaneous	2,137,492	1,435,086
Telecommunications & Software	1,962,695	1,821,214
Depreciation	7,135,681	6,484,741
Accretion	109,255	105,364
	<b>96,587,842</b>	<b>86,407,025</b>
<b>Excess of revenue over expenses</b>	<b>\$ 12,013,640</b>	<b>\$ 1,676,148</b>

**The Confederation College of  
Applied Arts and Technology  
Statement of Changes in Net Assets**

For the year ended March 31	2023		2022		
	Unrestricted	Capital	Internally and Externally Restricted	Endowments Restricted	Total
Balance, beginning of year	\$ 1,119,498	\$ 6,079,884	\$ 29,058,368	\$ 10,496,165	\$ 46,753,915
Prior Year Adjustment for ARO Obligation	-	-	-	-	(2,822,376)
Change in endowments during the year (Note 16)	-	-	-	773,867	773,867
Change in internally and externally restricted net assets (Note 15)	176,594	-	(99,152)	-	77,442
Excess of revenue over expenses	12,013,640	-	-	-	12,013,640
Transfer from unrestricted to internally restricted	(12,013,640)	-	12,013,640	-	-
Investment in capital assets (Note 14)	(312,429)	312,429	-	-	-
<b>Balance, end of year</b>	<b>\$ 983,663</b>	<b>\$ 6,392,313</b>	<b>\$ 40,972,856</b>	<b>\$ 11,270,032</b>	<b>\$ 59,618,864</b>
					<b>\$ 46,753,915</b>

(Restated - Note 23)

**The Confederation College of Applied Arts  
and Technology**  
**Statement of Cash Flows**

(Restated - Note 23)

For the year ended March 31	2023	2022
<b>Net inflow (outflow) of cash related to the following</b>		
<b>Operating</b>		
Excess of revenue over expenses	\$ 12,013,640	\$ 1,676,148
Items not involving cash:		
Amortization of deferred capital contributions	(5,361,753)	(5,148,708)
Depreciation of capital assets	7,135,681	6,484,741
Accretion of ARO Liability	109,255	105,364
Change in post-employment benefits	35,000	(42,000)
Change in accrued sick leave liability	(44,000)	(53,000)
	<b>13,887,823</b>	<b>3,022,545</b>
Change in non-cash working capital balances (Note 19)	(2,448,359)	4,838,183
	<b>11,439,464</b>	<b>7,860,728</b>
<b>Financing</b>		
Capital Lease	(20,082)	-
Repayment of long-term debt	(328,912)	(319,360)
	<b>(348,994)</b>	<b>(319,360)</b>
<b>Capital</b>		
Deferred capital contributions	3,846,661	1,667,439
Purchase of capital assets	(5,822,952)	(2,802,525)
	<b>(1,976,291)</b>	<b>(1,135,086)</b>
<b>Investing</b>		
Decrease in notes and long-term loans receivable	243,927	238,176
(Increase) in investment portfolio - Endowment Rest.	(528,550)	(487,742)
Increase in restricted assets	77,442	298,758
Decrease (Increase) in temporary investments	(50,000,000)	-
Increase in endowments, net awards	773,867	362,871
	<b>(49,433,314)</b>	<b>412,063</b>
<b>Net cash inflow for the year</b>	<b>(40,319,135)</b>	<b>6,818,345</b>
<b>Cash, Beginning of year</b>	<b>66,163,351</b>	<b>59,345,005</b>
<b>Cash, End of year</b>	<b>25,844,216</b>	<b>66,163,351</b>

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

# The Confederation College of Applied Arts and Technology

## Notes to Financial Statements

March 31, 2023

### 1. Significant Accounting Policies

<b>Description of Organization</b>	<p>The Confederation College of Applied Arts and Technology (The College), established in 1967, is an Ontario college of applied arts and technology duly established pursuant to Ontario regulation 34/03 made under the Ontario Colleges of Applied Arts and Technology Act, 2002. The College is an agency of the Crown and offers a full range of programs and educational services including full-time post-secondary programs, part-time credit and non-credit courses, specialty programs for business and industry, pre-employment and skills training programs, apprenticeship and cooperative/workplace training programs.</p> <p>The College is a not-for-profit organization and, as such, is exempt from income taxes under Section 149 of the Income Tax Act (Canada).</p>
<b>Basis of Presentation</b>	<p>The financial statements of the College have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").</p>
<b>Revenue Recognition</b>	<p>The College follows the deferral method of accounting for contributions, which include donations and government grants.</p> <p>Tuition fees and contract training revenues are recognized as income to the extent that the related courses and services are provided within the fiscal year of the College.</p> <p>Operating grants from the Ministry of Colleges and Universities and other government agencies are recorded as revenue in the year to which they relate. Grants approved but not received at the end of the fiscal year are accrued. Where a portion of a grant relates to a future year it is deferred and recognized in the subsequent year.</p> <p>Ancillary revenues including parking, bookstore, residence and other sundry revenue are recognized when products are delivered or services are provided to the student or client, the sales price is fixed and determinable, and collection is reasonably assured.</p> <p>Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Externally restricted contributions and restricted investment income are recognized as revenue in the year in which the related expenses are incurred.</p> <p>Capital grants and restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.</p> <p>Endowment contributions and investment earnings are recognized as direct increases in endowed net assets.</p>



# The Confederation College of Applied Arts and Technology

## Notes to Financial Statements

March 31, 2023

### 1. Significant Accounting Policies (cont'd)

**Cash and Cash Equivalents** Cash is defined as cash and short-term investments with maturity dates of less than 90 days.

