Grant Thornton

Financial Statements

The Confederation College of Applied Arts and Technology

March 31, 2015

Independent Auditor's Report

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

We have audited the accompanying financial statements of The Confederation College of Applied Arts & Technology, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Confederation College of Applied Arts & Technology as at March 31, 2015, and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
June 4, 2015

Chartered Accountants
Licensed Chartered Accountants

The Confederation College of Applied Arts and Technology
Statement of Financial Position

As at	March 31, 2015	March 31, 2014
Assets		
Current		
Cash	$ 3,845,100	$ 4,511,593
Accounts receivable (Note 3)	6,553,250	6,082,524
Temporary investments (Note 2)	5,005,014	5,099,249
Inventory	585,969	727,178
Current portion of notes and long-term receivable	34,912	32,861
Grants receivable	239,222	756,245
Prepaid expenses	719,709	370,025
	16,983,176	17,579,675
Investment portfolio - endowments restricted (Note 4)	8,271,450	7,602,440
Notes and long-term receivable	22,351	7,030
Construction in progress (Note 5)	6,052,483	5,751,540
Capital assets (Note 6)	39,307,023	42,710,652
	$ 70,636,483	$ 73,651,337
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 5,549,299	$ 6,457,410
Deferred revenue (Note 8)	4,230,091	3,098,944
Vacation pay	3,288,856	3,137,638
Current portion of long-term debt (Note 9)	506,385	398,172
	13,574,631	13,092,164
Post-employment benefits and compensated absences (Note 10)	2,649,000	2,715,000
Deferred capital contributions (Note 11)	34,810,162	37,535,925
Deferred capital contributions - construction in progress (Note 11)	6,052,483	5,751,539
Long-term debt (Note 9)	1,344,937	1,749,258
	58,431,213	60,843,886
Net Assets		
Unrestricted		
Operating	$ 5,695,407	$ 6,380,268
Post-employment benefits and compensated absences	(2,649,000)	(2,715,000)
Vacation Pay	(3,288,856)	(3,137,638)
	(242,449)	527,630
Invested in capital assets (Note 12)	2,703,853	3,166,158
Internally restricted (Note 13)	1,475,939	1,549,324
Endowments restricted (Note 14)	8,267,927	7,564,339
	12,447,719	12,279,821
	12,205,270	12,807,451
	$ 70,636,483	$ 73,651,337

On behalf of the Board:

President

Chair, Board of Governors

The Confederation College of Applied Arts and Technology

Statement of Operations

For the year ended March 31	2015	2014
Revenue		
Grants and reimbursements	$ 46,594,143	$ 45,303,614
Tuition revenue	17,302,983	14,239,825
Contract training	2,186,012	2,472,337
Amortization of deferred capital contributions (Note 11)	3,134,801	3,785,171
Other income	2,556,234	2,566,987
Donation revenue	441,245	523,603
Ancillary operations	3,591,804	3,640,928
	75,807,222	72,532,465
Expenses		
Salaries and benefits	$ 49,903,029	$ 46,927,692
Restructuring costs	489,435	434,267
Operating expenses	16,160,384	14,778,795
Plant and property maintenance	3,777,091	3,258,163
Amortization of capital assets	4,140,014	4,826,185
Bursaries and scholarships	444,374	788,360
Donations and fundraising	409,709	12,512
Ancillary operations	1,766,680	1,835,102
	77,090,716	72,861,076
Deficiency of revenue over expenses for the year	$ (1,283,494)	$ (328,611)

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

For the year ended March 31					2015	2014
	Unrestricted	Capital	Internally Restricted	Endowments Restricted	Total	Total
Balance, beginning of year	$ 527,630	$ 3,166,158	$ 1,549,324	$ 7,564,339	$ 12,807,451	$ 12,568,508
Change in endowments during the year (Note 14)	-	-	-	703,588	703,588	567,554
Change in internally restricted net assets (Note 13)	73,385	-	(73,385)	-	-	-
Deficiency of revenue over expenses	(1,283,494)	-	-	-	(1,283,494)	(328,611)
Investment in capital assets (Note 12)	440,030	(462,305)	-	-	(22,275)	-
Balance, end of year	$ (242,449)	$ 2,703,853	$ 1,475,939	$ 8,267,927	$ 12,205,270	$ 12,807,451

