



Date: **March 24, 2017**

Last Updated: **November 25, 2016**

To: **Board of Governors**

From: **President**

Subject **MONITORING REPORT – EL-2d Financial Condition and Activities**

The President shall not place the organization in fiscal jeopardy or allow the development of a material deviation of actual expenditures from Board priorities established in Ends policies.

I hereby present the first in-year monitoring report on our Executive Limitations policy “Financial Condition and Activities” according to the schedule set out. I certify that the information contained in this report is true and represents compliance with all aspects of the policy unless specifically stated otherwise for the fiscal year 2016-2017.

The President shall not:

1. Materially expense more funds than have been received in a fiscal year.

I interpret “fiscal jeopardy” as insolvency, the inability to finance operations, risking a year-end deficit not approved by the Board or making short-term adjustments with negative long-term impact.

I interpret “expense more funds than have been received in a fiscal year” to mean that the organization will comply with the Board-approved budget.

Evidence:

The mid-year forecast approved at the November 25, 2016 Board meeting reflected a projected deficit of -\$491,175 at March 31, 2017 (-\$573,891 after GAAP adjustments).

Due to a lower than budgeted enrolment for the winter term of -156 students, a revised deficit of -\$737,284 was forecasted in January 2017 (-\$820,000 after GAAP adjustments). NOTE: The lower enrolment numbers for fall and winter terms resulted in a reduction in tuition fees of approximately \$1 million (-\$641,000 for International students; -\$355,000 for Domestic students).

Our projection as of February 28, 2017 for the remainder of the fiscal year to March 31, 2017 is a negative variance of approximately -\$525,000 (-\$607,747 after GAAP adjustments) or approximately 0.7% of our revised budget of \$71.3M.

	Approved Budget 2016-17	March 31/17 Forecast (As of Oct 31/16)	March 31/17 Forecast (As of Jan 26/17)	March 31/17 Forecast (As of Feb 28/17)
Total Revenues	\$74,550,560	\$71,270,981	\$71,024,873	\$71,315,573
Total Expenses	\$74,546,605	\$71,762,157	\$71,762,157	\$71,840,604
Surplus (Deficit)	\$3,955	(\$491,175)	(\$737,284)	(\$525,031)
Adj. for GAAP:				
Surplus (Deficit)	(\$78,761)	(\$573,891)	(\$820,000)	(\$607,747)

Since December 2016, the College has taken the following actions to manage the budget shortfall through to March 31, 2017:

- Curtailment of all unnecessary travel and conference attendance;
- Participation in meetings using alternative methods of attendance i.e., teleconference, video conference, Skype, etc.
- Hiring/replacement of all full and part-time vacancies subject to approval by Senior Team.
- Reviewing expenditure and budget allocations to defer unnecessary spending until the next fiscal year i.e., office/program/instructional supplies, etc.
- Reviewing and approval of all requests for computers, iPads, cell phones by the Senior Director of Computer Services and Project Management.
- Deferral of all purchases of new/replacement furnishings unless already committed through purchase orders.

NOTE: MAESD provided \$500,000 in one time funds to cover the projected 2015-16 deficit. MAESD may decide to provide one-time funds to Colleges with projected deficits for 2016-17.

Enrolment Summary

Description	2016-17 Budget		2016-17 Actuals		Variance (Budget vs Actual)	
	Fall	Winter	Fall	Winter	Fall	Winter
International	541	605	490	563	-51	-42
Domestic	2,946	2718	2,924	2604	-22	-114
Total	3,487	3323	3,414	3167	-73	-156

See Appendix "A" for further financial details.

I report compliance

2. Use any long-term reserves.

I interpret “long term reserves” to mean a reserve specifically designated by the Board as a long term reserve, and identified as such on the Statement of Financial Position (Balance Sheet), with its purpose and conditions of use defined in the Notes to the Financial Statement.

I interpret this to mean that I will not use any long-term reserves without Board of Governors’ approval.

Evidence:

The March 31, 2016 Financial Statements for the College did not report any long term reserves on its Statement of Financial Position or accompanying notes.

As of February 28, 2017, the Board has not designated the creation of a long term reserve fund therefore no such funds are available for use by the College.

I report compliance.

3. Allow payroll, accounts payable, accounts receivable, or debts to be handled in an untimely manner.

I submit this is clear and requires no further interpretation.