**Inventory** Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

**Capital Assets** Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the College's ability to provide services or the value of future economic benefits associated with the capital asset is less than book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which have been estimated to be as follows:

Buildings	-	40 years
Major equipment	-	10 years
Leasehold improvements	-	10 years
Site improvements	-	5 years
Furniture and equipment	-	5 years
Library books	-	5 years

Construction in progress relates to capital projects that are incomplete and not in service as at March 31, 2023. Amortization will commence upon substantial completion at the applicable rates noted above.

**Retirement and Post-Employment Benefits and Compensated Benefits** The College provides defined retirement and post employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, vesting sick leave and non-vesting sick leave. The College has adopted the following policies with respect to accounting for these employee benefits:

- (i) The cost of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis.

# The Confederation College of Applied Arts and Technology

## Notes to Financial Statements

March 31, 2023

### 1. Significant Accounting Policies (cont'd)

**Retirement and Post-Employment Benefits and Compensated Benefits ( Cont'd)**

- (ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (iii) The cost of vesting and non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.
- (iv) The discount rate used in the determination of the above-mentioned liabilities is equal to the College's internal rate of borrowing.

**Financial Instruments**

The College classifies its financial instruments at either fair value or amortized cost. The College's accounting policy for each category is as follows:

**Fair Value**

This category includes cash, guaranteed investment certificates (GICs), and equity instruments quoted in an active market. The College has designated its bond portfolio that would otherwise be classified into the amortized cost category at fair value as the College manages and reports performance of it on a fair value basis.

The guaranteed investment certificates (GICs) are invested in various certificates with maturity terms of 180 days to 4 years, at interest rates ranging from 4.45% to 5.45%. The College's management has the ability and intention to hold the investments to maturity.

Equity instruments and bonds are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value for unrestricted investments are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. Changes in fair value on restricted investments are recognized as increases/decreases in the endowments restricted fund.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

# The Confederation College of Applied Arts and Technology

## Notes to Financial Statements

March 31, 2023

### 1. Significant Accounting Policies (cont'd)

#### Amortized Cost

This category includes accounts receivable, notes and long-term receivable, grants receivable, accounts payable and accrued liabilities, long-term debt and vacation pay. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

#### Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the College is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

#### Management Estimates

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of fair value for long-term investments, allowance for doubtful accounts, amortization of capital assets and actuarial estimation of post-employment benefits and compensated absences liabilities.

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# The Confederation College of Applied Arts and Technology

## Notes to Financial Statements

March 31, 2023

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### 1. Significant Accounting Policies (cont'd)

**Asset Retirement** An asset retirement obligation is recognized when, as at the financial reporting date, all the following criteria are met:

**Obligations** There is a legal obligation to incur retirement costs in relations to a tangible capital asset;  
The past transaction or event giving rise to the liability has occurred;  
It is expected that future economic benefits will be given up; and  
A reasonable estimate of the amount can be made.

The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle obligation or the discount rate. As all asset retirement obligations are estimated to be settled by the end of 2071, the College used an inflation rate of 2% to help determine the future value of the estimated obligation. This inflation rate is in line with the Bank of Canada's inflation-control target.

Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed. The discount rate used to determine the asset retirement cost was determined as a weighted average reflecting the Government's cost of borrowing on initial recognition and on subsequent changes to expected cash flows, which is most closely associated with the period to settlement of the obligation.

**The Confederation College of Applied Arts and  
Technology**  
**Notes to Financial Statements**

**March 31, 2023**

**2. Financial Instrument Classification**

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	2023		
	Fair Value	Amortized Cost	Total
Cash	\$ 25,844,216	\$ -	\$ 25,844,216
Accounts receivable	-	5,532,778	5,532,778
GIC Investments	50,000,000	-	50,000,000
Investment portfolio	11,512,461	-	11,512,461
Notes and long-term receivable	-	6,620,737	6,620,737
Accounts payable and accrued liabilities	-	29,810,203	29,810,203
Long-term debt	-	9,122,735	9,122,735
	<b>\$ 87,356,677</b>	<b>\$ 51,086,453</b>	<b>\$ 138,443,130</b>
	2022		
	Fair Value	Amortized Cost	Total
Cash	\$ 66,163,351	\$ -	\$ 66,163,351
Accounts receivable	-	4,567,523	4,567,523
GIC Investments	-	-	-
Investment portfolio	10,983,911	-	10,983,911
Notes and long-term receivable	-	6,864,664	6,864,664
Accounts payable and accrued liabilities	-	24,863,831	24,863,831
Long-term debt	-	9,471,729	9,471,729
	<b>\$ 77,147,262</b>	<b>\$ 45,767,747</b>	<b>\$ 122,915,009</b>

The College's bank accounts are held at one chartered bank and as a result are exposed to the credit risk arising from this concentration to the extent that the account balances exceed the federally insured limits. The bank accounts earn interest at prime less 1.75% (4.95% at March 31, 2023).

