



Financial Statements

The Confederation College of Applied
Arts and Technology

March 31, 2017

Independent Auditor's Report

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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 and Technology, which comprise the statement of financial position as at March 31, 2017, 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.

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 and Technology as at March 31, 2017, 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

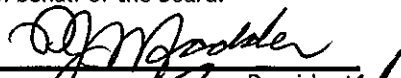
Thunder Bay, Canada
June 8, 2017

Chartered Professional Accountants
Licensed Chartered Accountants

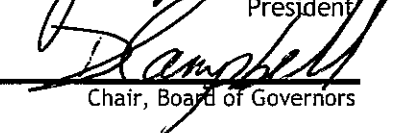
**The Confederation College of
Applied Arts and Technology
Statement of Financial Position**

As at	March 31, 2017	March 31, 2016
Assets		
Current		
Cash	\$ 13,764,463	\$ 13,712,322
Accounts receivable (Note 3)	4,712,961	3,726,974
Inventory	641,246	673,848
Current portion of notes and long-term receivable	14,540	19,687
Grants receivable	1,190,034	787,852
Prepaid expenses	526,844	637,329
	<u>20,850,088</u>	<u>19,558,012</u>
Investment portfolio - endowments restricted (Note 4)	8,920,129	8,118,258
Notes and long-term receivable	41,094	48,687
Construction in progress (Note 5)	9,803,198	6,451,032
Capital assets (Note 6)	40,209,157	36,187,884
	<u>\$ 79,823,666</u>	<u>\$ 70,363,873</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 6,419,917	\$ 7,707,085
Deferred revenue (Note 8)	3,888,495	3,664,047
Vacation pay	3,011,721	3,088,398
Current portion of long-term debt (Note 9)	364,399	359,014
	<u>13,684,532</u>	<u>14,818,544</u>
Post-employment benefits and compensated absences (Note 10)	2,497,000	2,546,000
Deferred capital contributions (Note 11)	36,538,036	32,052,236
Deferred capital contributions - construction in progress (Note 11)	5,650,890	6,451,032
Long-term debt (Note 9)	6,484,893	1,230,986
	<u>64,855,351</u>	<u>57,098,798</u>
Net Assets		
Unrestricted		
Operating	\$ 6,789,084	\$ 5,342,759
Post-employment benefits and compensated absences	(2,497,000)	(2,546,000)
Vacation Pay	(3,011,721)	(3,088,398)
	<u>1,280,363</u>	<u>(291,639)</u>
Invested in capital assets (Note 12)	1,288,114	2,859,624
Internally and externally restricted (Note 13)	3,650,293	2,713,640
Endowments restricted (Note 14)	8,749,545	7,983,450
	<u>13,687,952</u>	<u>13,556,714</u>
	<u>14,968,315</u>	<u>13,265,075</u>
	<u>\$ 79,823,666</u>	<u>\$ 70,363,873</u>

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	2017	2016
Revenue		
Post Secondary Grants	\$ 31,183,754	\$ 30,779,379
Other Provincial Grants	12,443,368	12,764,221
Tuition Fees - Domestic	9,331,739	9,486,509
Other Student Fees	2,923,167	2,725,349
Tuition Fees - International	7,328,408	6,430,175
Contracts and Programs	4,706,031	4,605,637
Ancillary Operations	3,232,944	3,456,420
Amortization of deferred capital contributions (Note 11)	2,421,186	2,876,140
Other Revenue	2,286,638	1,999,152
	75,857,235	75,122,981
Expenses		
Full-time Salaries and Benefits	\$ 38,609,055	\$ 38,585,782
Part-Time Salaries and Benefits	9,635,199	9,122,972
Restructuring Costs	175,043	1,065,369
Plant and Property Maintenance	4,455,679	3,189,192
Contract Services	7,130,275	7,645,094
Furniture & Equipment	447,002	393,281
Miscellaneous	1,138,605	1,003,155
Office and Instructional Supplies	5,820,682	5,136,014
Professional Dues & Audit Fees	916,711	762,891
Scholarships and Tuition Set-Aside	895,723	1,013,693
Telecommunications & Software	1,270,329	1,135,160
Travel and Professional Development	1,266,482	1,332,903
Depreciation	3,181,655	3,756,215
	74,942,440	74,141,721
Excess of revenue over expenses	\$ 914,795	\$ 981,260

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

For the year ended March 31

2017

2016

	Unrestricted	Capital	Internally and Externally Restricted	Endowments Restricted	Total	Total
Balance, beginning of year	\$ (291,639)	\$ 2,859,624	\$ 2,713,640	\$ 7,983,450	\$ 13,265,075	\$ 12,205,270
Change in endowments during the year (Note 14)	-	-	-	766,095	766,095	(284,477)
Change in internally and externally restricted net assets (Note 13)	-	-	22,350	-	22,350	387,701
Excess of revenue over expenses	914,795	-	-	-	914,795	981,260
Transfer from unrestricted to internally restricted	(1,000,000)	-	1,000,000	-	-	-
Transfer from internally restricted to unrestricted	85,697	-	(85,697)	-	-	-
Investment in capital assets (Note 12)	1,571,510	(1,571,510)	-	-	-	(24,679)
Balance, end of year	\$ 1,280,363	\$ 1,288,114	\$ 3,650,293	\$ 8,749,545	\$ 14,968,315	\$ 13,265,075