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

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

For the year ended March 31		2015		2014
Net inflow (outflow) of cash related to the following				
Operating				
Deficiency of revenue over expenses	$	(1,283,494)	$	(328,611)
Items not involving cash:				
Amortization of deferred capital contributions		(3,134,801)		(3,785,171)
Amortization of capital assets		4,140,014		4,826,185
Change in employee future benefits		27,000		(40,000)
Change in accrued sick leave liability		(93,000)		(125,000)
		(344,280)		547,403
Change in non-cash working capital balances (Note 17)		189,801		2,409,868
		(154,479)		2,957,271
Financing				
Long term debt advances		202,065		486,095
Repayment of long term debt		(498,173)		(391,495)
		(296,108)		94,600
Capital				
Deferred capital contributions		709,982		1,361,401
Construction in progress		(300,943)		(891,514)
Purchase of capital assets		(736,386)		(1,404,489)
		(327,347)		(934,602)
Investing				
(Increase) decrease in notes and long-term loans receivable		(17,372)		37,464
Increase in investment portfolio - Endowment Restricted		(669,010)		(605,654)
Decrease in temporary investments		94,235		1,900,751
Increase in endowments, net awards		703,588		567,554
		111,441		1,900,115
Net cash inflow (outflow) for the year		(666,493)		4,017,384
Cash, Beginning of year		4,511,593		494,209
Cash, End of year		3,845,100		4,511,593

1. Significant Accounting Policies

Description of Organization

The Confederation College of Applied Arts and Technology 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.

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).

Basis of Presentation

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").

Revenue Recognition

The College follows the deferral method of accounting for contributions, which include donations and government grants.

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.

Operating grants from the Ministry of Training, 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.

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.

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.

Externally restricted contributions and restricted investment income are recognized as revenue in the year in which the related expenses are incurred.

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.

Endowment contributions and investment earnings are recognized as direct increases in endowed net assets.

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, 2015. 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.

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 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, temporary investments 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.

Equity instruments and bonds are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

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.

1. Significant Accounting Policies (cont'd)

Amortized Costs

This category includes accounts receivable, notes and long-term receivables, grants receivable, accounts payable and accrued liabilities and long-term debt. 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.

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.

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.

	2015		
	Fair Value	**Amortized Cost**	**Total**
Cash	**$ 3,845,100**	**$ -**	**$ 3,845,100**
Accounts receivable	**-**	**6,553,250**	**6,553,250**
Temporary investments	**5,005,014**	**-**	**5,005,014**
Investment portfolio	**8,271,450**		**8,271,450**
Notes and long-term receivable	**-**	**57,263**	**57,263**
Accounts payable and accrued liabilities	**-**	**5,549,299**	**5,549,299**
	$ 17,121,564	**$ 12,159,812**	**$ 29,281,376**

	2014		
	Fair Value	**Amortized Cost**	**Total**
Cash	$ 4,511,593	$ -	$ 4,511,593
Accounts receivable	-	6,082,524	6,082,524
Temporary investments	5,099,249	-	5,099,249
Investment portfolio	7,602,440		7,602,440
Notes and long-term receivable	-	39,891	39,891
Accounts payable and accrued liabilities	-	6,457,410	6,457,410
	$ 17,213,282	$ 12,579,825	$ 29,793,107

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%.

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% (2.25% at March 31, 2015). At year end the outstanding balance under this credit facility agreement was $nil (2014 - $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, $618,718 (2014 - $685,497) was outstanding with respect to the Royal Bank loans described in Note 9.

2. Financial Instrument Classification (cont'd)

Temporary investments consist of Guaranteed Investment Certificates with a Trust Company, comprised of one GIC investment for $5,082,274 bearing interest at 1.48%, maturing April 10, 2014. Included in the investment portfolio are Canadian Bonds with a maturity profile as indicated below.

2015

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying Value: GIC	$ 5,005,014	$ -	$ -	$ -	$ 5,005,014
Carrying Value: Bonds	495,664	2,572,778	639,868		3,708,310
Total	$ 5,500,678	$ 2,572,778	$ 639,868	$ -	$ 8,713,324
Percent of total	63%	30%	7%	0%	

2014

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying Value: GIC	$ 5,099,249	$ -	$ -	$ -	$ 5,099,249
Carrying Value: Bonds	73,399	2,359,616	1,300,679	-	3,733,694
Total	$ 5,172,648	$ 2,359,616	$ 1,300,679	$ -	$ 8,832,943
Percent of total	59%	27%	15%	0%	

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).