The College's Guaranteed Investment Certificates (GICs) are held at one chartered bank, with various maturity dates ranging from 180 days to 4 years. Interest is earned at rates from 4.45 % to 5.45% over the various GICs.

The College's credit facilities include an approved operating line of credit with the Royal Bank of \$1,500,000 with interest at bank prime less 0.6% (6.1% at March 31, 2023). At year end the outstanding balance under this credit facility agreement was \$nil (2021 - \$nil).

In addition, the College, has an approved revolving credit facility with the Royal Bank in the amount of \$1,650,000. Of this amount, \$nil (2022 - \$nil) was outstanding with respect to the Royal Bank loans described in Note 9.

The College also has total approved financing with the Ontario Financing Authority in the amount of \$13,335,844. Of this amount, \$9,094,285 (2022-\$9,423,197) was outstanding as described in Note 9. Of the approved amount, \$6,606,126 is repayable by SUCCI (Student Union of Confederation College Inc.).

**The Confederation College of Applied Arts and  
Technology**

**Notes to Financial Statements**

**March 31, 2023**

**2. Financial Instrument Classification ( cont'd)**

Included in the investment portfolio are Canadian Bonds with a maturity profile as indicated below.

2023					
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying Value: Bonds	\$ 1,084,837	\$ 2,178,564	\$ 1,244,507	\$ 712,157	\$ 5,220,065
Total	\$ 1,084,837	\$ 2,178,564	\$ 1,244,507	\$ 712,157	\$ 5,220,065
Percent of total	21%	42%	24%	13%	
2022					
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying Value: Bonds	\$ 940,417	\$ 2,428,027	\$ 1,079,712	\$ 715,520	\$ 5,163,675
Total	\$ 940,417	\$ 2,428,027	\$ 1,079,712	\$ 715,520	\$ 5,163,675
Percent of total	18%	47%	21%	14%	

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**The Confederation College of Applied Arts and  
Technology  
Notes to Financial Statements**

March 31, 2023

**2. Financial Instrument Classification ( cont'd)**

	2023			
	Level 1	Level 2	Level 3	Total
Cash	\$ 25,844,216	\$ -	\$ -	\$ 25,844,216
Guaranteed Investment Certificates	50,000,000	-	-	50,000,000
Investment portfolio	3,592,156	7,920,305	-	11,512,461
	\$ 79,436,372	\$ 7,920,305	\$ -	\$ 87,356,677
	2022			
	Level 1	Level 2	Level 3	Total
Cash	\$ 66,163,351	\$ -	\$ -	\$ 66,163,351
Investment portfolio	4,037,167	6,946,744	-	10,983,911
	\$ 70,200,519	\$ 6,946,744	\$ -	\$ 77,147,262

There were transfers of \$973,561 between Level 1 and Level 2 for the years ended March 31, 2023 and transfers of \$1,039,272 for 2022. There were also no transfers in or out of Level 3.

**3. GIC Investments**

Investments consist of Guaranteed Investment Certificates of \$50,000,000 [2022 - \$nil] maturing dates ranging from May 2023 to January 2027 yielding interest rates of 4.45% to 5.45%.

**4. Accounts Receivable**

Accounts receivable are comprised of balances receivable from students, Sponsoring agencies and Corporate clients for contract training. Credit risk is mitigated to some extent by requiring that payment be received before a student is allowed to register, unless they have certain pre-qualified conditions, such as funding through the Ontario Student Assistance Program, sponsorship funding, or split-fee tuition fee option.

	2023	2022
Students and sponsors	\$ 369,300	\$ 362,884
General	5,368,640	4,407,329
Allowance for doubtful accounts	(205,162)	(202,691)
	\$ 5,532,778	\$ 4,567,523

**The Confederation College of Applied Arts and  
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Notes to Financial Statements**

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**5. Notes and Long-term Receivable**

In April 2016, the Student Union of Confederation College Inc. (SUCCI) entered into a funding and contribution agreement with the College to finance a contribution towards the new Wellness Centre. Amounts are to be paid to the College until the SUCCI contribution of \$8.5 million, together with the deemed Ontario Financing Authority (OFA). Interest rate thereon per annum, is paid in full. The OFA debt is repayable over the next 21 years, and bears a fixed interest rate of 2.969% (Note 11). The current portion of the long-term receivable represents the principal loan payments due within one year.

