



Date: November 25, 2016
Last Updated: June 24, 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:

While year-to-date actuals to October 31, 2016 shows a negative variance of \$854,544, our projection for the remainder of the fiscal year to March 31, 2017 is a deficit of \$491,175 or approximately .7% of our revised budget of \$71.3M. This short-fall will be managed by reductions to discretionary spending from now until year-end to achieve a balanced budget.

Year-to-date actuals as of October 31, 2016 show a negative variance largely due to timing differences in both revenues and expenditures. For example Revenues are lower due to the timing of payments of approximately \$5.5M related to provincial grants, contract training and ancillary operations. Expenditures are lower by approximately \$4.6M as the fall term has just commenced resulting in lower expenses to date for salaries, contracted services, utilities and instructional supplies.

Forecasted Expenditures to March 31, 2017 are projected to be below budget by approximately \$2.8M mostly due to a reduction of approximately \$2.5 million in contract training related expenses and \$208,000 in anticipated office and instructional savings.

Forecasted Revenues to March 31, 2017 are projected to be below budget by approximately \$3.3 million mostly due to lower than expected contract training of approximately \$2.7 million, and reduced student tuition income of approximately \$472,000 for the fall intake. The fall enrolment on the November 1, 2016 audit date was 3,414 versus budget estimate of 3,487 which is a decrease of 73 students (51 International and 22 domestic students).

Description	2015-16 Actual (Fall) (1)	2016-17 Projection (Fall) (2)	2016-17 Actual (Fall) (3)	Variance (2 vs 3)
International Learners	423	541	490	51
Domestic Learners	3,037	2,946	2,924	22
Total College "Headcount"	3,460	3,487	3,414	73

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 October 31, 2016, 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 October 31, 2016, the Accounts Payable balance was \$5.74 million versus \$7.71 million at March 31, 2016, a reduction of approximately \$1.97 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 October 31, 2016, the Accounts Receivable balance was \$5.22 million versus \$3.73 million at March 31, 2016. Account balance increases are mostly due to Fall 2016 Student and Sponsor fees. See Appendix "B" & "D" for further details.

Debts

Operating loans are paid automatically by direct debits to our bank account. As of March 31, 2016, Long-term debt was \$1.23 million versus \$1.34 million at March 31, 2015, a reduction of \$113,951. We anticipate that the Long Term debt will be reduced to approximately \$872,000, a reduction of \$359,014 by March 31, 2017. 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 October 31, 2016 With Revised Forecast to March 31, 2017							
	Original Annual Budget 2016-17	YTD- October 31, 2016			Forecast - March 31, 2017		
		Budget	Actual	Variance	Adjusted Budget	Forecast	Variance
Revenue							
Post Secondary Grant	\$ 30,068,816	\$ 17,540,143	\$ 17,190,200	\$ (349,943)	\$ 30,068,816	\$ 30,068,816	\$ -
Other Provincial Grants	12,310,677	7,181,228	5,755,208	(1,426,020)	12,310,677	12,252,841	(57,836)
Tuition Fees-Domestic	9,619,273	5,611,243	5,043,279	(567,964)	9,619,273	9,586,384	(32,889)
Other Student Fees	2,803,706	1,635,495	1,798,529	163,034	2,803,706	2,803,706	-
Tuition Fees - International	7,901,121	4,608,987	3,711,071	(897,916)	7,901,121	7,462,267	(438,854)
Contract and Programs	6,686,661	3,900,552	1,887,976	(2,012,576)	6,686,661	3,986,661	(2,700,000)
Ancillary Operations	3,557,495	2,075,205	1,749,995	(325,210)	3,557,495	3,557,495	-
Other Revenue	1,602,811	934,973	880,892	(54,081)	1,602,811	1,552,811	(50,000)
Total Revenue	\$ 74,550,560	\$ 43,487,827	\$ 38,017,150	\$ (5,470,676)	\$ 74,550,560	\$ 71,270,981	\$ (3,279,579)
Expenses							
Total Full Time Salaries & Benefits	\$ 40,165,304	\$ 23,429,761	\$ 22,240,520	\$ 1,189,241	\$ 40,024,548	\$ 39,676,551	\$ 347,997
Total Part Time Salaries & Benefits	9,139,356	5,331,291	4,339,845	991,446	9,241,037	9,497,908	(256,871)
Restructuring Costs	212,700	124,075	82,645	41,430	212,700	200,355	12,345
Buildings, Mtce, Grounds & Utilities	3,560,224	2,076,797.40	1,803,495	273,303	3,560,217	3,560,217	-
Contracted Services	8,028,416	4,683,242.89	3,080,700	1,602,542	7,783,170	5,358,170	2,425,000
Furniture & Equipment	1,093,702	637,992.80	464,138	173,855	1,093,707	1,093,707	-
Miscellaneous	1,299,329	757,942.06	825,410	(67,468)	1,241,238	1,193,153	48,085
Office & Instructional Expenses	6,871,518	4,008,385.76	3,467,172	541,214	7,172,235	6,964,342	207,893
Professional Dues & Audit Fees	982,177	572,936.71	494,501	78,436	1,052,517	1,052,517	-
Scholarships & TSA	556,801	324,800.57	245,214	79,587	528,801	528,801	-
Telecommunications & Software	1,284,995	749,580.64	994,339	(244,758)	1,284,995	1,284,995	-
Travel and Professional Development	1,352,081	788,713.96	833,716	(45,002)	1,351,439	1,351,439	-
Total Expenses	\$ 74,546,605	\$ 43,485,520	\$ 38,871,694	\$ 4,613,826	\$ 74,546,605	\$ 71,762,157	\$ 2,784,449
Surplus (Deficiency) of revenue over expenses for the year	\$ 3,955	\$ 2,307	\$ (854,544)	\$ (856,851)	\$ 3,955	\$ (491,175)	\$ (495,130)