2. Financial Instrument Classification (cont'd)

	2015			
	Level 1	Level 2	Level 3	Total
Cash	$ 3,845,100	$ -	$ -	$ 3,845,100
Temporary investments	5,005,014	-	-	5,005,014
Investment portfolio	4,563,140	3,708,310		8,271,450
	$ 13,413,254	$ 3,708,310	$ -	$ 17,121,564

	2014			
	Level 1	Level 2	Level 3	Total
Cash	$ 4,511,593	$ -	$ -	$ 4,511,593
Temporary investments	5,099,249	-	-	5,099,249
Investment portfolio	3,868,746	3,733,694		7,602,440
	$ 13,479,588	$ 3,733,694	$ -	$ 17,213,282

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2015 and 2014. There were also no transfers in or out of Level 3.

3. 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.

	2015	2014
Students and sponsors	$ 2,270,039	$ 1,896,102
General	4,283,211	4,186,422
	$ 6,553,250	$ 6,082,524

4. 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:

	2015		2014	
	Market	Cost	Market	Cost
Endowed				
Canadian equities	$ 3,062,014	$ 1,565,662	$ 2,446,332	$ 2,270,961
Canadian bonds	3,708,310	4,749,108	3,733,694	3,674,879
Foreign equities	1,202,209	977,098	1,156,839	1,017,925
Foreign fixed income	210,324	240,200		
Cash and equivalents account	88,593	88,593	265,575	265,575
	$ 8,271,450	$ 7,620,661	$ 7,602,440	$ 7,229,340

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 2015 to 2023, and yield an average of 1.58% (2014 - 7.1%) over the term of the investments.

5. Construction in Progress

Construction in progress represents costs incurred to date on the construction of a renewable energy solution project, the Bio-Energy Learning and Research Centre Project, on which $6,052,483 (2014 - $5,751,540) has been spent to date. This $6,052,483 project has been undertaken to design and install a biomass wood waste burning heat system combined with the use of other green technologies, such as, thermal energy capture and a green roof. This project, funded by various federal and provincial grants, donations and financing is scheduled for completion and commissioning in the next fiscal year.

6. Capital Assets

	2015		2014	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 295,057**	**$ -**	$ 295,057	$ -
Site improvements	**2,014,986**	**2,014,986**	2,014,986	2,014,986
Buildings	**73,780,198**	**38,104,734**	73,780,198	36,535,394
Leasehold improvements	**333,188**	**333,188**	333,188	333,188
Furniture and equipment	**74,432,852**	**71,226,832**	73,696,864	68,773,862
Library books	**20,000**	**20,000**	20,000	20,000
Major equipment	**5,246,515**	**5,116,033**	5,246,117	4,998,328
	$ 156,122,796	**$ 116,815,773**	$ 155,386,410	$ 112,675,758
Capital Assets Net book value		**$ 39,307,023**		$ 42,710,652

7. Accounts Payable and Accrued Liabilities

	2015	2014
Trade	$ **2,467,332**	$ 3,597,490
Accrued liabilities	**413,782**	378,602
Accrued salaries and employees' deductions	**2,668,185**	2,481,318
	$ **5,549,299**	$ 6,457,410

8. Deferred Revenue

	2015	2014
Ontario Ministry of Training, Colleges and Universities		
Aboriginal Educational and Training Strategy	$ **171,871**	$ 39,390
Apprentice training	**154,077**	78,050
Campus safety	**16,354**	4,723
Capital BioEnergy Project	**316,345**	146,148
Collaborative nursing	**749,188**	749,188
Employment programs	**226,478**	170,850
Other MTCU	**4,547**	165,502
Ontario MTCU bursaries	**82,993**	84,662
Second career	**290,515**	293,510
Special needs and tutoring	**25,717**	59,611
CODE SCWI	**507,912**	592,577
College service fee	**73,855**	66,666
Contract training	**1,500**	16,500
IT residence infrastructure	**72,754**	41,892
Miscellaneous contracts and projects	**1,049,082**	236,281
Resource Develoment Fee (SUCCI)	**330,073**	161,600
Student IT fee	**71,996**	18,592
Student tech fee	**84,834**	173,202
	$ **4,230,091**	$ 3,098,944

9. Long-term Debt

		2015		2014
Royal Bank Loan for Ryan Hall renovations, repayable at $5,786 + Prime -1% monthly (2% at year-end), due 2021		**416,653**		486,095
Ontario Financing Authority loan for Residence retrofit repayable at $131,559 semi-annually at 2.405%, due 2020		**1,232,604**		1,461,933
Royal Bank loan for aircraft and fuel tank refinanced during the year		-		147,973
Royal Bank loan for camera refinanced during the year		-		51,429
Royal Bank loan for aircraft, fuel tank and camera repayable at $8,419.22 monthly including interest at 1.85% due 2016		**100,028**		-
Royal Bank loan for website development, repayable with interest only payments at prime minus 1.00% due 2016		**102,037**		-
Total		**1,851,322**		2,147,430
Current portion		**506,385**		398,172
	$	**1,344,937**	$	1,749,258

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

Date		Amount
2016	$	506,385
2017		310,002
2018		315,822
2019		321,783
2020		327,889
2021		69,441
	$	1,851,322

10. 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.