Evidence:

Payroll

Payroll and statutory payroll deductions are paid via electronic funds transfer by the required due dates on a bi-monthly and monthly basis. This includes the transactions for the CAAT Pension Plan payments, online Payroll source deduction payments and Ontario Health Tax payments. Internal controls and checks exist to verify that payment has occurred on an accurate and timely basis. Our auditors test these accounting areas as well, on an annual basis.

Attestation:

Documentation is in place to attest that payment of payroll and other statutory payments are in compliance with regulatory requirements.

Accounts Payable

The College practice is to pay trade accounts within the terms of purchase, which are generally “net 30 days.” As of February 28, 2017, the Accounts Payable balance was \$5.84 million versus \$7.71 million at March 31, 2016, a reduction of approximately \$1.87 million. The decrease in account balances are mainly due to the timing of payments for salaries and employee deductions.

See Appendix "B" and "C" for further details.

Accounts Receivable

As of February 28, 2017, the Accounts Receivable balance was \$4.79 million versus \$3.73 million at March 31, 2016. Account balance increases are mostly due to Winter Term 2017 Student and Sponsor fees. See Appendix "B" & "D" for further details.

Debts

Operating loans are paid automatically by direct debits to our bank account. We anticipate that the Long Term debt will be increased to approximately \$6.5 million by March 31, 2017, an increase of approximately \$5.6 million due to the advance of the OFA loan for the construction of the Student Wellness Centre. See also Appendix "E".

I report compliance.

4. Acquire, Encumber, or dispose of real estate.

I submit this is clear and requires no further interpretation.

Evidence:

There have been no real estate transactions this fiscal year and no property has been encumbered to date.

I report compliance.

Addendum for Integrated Risk Management (IRM)

As directed by the Audit Committee (and Board), several IRM "foci" have been added to EL reports.

Evidence:

Attached as Appendix "F" is a brief summary of key Risks that the College is addressing and which merit the Board's notice.

Respectfully submitted,

D. Jim Madder
President

Appendix A

Confederation College Financial Statement as at February 28, 2017 With Revised Forecast to March 31, 2017							
	Original Annual Budget 2016-17	YTD- February 28, 2017			Forecast - March 31, 2017		
		Budget	Actual	Variance	Adjusted Budget	Forecast	Variance
Revenue							
Post Secondary Grant	\$ 30,068,816	\$ 27,563,081	\$ 26,975,049	\$ (588,032)	\$ 30,068,816	\$ 30,068,816	\$ -
Other Provincial Grants	12,310,677	11,284,787	11,539,609	254,822	12,310,677	12,472,641	161,964
Tuition Fees-Domestic	9,619,273	8,817,667	9,286,991	469,324	9,619,273	9,264,713	(354,560)
Other Student Fees	2,803,706	2,570,064	3,007,108	437,044	2,803,706	2,684,359	(119,347)
Tuition Fees - International	7,901,121	7,242,694	7,311,791	69,097	7,901,121	7,260,067	(641,054)
Contract and Programs	6,686,661	6,129,439	3,008,346	(3,121,094)	6,686,661	4,404,326	(2,282,335)
Ancillary Operations	3,557,495	3,261,037	3,057,781	(203,256)	3,557,495	3,104,460	(453,035)
Other Revenue	1,602,811	1,469,243	1,239,805	(229,439)	1,602,811	2,056,191	453,380
Total Revenue	\$ 74,550,560	\$ 68,338,013	\$ 65,426,480	\$ (2,911,534)	\$ 74,550,560	\$ 71,315,573	\$ (3,234,988)
Expenses							
Total Full Time Salaries & Benefits	\$ 40,165,304	\$ 36,818,196	\$ 34,366,091	\$ 2,452,105	\$ 40,024,548	\$ 38,744,779	\$ 1,279,769
Total Part Time Salaries & Benefits	9,139,356	8,377,743	7,623,438	754,306	9,241,037	9,807,595	(566,559)
Restructuring Costs	212,700	194,975	107,272	87,703	212,700	200,355	12,345
Buildings, Mtce, Grounds & Utilities	3,560,224	3,263,539	3,437,481	(173,942)	3,560,217	3,779,045	(218,828)
Contracted Services	8,028,416	7,359,382	5,239,144	2,120,237	7,783,170	6,399,210	1,383,960
Furniture & Equipment	1,093,702	1,002,560	1,654,212	(651,651)	1,093,707	1,313,063	(219,356)
Miscellaneous	1,299,329	1,191,052	1,044,720	146,332	1,241,238	1,149,020	92,218
Office & Instructional Expenses	6,871,518	6,298,892	5,085,185	1,213,707	7,172,235	5,911,363	1,260,872
Professional Dues & Audit Fees	982,177	900,329	707,523	192,806	1,052,517	888,321	164,196
Scholarships & TSA	556,801	510,401	1,085,513	(575,113)	528,801	1,085,513	(556,712)
Telecommunications & Software	1,284,995	1,177,912	1,238,659	(60,746)	1,284,995	1,363,895	(78,900)
Travel and Professional Development	1,352,081	1,239,408	1,128,902	110,506	1,351,439	1,198,444	152,995
Total Expenses	\$ 74,546,605	\$ 68,334,388	\$ 62,718,138	\$ 5,616,250	\$ 74,546,605	\$ 71,840,604	\$ 2,706,001
Surplus (Deficiency) of revenue over expenses	\$ 3,955	\$ 3,625	\$ 2,708,342	\$ 2,704,717	\$ 3,955	\$ (525,031)	\$ (528,986)
MTCU Reporting with GAAP Adjustments:							
Depreciation					(3,120,974)	(3,120,974)	
Deferred Capital Contribution Amortization					2,679,243	2,679,243	
Capital Funding moved to Deferred Capital Contributions					(1,107,479)	(1,107,479)	
Long Term Debt Reduction					359,015	359,015	
Change in Post Employment Benefits							
Change in Internally Restricted Funds					-	-	
Capital out of Operating Additions					1,107,479	1,107,479	
Total Impact of GAAP Adjustments					\$ (78,761)	\$ (607,747)	