	2023		2022
General	\$ 14,610	\$	19,608
SUCCI Student Levy Receivable	6,606,127		6,845,056
<b>Total</b>	<b>6,620,737</b>		<b>6,864,664</b>
Current Portion	257,684		252,774
	<b>\$ 6,363,053</b>	<b>\$</b>	<b>6,611,890</b>

**6. Investment Portfolio - Endowments Restricted**

The College's investment portfolio is comprised of a number of different securities carrying a variety of terms and conditions. Investments consist of the following:

	2023		2022	
	Market	Cost	Market	Cost
Endowed				
Canadian equities	\$ 2,982,893	\$ 2,880,206	\$ 3,032,400	\$ 2,635,859
Canadian fixed income	5,219,290	5,981,451	4,695,309	4,998,012
Foreign equities	2,996,119	3,301,362	2,471,884	2,719,693
Foreign fixed income	-	-	266,810	269,757
Cash and equivalents account	314,159	308,992	517,508	520,387
	<b>\$ 11,512,461</b>	<b>\$ 12,472,011</b>	<b>\$ 10,983,911</b>	<b>\$ 11,143,708</b>

The cash and equivalents account does not earn interest. Canadian and foreign bonds are comprised of a number of different bonds, with maturity dates ranging from 2023 to 2065, and yield an average of 4.81% (2022 - 4.95%) over the term of the investments.



**The Confederation College of Applied Arts and  
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**Notes to Financial Statements**

**March 31, 2023**

**7. Capital Assets**

	2023		2022 (Restated - Note 23)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 295,057	\$ -	\$ 295,057	\$ -
Site improvements	2,071,108	2,026,211	2,014,986	2,014,986
Buildings	111,245,293	54,707,480	111,245,292	52,408,776
Bridge	2,910,386	545,089	2,910,386	428,674
Leasehold improvements	333,188	333,188	333,188	333,188
Furniture and equipment	96,983,251	92,327,033	94,257,710	88,392,308
Library books	20,000	20,000	20,000	20,000
Major equipment	7,586,575	4,770,100	4,383,781	4,232,373
ARO - Building	1,006,586	677,463	1,006,586	661,485
ARO - Equipment	73,299	56,614	73,299	55,376
Work in Progress	236,397	-	617,572	-
	<b>\$ 222,761,140</b>	<b>\$ 155,463,178</b>	<b>\$ 217,157,857</b>	<b>\$ 148,547,167</b>
Capital Assets Net book value		<b>\$ 67,297,962</b>		<b>\$ 68,610,690</b>

**8. Accounts Payable and Accrued Liabilities**

	2023	2022
Trade	\$ 27,193,835	\$ 21,907,248
Accrued liabilities	615,002	582,227
Government remittances	1,141,381	730,305
Accrued salaries	859,985	1,644,052
	<b>\$ 29,810,203</b>	<b>\$ 24,863,831</b>

## The Confederation College of Applied Arts and Technology

### Notes to Financial Statements

March 31, 2023

#### 9. Deferred Revenue

	2023	2022
Ontario Ministry of Colleges and Universities		
Aboriginal Educational and Training Strategy	\$ -	\$ -
Apprentice training	1,387	-
Campus safety	-	15,172
Capital Campaign TEC Hub	-	63,937
Collaborative nursing	214,925	598,469
Employment programs	772,827	836,180
Other MCU	-	1,079,415
MCU Clinical (Nursing Enrolment)	276,693	278,375
Second career	536,185	500,345
Special needs and tutoring	-	-
CODE SCWI	194,288	431,828
College service fee	466,227	382,923
IT residence infrastructure	52,441	33,065
Miscellaneous contracts and projects	3,499,559	3,185,496
Post-secondary Tuition	2,520,259	2,042,317
Student IT fee	191,427	159,978
Student tech fee	163,493	259,539
	<b>\$ 8,889,711</b>	<b>\$ 9,867,037</b>

#### 10. Asset Retirement Obligation

The College's financial statements include an asset retirement obligation for the removal of asbestos in several buildings owned by the College as well as a liability for the removal of hazardous materials in equipment. The related asset retirement costs are being amortized on a straight-line basis. The liability has been estimated using a net present value technique with a discount rate of 3.29% (2022: 3.29%) where the majority will be incurred over the next 35 years. The liability for all retirement obligations is expected to be settled by the end of 2071.

##### Asbestos Obligation:

The College owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building, resulting in a legal obligation to remove it. Following the adoption of PS 3280 - Asset Retirement Obligations, Confederation College recognized an obligation related to the removal and post-removal care of the asbestos in these buildings as of April 1, 2022. These buildings have a revised useful life of 80 years from the date they were constructed with the recent rehabilitation and enhancements to extend the useful life of the buildings.