	2015			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 676,000	$ 1,529,000	$ 241,000	$ 2,446,000
Value of plan assets	(116,000)	-	-	$ (116,000)
Unamortized actuarial gains	85,000	134,000	100,000	$ 319,000
	$ 645,000	$ 1,663,000	$ 341,000	$ 2,649,000

	2014			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 608,000	$ 1,448,000	$ 261,000	$ 2,317,000
Value of plan assets	(96,000)	-	-	(96,000)
Unamortized actuarial gain	106,000	285,000	103,000	494,000
	$ 618,000	$ 1,733,000	$ 364,000	$ 2,715,000

	2015			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$ 43,000	$ 87,000	$ 8,000	$ 138,000
Interest on accrued benefit obligation	2,000	39,000	7,000	48,000
Amortized actuarial losses	(6,000)	(43,000)	15,000	(34,000)
	$ 39,000	$ 83,000	$ 30,000	$ 152,000

	2014			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$ (22,000)	$ 109,000	$ 13,000	$ 100,000
Interest on accrued benefit obligation	4,000	41,000	5,000	50,000
Amortized actuarial gain	2,000	3,000	-	5,000
	$ (16,000)	$ 153,000	$ 18,000	$ 155,000

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

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

Retirement Benefits

CAAT Pension Plan

Employees of the College are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), which is a multi-employer jointly-sponsored defined benefit plan for eligible employees public colleges and related employers in Ontario. The College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long-term viability of the Plan. Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. 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, 2015 indicated an actuarial surplus of $773 million. The College made contributions to the Plan and its associated retirement compensation arrangement of $4,207,839 in 2015 ($4,011,041 in 2014), 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, 2015 of the future benefits was determined using a discount rate of 1.60% (2014 - 2.70%)

b) Drug costs

Drug costs were assumed to increase at a 9.0% rate for 2015 (2014 - 9.0%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034 for fiscal 2015 (2014 - 4.0% in 2034).

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.0% per annum (2014 - 4.0%).
Medical premium increases were assumed to increase at 7.5% per annum in 2015 (2014 - 7.5%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034 for the fiscal 2015 (2014 - 4.0% in 2034).

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

Post-Employment Benefits (Cont'd)

d) Dental costs

Dental costs were assumed to increase at 4.0% per annum (2014 - 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:

	2015	2014
Wage and salary escalation	**0.00%**	0.00%
Discount rate	**1.60%**	2.70%

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 24.0% and 0 to 8.8 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

11. 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:

	2015	2014
Balance, beginning of year	$ 43,287,464	$ 45,711,234
Add contributions for capital purposes	709,982	1,361,401
Less amortization of deferred capital contributions	(3,134,801)	(3,785,171)
Balance, end of year	40,862,645	43,287,464
Deferred capital contributions relating to construction in progress, end of year	6,052,483	5,751,539
Deferred capital contributions balance, end of year	$ 34,810,162	$ 37,535,925

12. Net Assets - Investment in Capital Assets

	2015	2014
Capital assets, net book value	$ 45,359,507	$ 48,462,192
Less amounts financed by:		
Working capital	58,313	138,860
Long-term debt (Note 9)	(1,851,322)	(2,147,430)
Deferred capital contributions (Note 11)	(40,862,645)	(43,287,464)
Invested in capital assets, end of year	$ 2,703,853	$ 3,166,158

13. Net Assets - Internally 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.

	2015	2014
Tuition set aside for student assistance	$ **365,100**	$ 340,700
Scholarships and bursaries	**212,775**	200,439
Contributions for capital expenditures	**356,781**	367,822
Donations	**333,868**	378,521
Applied Research	**5,307**	5,307
Employee professional development	**116,411**	170,838
Phase 2: Bio-Energy research project	**85,697**	85,697
	$ **1,475,939**	$ 1,549,324

The Ministry of Training, 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.

14. 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.