Appendix B

The Confederation College of Applied Arts and Technology

Statement of Financial Position

	Actuals at March 31, 2016	Budgeted at March 31, 2017	Actuals at October 31, 2016
Assets			
Current			
Cash	\$ 13,712,322	\$ 12,227,438	\$ 8,571,746
Accounts receivable	3,726,974	3,226,974	5,221,248
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	536,306
	<u>19,558,013</u>	<u>17,468,128</u>	<u>15,022,835</u>
Investment portfolio - endowments restricted	8,118,258	8,361,806	7,983,451
Notes and long-term receivable	48,687	28,687	28,221
Construction in progress	6,451,032	11,262,057	10,192,196
Capital assets	<u>36,187,884</u>	<u>39,908,862</u>	<u>36,878,802</u>
	<u>\$ 70,363,873</u>	<u>\$ 77,029,540</u>	<u>\$ 70,105,505</u>
Liabilities			
Current			
Accounts payable	\$ 7,707,085	\$ 6,207,085	\$ 5,740,068
Deferred revenue	3,664,047	3,664,047	3,796,008
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>12,798,126</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	32,734,828
Deferred capital contributions - construction in progress	6,451,032	11,304,731	10,192,196
Long term debt	<u>1,230,986</u>	<u>871,971</u>	<u>1,217,813</u>
	<u>57,098,798</u>	<u>64,097,723</u>	<u>59,488,963</u>
Net Assets			
Unrestricted			
Operating	5,342,759	5,263,997	4,488,215
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>(1,135,866)</u>
Invested in capital assets	2,859,624	2,844,624	1,540,758
Internally restricted	2,713,640	2,113,640	2,271,674
Endowments restricted	<u>7,983,450</u>	<u>8,222,954</u>	<u>7,939,976</u>
	<u>13,265,075</u>	<u>12,931,817</u>	<u>11,752,408</u>
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>13,265,075</u>	<u>12,931,817</u>	<u>10,616,542</u>
	<u>\$ 70,363,873</u>	<u>\$ 77,029,540</u>	<u>\$ 70,105,505</u>

Appendix C

Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities	October 31, 2016	March 31, 2016
Trade	\$ 4,638,457	\$ 4,148,592
Accrued Liabilities	489,606	284,709
Accrued salaries and employee's deductions	612,005	3,273,784
	\$ 5,740,068	\$ 7,707,085

Accounts Payable (Random) Samples

Vendor	Amount	A/P Document #	Date of Vendor Invoice	Invoice - Date Received	Date - Cheque Issued	Notes
Pioneer Construction Inc.	19,452.85	I0160521	Mar 31/2016	April 13/2016	April 21/2016	
Lakehead Printing	4,547.12	I0161385	May 12/2016	May 17/2016	May 19/2016	
Tom Jones Corporation	428,712.21	I0162067	May 31/2016	June 14/2016	June 15/2016	
Aerigo Solutions Inc.	11,226.55	I0161724	June 1/2016	May 19/2016	June 2/2016	**Invoiced in advance for QA
Whitewater Golf Course	11,164.16	I0162673	June 24/2016	June 30/2016	July 7/2016	
Mirion Technologies Inc.	757.35	I0163918	Mar 31/2016	Aug 23/2016	Aug 25/2016	
Shell Canada	570.02	I0163417	July 27/2016	Aug 5/2016	Aug 11/2016	
P W Leopard Ltd	13,786.00	I0164203	Aug 22/2016	Sept 2/2016	Sept 8/2016	

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.

	October 31, 2016	March 31, 2016
Students and sponsors	\$ 3,283,096	\$ 1,426,803
General	1,938,152	2,300,171
	\$ 5,221,248	\$ 3,726,974

Appendix E

Long-Term Debt	Amount
Sibley Hall	\$347,211
Ryan Hall	\$997,727
Site Improvements	\$143,000
Website Development	\$102,062
Total Debt as of March 31, 2016	\$1,230,986
Current Portion	(\$359,014)
Projected Total Debt as of March 31, 2017	\$871,972*

* Timing of the Wellness Centre and Sioux Lookout H.S. Project loans will be next fiscal year.

The College's Debt Servicing Ratio of 0.72% indicates that the College spent over 99% of revenues on core services versus debt and interest payments over the past 3 years. The Ministry of Advanced Education and Skills Development has set the benchmark ratio at 3% or lower.

*Debt Servicing Ratio = (interest expense + principal payments)/ (revenue).

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 Funding formula review underway. Corridor funding model proposed by Colleges. 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 i.e., Ecuador Project; 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