The transition and recognition of asset retirement obligations involved an accompanying increase to the buildings, major equipment, and equipment capital assets and the restatement of prior year numbers (see Note 23 - Asset Retirement Obligation Change in Accounting Policy & Prior Period Adjustment)

**The Confederation College of Applied Arts and  
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**Notes to Financial Statements**

March 31, 2023

**10. Asset Retirement Obligation (cont'd.)**

	2023		2022 - (Restated - Note 23)	
	Building	Equipment	Building	Equipment
Balance at Beg. Of Year	\$ 3,200,685	\$ 107,220	\$ 3,098,737	\$ 103,805
Liabilities Incurred	-	-	-	-
Liabilities Settled	-	-	-	-
Accretion	105,303	3,952	101,948	3,415
Revisions in Estimate	-	-	-	-
	<b>\$ 3,305,988</b>	<b>\$ 111,172</b>	<b>\$ 3,200,685</b>	<b>\$ 107,220</b>
Total ARO Liability		<b>\$ 3,417,160</b>		<b>\$ 3,307,905</b>

**11. Long-term Debt**

	2023	2022
Ontario Financing Authority loan for Wellness Centre repayable at \$303,132 semi-annually including interest at 2.969% due 2042	\$ 9,094,285	9,423,197
Current portion	338,750	328,912
Total	<b>8,755,535</b>	<b>9,094,285</b>

The scheduled principal amounts repayable within the next five years and thereafter are as follows:

Date	OFA
2024	338,750
2025	348,124
2026	359,973
2027	370,069
2028	381,130
Thereafter	7,296,239
	<b>\$ 9,094,285</b>

Of the approved amount of the OFA loan for the Wellness Centre, \$6.6 million is repayable by SUCCI (Student Union of Confederation College Inc.) (Note 4).

**The Confederation College of Applied Arts and  
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**Notes to Financial Statements**

**March 31, 2023**

**11. Long-term Debt (cont'd.)**

**Obligations Under Capital Leases**

	2023	2022
Kubota Capital Lease for Tractor, repayable \$1,618 monthly repaid in year 2024	\$ 28,450	48,532
Current Portion	20,082	20,082
Total	8,368	28,450

Obligations under capital leases are secured by certain plant and office equipment. The future minimum lease payments for the next five years and thereafter are as follows:

Date	Amount
2024	20,082
2025	8,368
	\$ 28,450

**The Confederation College of Applied Arts and  
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**Notes to Financial Statements**

March 31, 2023

**12. Post-employment Benefits and Compensated Absences Liability**

The following tables outline the components of the College's post-employment benefits and compensated absences liabilities and the related expenses.

	2023			
	Post-employee			
	Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 581,000	\$ 1,824,000	\$ 45,000	\$ 2,450,000
Value of plan assets	(137,000)	-	-	(137,000)
Unamortized actuarial gains (losses)	43,000	(127,000)	(2,000)	(86,000)
	\$ 487,000	\$ 1,697,000	\$ 43,000	\$ 2,227,000

	2022			
	Post-employee			
	Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 546,000	\$ 1,945,000	\$ 35,000	\$ 2,526,000
Value of plan assets	(142,000)	-	-	(142,000)
Unamortized actuarial gains (losses)	48,000	(281,000)	85,000	(148,000)
	\$ 452,000	\$ 1,664,000	\$ 120,000	\$ 2,236,000

	2023			
	Post-employee			
	Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	\$ 48,000	\$ 130,000	\$ 1,000	\$ 179,000
Interest on accrued benefit obligation	2,000	58,000	1,000	61,000
Amortized actuarial losses	(10,000)	16,000	(71,000)	(65,000)
	\$ 40,000	\$ 204,000	\$ (69,000)	\$ 175,000

	2022			
	Post-employee			
	Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	\$ (31,000)	\$ 175,000	\$ 1,000	\$ 145,000
Interest on accrued benefit obligation	1,000	38,000	1,000	40,000
Amortized actuarial losses	(8,000)	52,000	(81,000)	(37,000)
	\$ (38,000)	\$ 265,000	\$ (79,000)	\$ 148,000

Above amounts exclude pension contributions to the Colleges of Applied Arts and Technology pension plan, a multi-employer plan, described below.

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# The Confederation College of Applied Arts and Technology

## Notes to Financial Statements

March 31, 2023

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### 12. Post-Employment Benefits and Compensated Absences Liability (cont'd.)

#### Retirement Benefits

##### CAAT Pension Plan

All full-time employees of the College, and any part-time employees who opt to participate, are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), a multi-employer jointly-sponsored defined benefit plan for public colleges in Ontario and other employers. The College makes contributions to the Plan equal to those of employees. Contribution rates are set by the Plan's governors to ensure the long-term viability of the Plan. Since the Plan is a multi-employer plan, the College's contributions are accounted for as if the plan were a defined contribution plan with the College's contributions being expensed in the period they come due.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates related to full-time members. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2022 indicated an actuarial surplus on a going concern basis of \$4.4 billion. The College made contributions to the Plan and its associated retirement compensation arrangement of \$4,585,243 (2022 - \$4,459,050), which has been included in the statement of operations.

##### Post-Employment Benefits

The College extends post employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The College recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

The major actuarial assumptions employed for the valuations are as follows:

a) Discount rate

The present value as at March 31, 2023 of the future benefits was determined using a discount rate of 3.4% (2022 - 2.9%)

b) Hospital and other medical

Medical premium increases were assumed to increase at 6.16% per annum in 2023 and decrease proportionately thereafter to an ultimate rate of 4.0% in 2040 (2022 - 4.0% in 2040).