14. 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

	2015	2014
Schedule of changes in Endowment Fund Balance		
Fund balance, beginning of year	$ 3,663,155	$ 3,663,155
Unrealized gain (unrealized loss)	-	-
Cash donations received	664	-
Fund balance, end of year	3,663,819	3,663,155
Schedule of changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	412,889	168,491
Realized gain	-	-
Unrealized investment gain (loss) net of direct investment-related expenses and preservation of capital contributions	360,497	331,673
Bursaries awarded (2015 = 366, 2014 = 246)	(129,485)	(87,275)
Expendable fund balance, end of year	643,901	412,889
Total endowment fund balance, end of year	$ 4,307,720	$ 4,076,044
Market value of fund, end of year	$ 4,307,720	$ 4,076,044

14. Net Assets - Endowments Restricted (Cont'd)

OSOTF II Second Phase

	2015	2014
Schedule of changes in Endowment Fund Balance		
Fund balance, beginning of year	$ 252,078	$ 252,078
Eligible cash donations received	-	-
	252,078	252,078
Schedule of changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	74,048	49,977
Realized gain	-	-
Unrealized investment gain (loss) net of direct investment-related expenses and preservation of capital contributions	28,843	26,146
Bursaries awarded (2015 = 8, 2014 = 6)	(2,300)	(2,075)
Expendable fund balance, end of year	100,591	74,048
Total endowment fund balance, end of year	$ 352,669	$ 326,126
Market value of fund, end of year	$ 352,669	$ 326,126

OTSS

	2015	2014
Schedule of changes in Endowment Fund Balance		
Fund balance, beginning of year	$ 2,928,877	$ 2,846,651
Eligible cash donations received	210,598	82,226
Gift in kind	83,826	-
	3,223,301	2,928,877
Schedule of changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	233,292	16,433
Realized gain	-	-
Unrealized investment gain (loss) net of direct investment-related expenses and preservation of capital contributions	195,845	247,834
Bursaries awarded (2015 = 74, 2014 = 60)	(44,900)	(30,975)
Expendable fund balance, end of year	384,237	233,292
Total endowment fund balance, end of year	$ 3,607,538	$ 3,162,169
Market value of fund, end of year	$ 3,607,538	$ 3,162,169

14. Net Assets - Endowments Restricted (Cont'd)

Reports of OTSS awards issued for the period of April 1, 2014 to March 31, 2015:

Status of Recipients	OSAP Number	Recipients Amount	Non-OSAP Number	Recipients Amount	Number	Total Amount
Full-time	180	$ 72,145	268	$ 104,540	448	$ 176,685
Part-time	n/a	n/a	n/a	n/a	n/a	n/a
Total	180	$ 72,145	268	$ 104,540	448	$ 176,685

	2015	2014
Grand total of endowment funds, end of year	$ 8,267,927	$ 7,564,339

15. Commitments

The College has leased realty for the Aviation Centre of Excellence at an annual rental of approximately $77,000, with annual increases of 2.5%, and an expiry date of 2053.

16. 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.

17. Statement of Cash Flows

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

		2015		2014
Grants receivable	$	517,023	$	(45,843)
Accounts receivable		(470,726)		1,405,817
Inventory		141,209		(158,118)
Prepaid expenses		(349,684)		(175,445)
Accounts payable and accrued liabilities		(930,386)		1,768,836
Vacation pay		151,218		287,543
Deferred revenue		1,131,147		(672,922)
	$	189,801	$	2,409,868

18. 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.

19. 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 $300,000 (2014 - $300,000).

The College's investment policy operates within the constraints of the investment guidelines issued by the MTCU 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. 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 MTCU. 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.

19. 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 and long-term debt.

The College mitigates interest rate on investments by limiting them to short terms.

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, 2015, 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 $150,000. Equities represent approximately 52% 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.

19. 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 and maintaining guaranteed investment certificate investments that may be converted to cash in the near-term if unexpected cash outflows arise.

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.

20. Liability for Contaminated Sites

Effective April 1, 2014 The Confederation College of Applied Arts and Technology adopted new Public Sector Accounting Handbook Standard PS 3260, *Liability for Contaminated Sites*. The standard requires the recognition of a liability for the remediation of contaminated sites in the financial statements when the recogniiton criteria outlined in the standard is met. This change in accounting policy has been applied prospectively. The impact on adoption of this standard was as follows:

	2015
Increase in liability for contaminated site	$ -
Increase in contamination expense	$ 287,943

The remedation has taken place and involved the complete removal of a fuel pump and single underground storage tank along with the associated removal of both soil and groundwater contamination due to gasoline impacts over time within an approximate area of 650 sq. m. The amount recovered from the Facilities renewal program for 2015 was $221,600.

21. Comparative Figures

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