Appendix B

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The Confederation College of Applied Arts and Technology

Statement of Financial Position

	Actuals at March 31, 2016	Budgeted at March 31, 2017	Actuals at February 28, 2017
Assets			
Current			
Cash	\$ 13,712,322	\$ 12,227,438	\$ 11,209,294
Accounts receivable	3,726,974	3,226,974	4,791,500
Temporary investments	-	-	-
Inventory	673,848	568,848	673,848
Current portion of notes and long-term receivable	19,687	19,687	19,687
Grants receivables	787,852	787,852	-
Prepaid expenses	637,329	637,329	559,444
	<u>19,558,013</u>	<u>17,468,128</u>	<u>17,253,773</u>
Investment portfolio - endowments restricted	8,118,258	8,361,806	7,983,451
Notes and long-term receivable	48,687	28,687	39,253
Construction in progress	6,451,032	11,262,057	7,881,938
Capital assets	36,187,884	39,908,862	42,373,517
	<u>\$ 70,363,873</u>	<u>\$ 77,029,540</u>	<u>\$ 75,531,932</u>
Liabilities			
Current			
Accounts payable	\$ 7,707,085	\$ 6,207,085	\$ 5,835,035
Deferred revenue	3,664,047	3,664,047	4,912,114
Vacation Pay	3,088,398	2,988,398	3,078,081
Current portion of long term debt	359,014	364,835	183,969
	<u>14,818,544</u>	<u>13,224,365</u>	<u>14,009,199</u>
Post-employment benefits and compensated absences	2,546,000	2,525,000	2,546,000
Deferred capital contributions	32,052,236	36,171,656	30,621,331
Deferred capital contributions - construction in progress	6,451,032	11,304,731	7,881,938
Long term debt	1,230,986	871,971	1,208,280
	<u>57,098,798</u>	<u>64,097,723</u>	<u>56,266,748</u>
Net Assets			
Unrestricted			
Operating	5,342,759	5,263,997	7,968,385
Post-employment benefits and compensated absences	(2,546,000)	(2,525,000)	(2,546,000)
Vacation Pay	(3,088,398)	(2,988,398)	(3,078,081)
	<u>(291,639)</u>	<u>(249,401)</u>	<u>2,344,304</u>
Invested in capital assets	2,859,624	2,844,624	6,641,037
Internally restricted	2,713,640	2,113,640	2,467,241
Endowments restricted	7,983,450	8,222,954	7,812,602
	<u>13,265,075</u>	<u>12,931,817</u>	<u>16,920,879</u>
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>13,265,075</u>	<u>12,931,817</u>	<u>19,265,184</u>
	<u>\$ 70,363,873</u>	<u>\$ 77,029,540</u>	<u>\$ 75,531,932</u>