The Confederation College of Applied Arts and Technology

Notes to Financial Statements

March 31, 2023

12. Post-Employment Benefits and Compensated Absences Liability (Cont'd.)

Post-Employment Benefits ( Cont'd)

c) Dental costs

Dental costs were assumed to increase at 4.0% per annum (2022 - 4.0%).

Compensated Absences

Vesting Sick Leave

The College has provided for vesting sick leave benefits during the year. Eligible employees, after 10 years of service, are entitled to receive payment for their accumulated sick days at 50% of their accumulated sick leave credit on termination or retirement to a maximum of 6 months' salary. The program to accumulate sick leave credits ceased for employees hired after March 31, 1991. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

Non-Vesting Sick Leave

The College allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that the employees' illness or injury exceeds the current year's allocation of days. Sick days are paid out at the salary in effect at the time of usage. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

The assumptions used in the valuation of vesting and non-vesting sick leave are the College's best estimates of expected rates of:

	2023	2022
Wage and salary escalation		
Academic	1.00%	1.00%
Support	1.00%	1.25%
Discount rate	3.40%	2.90%

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 26.2% and 0 to 51 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

**The Confederation College of Applied Arts and  
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**March 31, 2023**

**13. Deferred Capital Contributions**

Deferred capital contributions represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations and is calculated on the same basis as the amortization expense related to the acquired/constructed capital assets. The changes in the deferred capital contributions balances are as follows:

	2023		2022
Balance, beginning of year	\$ 60,217,753	\$	63,699,022
Add contributions for capital purposes	3,846,661		1,667,439
Less amortization of deferred capital contributions	(5,361,753)		(5,148,708)
Balance, end of year	58,702,661		60,217,753
Deferred capital contributions relating to construction in progress, end of year	-		-
Deferred capital contributions balance, end of year	\$ 58,702,661	\$	60,217,753

**14. Net Assets - Investment in Capital Assets**

	2023		2022
Capital assets, net book value	\$ 67,297,962	\$	(Restated - Note 23) 68,610,690
Less amounts financed by:			
Working capital	313,620		313,620
SUCCI Student Levy Receivable (Note 5)	6,606,127		6,845,056
Long-term debt (Note 11)	(9,122,735)		(9,471,729)
Deferred capital contributions (Note 13)	(58,702,661)		(60,217,753)
Invested in capital assets, end of year	\$ 6,392,313	\$	6,079,884



## The Confederation College of Applied Arts and Technology

### Notes to Financial Statements

March 31, 2023

#### 15. Net Assets - Internally and Externally Restricted

Internally restricted net assets represents money set aside by College senior management for various strategic initiatives and committed for specific purposes as identified below.

	2023	2022
Tuition set aside for student assistance	\$ 1,971,019	\$ 2,045,048
Scholarships and bursaries	264,308	156,250
Contributions for capital expenditures	192,626	196,304
Donations	788,304	741,212
Special Projects	24,961,000	13,235,326
TEC Hub Campaign Commitment	-	295,000
Parking Lot Development	2,400,000	2,400,000
Critical IT Infrastructure Upgrade	1,602,032	1,102,032
Long-term Sustainability	8,293,567	8,293,567
Employee professional development	-	93,629
Environmental Sustainability	500,000	500,000
	<u>\$ 40,972,856</u>	<u>\$ 29,058,368</u>

The Ministry of Colleges and Universities requires a certain portion of the additional tuition fee revenue generated by announced fee increases to be set aside for student assistance.

#### 16. Net Assets - Endowments Restricted

Externally restricted net assets include restricted donations received by the College where the endowment principal is required to be maintained intact. The investment income generated from these endowments must be used in accordance with the various purposes established by donors. The College ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

## The Confederation College of Applied Arts and Technology

### Notes to Financial Statements

March 31, 2023

#### 16. Net Assets - Endowments Restricted (Cont'd)

Externally restricted endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF") Phase I and II, and the Ontario Trust for Student Support ("OTSS") programs and other such restricted contributions that were not matched. Under these government programs, the government matches funds raised by the College. The purpose of the programs is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend College. The investment income generated from endowments must be used in accordance with the OSOTF and the OTSS guidelines.

The College has recorded the following amounts under the programs:

#### OSOTF I

	2023	2022
<b>Schedule of changes in Endowment Fund Balance</b>		
Fund balance, beginning of year	\$ 3,676,894	\$ 3,675,930
Prior year corrections to Award Allocations	(39,500)	-
Cash donations received	1,000	964
	3,638,394	3,676,894
<b>Schedule of changes in Expendable Funds Available for Awards</b>		
Fund balance, beginning of year	1,613,577	1,427,565
Corrections to Endowed/Realized Gain Amounts ( Rate Stabilization)	(152,002)	115,306
Unrealized investment gain (loss) net of direct investment- related expenses and preservation of capital contributions	132,217	130,066
Bursaries awarded (2023 = 180, 2022 = 153)	(143,415)	(59,360)
	1,450,377	1,613,577
Total endowment fund balance, end of year	\$ 5,088,771	\$ 5,290,471
Market value of fund, end of year	\$ 5,088,771	\$ 5,290,471

**The Confederation College of Applied Arts and  
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**Notes to Financial Statements**

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**16. Net Assets - Endowments Restricted (Cont'd)**

**OSOTF II Second Phase**

	2023		2022
<b>Schedule of changes in Endowment Fund Balance</b>			
Fund balance, beginning of year	\$ 252,078	\$	252,078
Eligible cash donations received	-		-
	<u>252,078</u>		<u>252,078</u>
<b>Schedule of changes in Expendable Funds Available for Awards</b>			
Fund balance, beginning of year	225,256		205,279
Corrections to Endowed/Realized Gain Amounts ( Rate Stabilization)	(13,788)		10,377
Unrealized investment gain (loss) net of direct investment- related expenses and preservation of capital contributions	11,993		11,705
Bursaries awarded (2023 = 10, 2022 = 6)	(4,670)		(2,105)
	<u>218,791</u>		<u>225,256</u>
Expendable fund balance, end of year	218,791		225,256
Total endowment fund balance, end of year	\$ 470,869	\$	477,334
Market value of fund, end of year	\$ 470,869	\$	477,334

**OTSS**

	2023		2022
<b>Schedule of changes in Endowment Fund Balance</b>			
Fund balance, beginning of year	\$ 3,404,907	\$	3,381,487
Eligible cash donations received	1,097,134		23,420
	<u>4,502,041</u>		<u>3,404,907</u>
<b>Schedule of changes in Expendable Funds Available for Awards</b>			
Fund balance, beginning of year	1,323,453		1,190,955
Corrections to Endowed/Realized Gain Amounts ( Rate Stabilization)	(136,050)		103,519
Unrealized investment gain (loss) net of direct investment- related expenses and preservation of capital contributions	118,341		116,769
Bursaries awarded (2023 = 127, 2022 = 119)	(97,393)		(87,790)
	<u>1,208,351</u>		<u>1,323,453</u>
Expendable fund balance, end of year	1,208,351		1,323,453
Total endowment fund balance, end of year	\$ 5,710,392	\$	4,728,360
Market value of fund, end of year	\$ 5,710,392	\$	4,728,360

## The Confederation College of Applied Arts and Technology

### Notes to Financial Statements

March 31, 2023

#### 16. Net Assets - Endowments Restricted (Cont'd)

Reports of OTSS awards issued for the period of April 1, 2022 to March 31, 2023:

Status of Recipients	OSAP		Recipients		Non-OSAP		Recipients		Total Amount
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
Full-time	52	\$ 35,190	46	\$ 31,500	98	\$ 66,690			
Part-time	n/a	n/a	n/a	n/a	n/a	n/a			
<b>Total</b>	<b>52</b>	<b>\$ 35,190</b>	<b>46</b>	<b>\$ 31,500</b>	<b>98</b>	<b>\$ 66,690</b>			
							<b>2023</b>		<b>2022</b>
Grand total of endowment funds, end of year				\$ 11,270,032	\$			\$ 10,496,165	

#### 17. Commitments

The College has leased realty for the Aviation Centre of Excellence at an annual rental of approximately \$94,245, with annual increases of 2.5%, and an expiry date of 2053.

#### 18. Contingencies

In the normal course of operations, the College is involved in a number of grievances and disputes. As of the date of this financial statement preparation, the likelihood and impact of these matters on the College's financial statements is unknown. Should any costs be incurred as a result of these matters, they will be expensed in the year of settlement.

Effective June 2019, the Province of Ontario enacted Bill 124 "Protecting a Sustainable Public Sector for future Generations Act, 2019". This legislation limited compensation increases to 1.0% per year for a three-year moderation period for both unionized and non-unionized employees in the Ontario public sector. The starting dates of the moderation period varied across entities and employee groups. On November 29, 2022, the Ontario Superior Court of Justice struck down Bill 124, finding it unconstitutional and declaring it to be "void and of no effect". On December 29, 2022, the Ontario government filed a Notice of Appeal with the Ontario Court of Appeal. The impact, if any, to Confederation College as a result of the Ontario Superior Court decision is not determinable at this time. As such, no provision has been made in the financial statements.

## The Confederation College of Applied Arts and Technology

### Notes to Financial Statements

March 31, 2023

#### 19. Statement of Cash Flows

The change in non-cash working capital balances consists of the following:

	2023	2022
Grants receivable	\$ (5,015,991)	\$ (1,101,509)
Accounts receivable	(965,255)	(768,320)
Inventory	(41,715)	85,774
Prepaid expenses	(395,791)	(43,250)
Accounts payable and accrued liabilities	4,946,372	8,266,944
Vacation payable	1,347	(145,055)
Deferred revenue	(977,326)	(1,456,401)
	\$ (2,448,359)	\$ 4,838,183

#### 20. Capital Disclosures

The College considers its capital to be the balance retained in net assets, which is generally the difference between its assets and liabilities as reported on the statement of financial position and includes unrestricted net assets, internally restricted net assets, investment in capital assets and restricted endowment net assets. The College receives funding from the provincial government for the delivery of its programs. These funds are maintained and disbursed under the terms of the funding agreements and management is responsible for adhering to the provisions of these agreements.