Appendix C

Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities		
	February 28, 2017	March 31, 2016
Trade	\$ 4,968,257	\$ 4,148,592
Accrued Liabilities	356,115	284,709
Accrued salaries and employee's deductions	510,663	3,273,784
	\$ 5,835,035	\$ 7,707,085

Accounts Payable (Random) Samples

Vendor	A/P Document #	Amount	Date of Vendor Invoice	Invoice - Date Received	Dated Cheque Issued
Clow Darling Limited	I0169104	113,000.00	31-Jan-17	22-Feb-17	9-Mar-17
London Property Corp	I0165707	70,376.40	21-Sep-16	21-Oct-16	27-Oct-16
Campus EAI	I0164008	36,371.31	28-Aug-16	24-Aug-16	25-Aug-16
Pioneer Construction Inc	I0168766	37,222.20	31-Jan-17	8-Feb-17	16-Feb-17
Open-Mind Interiors	I0167125	30,972.74	6-Dec-16	12-Dec-16	21-Dec-16
Levaero Aviation	I0165923	7,146.80	26-Oct-16	1-Nov-16	25-Nov-16
PropWorks Propeller Systems Inc	I0167889	6,384.50	31-Dec-16	11-Jan-17	27-Jan-17

Appendix D

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.		
	February 28, 2017	March 31, 2016
Students and sponsors	\$ 2,142,108	\$ 1,426,803
General	2,649,392	2,300,171
	\$ 4,791,500	\$ 3,726,974

Appendix E

Long-Term Debt	Amount
Sibley Hall	\$347,211
Ryan Hall	\$997,727
Site Improvements	\$143,000
Website Development	<u>\$102,062</u>
Total Debt as of March 31, 2016	\$1,230,986
Current Portion	<u>(\$359,014)</u>
Total Debt	\$871,972
Wellness Centre (advanced March, 2017)	\$5,615,000
Projected Total Debt as of March 31, 2017	\$6,486,972

Appendix F

Integrated Risk Management Reporting to the Board

EL-2d Financial Condition and Activities		
Focus: Financial Viability, Government Policy, Funding and Commitment		
Item	Risk	Mitigation Strategy
Post-Secondary Enrolment	<ul style="list-style-type: none"> Enrolment less than projection resulting in reduced government grants and tuition income. 	<ul style="list-style-type: none"> Strategic Enrolment Management Plan Study North/Northern College Collaboration Domestic enrolment is projected to continue to decrease by 3.0% over the previous fiscal year's audited enrolment. International enrolment is expected to continue to grow but at a slower pace.
Provincial Operating Grants and Tuition Fees	<ul style="list-style-type: none"> Provincial Operating Grants and Tuition fee revenue less than Budgeted 	<ul style="list-style-type: none"> Provincial grants and domestic tuition revenue factored into the 2016-17 budget. New Corridor funding model delayed to 2019-20 is a concern. Tuition fee overall increase of 3% was based on MAESD tuition fee policy.
Salary and Benefit Costs	<ul style="list-style-type: none"> Salary and benefits account for approximately 68% of total annual expenditures. 	<ul style="list-style-type: none"> Collective agreements are in place for academic employees to September 30, 2017 and support staff to August 31, 2018. Relative certainty about salary and benefit costs.
Contract Training	<ul style="list-style-type: none"> Significant changes to Canada and Ontario training agreement and policies Provincial fiscal restraint 	<ul style="list-style-type: none"> Strategic review of changing government funding policies Explore partnership opportunities with New Federal Government Diversification of revenue: Indigenous Governance in Public Administration Internship Program.
Capital Infrastructure	<ul style="list-style-type: none"> Limited provincial and federal capital grants to maintain and upgrade College facilities, technology and equipment 	<ul style="list-style-type: none"> Provincial, NOHFC and SIF project grants SUCCI partnership/funding agreement Provincial facilities and program related grants (FRP, CERF, AEF) TEC Hub, Sioux Lookout H.S.; Wellness Centre projects