The College's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide delivery of its programs to the public. Colleges are required, under the current Ministry guidelines, to balance their budgets each year through a combination of managing expenses and utilizing reserves. Any in-year deficit not covered by reserves (accumulated deficits) must be recovered within two successive years under the Ministry's deficit recovery procedures.

Management maintains its capital by ensuring that annual operating and capital budgets are developed and approved by the Board of Governors based on both known and estimated sources of funding and financing available each year. These budgets are shared with all management to ensure that the capital of the College is maintained and are also published on the College's website or distributed to the public in hard copy upon request.

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# The Confederation College of Applied Arts and Technology

## Notes to Financial Statements

March 31, 2023

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### 21. Financial Instrument Risk Management

#### Credit Risk

Credit risk is the risk of financial loss to the College if a debtor fails to make payments of interest and principal when due. The College is exposed to this risk relating to its cash, debt holdings in its investment portfolio, notes and long-term receivable and accounts receivable. The College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up to \$300,000 (2022 - \$300,000).

The College's investment policy operates within the constraints of the investment guidelines issued by the MCU and puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis. The guidelines permit the College's funds to be invested in bonds issued by the Government of Canada, a Canadian province or a Canadian municipality having a rating of A or better, or corporate investments having a rating of A (R-1) or better.

The maximum exposure to investment credit risk is outlined in Note 2.

Accounts receivable are ultimately due from students, sponsors or corporate agencies. An amount of \$205,162 (2022-\$202,691) has been set up as an allowance for doubtful accounts. Credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population, and other internal controls built into the registration process.

#### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk, and equity risk.

The College's investment policy operates within the constraints of the investment guidelines issued by the MCU. The policy's application is monitored by management, the investment managers and the Board of Governors. Diversification techniques are utilized to minimize risk. The Policy limits the investment in any one corporate issuer to a maximum of 10% of the College's total fixed income bonds.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

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# The Confederation College of Applied Arts and Technology

## Notes to Financial Statements

March 31, 2023

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### 21. Financial Instrument Risk Management (Cont'd)

#### Currency risk

Currency risk relates to the College operating in different currencies and converting non-Canadian earnings at different points in time at different foreign College levels when adverse changes in foreign currency College rates occur.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

#### Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The College is exposed to this risk through its interest bearing investments (see note 5) and long-term debt (see note 9).

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk

#### Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The College is exposed to this risk through its equity holdings within its investment portfolio. At March 31, 2023, total equity in the portfolio was \$5,979,000, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the College's equities of \$579,000. Equities represent approximately 52% of the fair value of the College's endowed investments, which is held for long-term investment gains, which mitigates the impact to market fluctuations on the value of the equities.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

# The Confederation College of Applied Arts and Technology

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### 21. Financial Instrument Risk Management (Cont'd)

#### Liquidity risk

Liquidity risk is the risk that the College will not be able to meet all cash outflow obligations as they come due. The College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

### 22. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

### 23. Asset Retirement Obligation Change in Accounting Policy & Prior Period Adjustment

The financial statement of the prior year has been restated to reflect a change in the accounting policy with respect to Asset Retirement Obligations (ARO). This change in accounting policy has been applied using a modified retroactive method. As a result of the adoption of this new accounting policy, the following changes have been made to the 2022 financial statements:

	2022
Increase (decrease) in ARO Tangible Capital Assets	\$ 1,079,885
Increase (decrease) in Accumulated Amortization of ARO assets	\$ 716,861
Increase (decrease) in ARO	\$ 3,307,905
Increase (decrease) in Opening Accumulated Surplus	\$ (2,822,376)
Increase (decrease) in Accretion expense	\$ 105,364

On April 1, 2022, the College adopted Public Accounting Standard PS 3280 - Asset Retirement Obligations. The new accounting standard provides guidance on the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. As a result, the presentation of the financial statements has changed from the prior year.

This standard was adopted on a modified retroactive application basis at the date of adoption. Under the modified retroactive method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. As of the date of adoption of the standard, the relevant discount rate is 3.29% per annum.



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March 31, 2023

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**23. Asset Retirement Obligation Change in Accounting Policy & Prior Period Adjustment (cont'd.)**

Asbestos Obligation:

On April 1, 2022, Confederation College recognized an asset retirement obligation relating to several buildings owned by the College that contained asbestos. These buildings have been built/purchased over the past 50 years and the liability was measured on assets as of 1) the year asbestos became a legal obligation in Ontario or 2) the date when the asset was acquired.

In March of 1986, the Designated Substance - Asbestos on Construction Projects and in Buildings and Repair Operations (O. Reg. 278/05, s. 6, 8, 11-18) regulation came into effect. This regulation requires the College to handle and dispose of the asbestos in the prescribed manner when it is disturbed. The construction of the building and the implementation of this regulation gave rise to the College's asset retirement obligation.