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	2017	2016
Net inflow (outflow) of cash related to the following		
Operating		
Excess of revenue over expenses	\$ 914,795	\$ 981,260
Items not involving cash:		
Amortization of deferred capital contributions	(2,421,186)	(2,876,140)
Amortization of capital assets	3,181,655	3,756,215
Change in employee future benefits	(38,000)	(34,000)
Change in accrued sick leave liability	(11,000)	(69,000)
	<u>1,626,264</u>	<u>1,758,334</u>
Change in non-cash working capital balances (Note 17)	(2,384,479)	3,688,452
	<u>(758,215)</u>	<u>5,446,786</u>
Financing		
Long-term debt advances	5,615,000	245,062
Repayment of long-term debt	(355,707)	(506,383)
	<u>5,259,293</u>	<u>(261,321)</u>
Capital		
Deferred capital contributions	6,106,844	516,763
Construction in progress	(3,352,166)	(398,548)
Purchase of capital assets	(7,202,929)	(638,610)
	<u>(4,448,251)</u>	<u>(520,395)</u>
Investing		
(Increase) decrease in notes and long-term loans receivable	12,740	(11,110)
(Increase) decrease in investment portfolio - Endowment Rest.	(801,871)	153,192
Increase in restricted assets	22,350	339,532
Decrease in temporary investments	-	5,005,014
(Decrease) Increase in endowments, net awards	766,095	(284,477)
	<u>(686)</u>	<u>5,202,151</u>
Net cash inflow for the year	52,141	9,867,222
Cash, Beginning of year	13,712,322	3,845,100
Cash, End of year	<u>13,764,463</u>	<u>13,712,322</u>

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

March 31, 2017

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 Advanced Education and Skills Development 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.

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

March 31, 2017

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, 2017. 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, 2017

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 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 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, 2017

1. Significant Accounting Policies (cont'd)

Amortized Costs

This category includes accounts receivable, notes and long-term receivable, 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.

**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.

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

March 31, 2017

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.

	2017		
	Fair Value	Amortized Cost	Total
Cash	\$ 13,764,463	\$ -	\$ 13,764,463
Accounts receivable	-	4,712,962	4,712,962
Investment portfolio	8,920,129	-	8,920,129
Notes and long-term receivable	-	55,634	55,634
Accounts payable and accrued liabilities	-	6,419,917	6,419,917
Long-term debt	-	6,849,292	6,849,292
	\$ 22,684,592	\$ 18,037,805	\$ 40,722,397
	2016		
	Fair Value	Amortized Cost	Total
Cash	\$ 13,712,322	\$ -	\$ 13,712,322
Accounts receivable	-	3,726,974	3,726,974
Investment portfolio	8,118,258	-	8,118,258
Notes and long-term receivable	-	68,374	68,374
Accounts payable and accrued liabilities	-	7,707,085	7,707,085
Long-term debt	-	1,590,000	1,590,000
	\$ 21,830,580	\$ 13,092,433	\$ 34,923,013

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% (2.10% at March 31, 2017). At year end the outstanding balance under this credit facility agreement was \$nil (2016 - \$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, \$477,124 (2016 - \$592,273) 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, \$6,372,168 (2016 - \$997,727) was outstanding as described in Note 9. Of the approved amount, \$7.7 million is repayable by SUCCI (Student Union of Confederation College Inc.).

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

March 31, 2017

2. Financial Instrument Classification (cont'd)

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

		2017				
		Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying Value: Bonds		752,615	2,199,411	326,312		3,278,338
Total	\$	752,615	\$ 2,199,411	\$ 326,312	\$ -	\$ 3,278,338
Percent of total		23%	67%	10%	0%	
		2016				
		Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying Value: Bonds		689,606	2,679,523	211,898	-	3,581,027
Total	\$	689,606	\$ 2,679,523	\$ 211,898	\$ -	\$ 3,581,027
Percent of total		19%	75%	6%	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).

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

March 31, 2017

2. Financial Instrument Classification (cont'd)

		2017			
		Level 1	Level 2	Level 3	Total
Cash		\$ 13,764,463	\$ -	\$ -	\$ 13,764,463
Investment portfolio		5,641,791	3,278,338		8,920,129
		\$ 19,406,254	\$ 3,278,338	\$ -	\$ 22,684,592
		2016			
		Level 1	Level 2	Level 3	Total
Cash		\$ 13,712,322	\$ -	\$ -	\$ 13,712,322
Investment portfolio		4,537,231	3,581,027		8,118,258
		\$ 18,249,553	\$ 3,581,027	\$ -	\$ 21,830,580

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2017 and 2016. There were also no transfers in or out of Level 3.

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

March 31, 2017

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.

	2017		2016	
Students and sponsors	\$	863,823	\$	1,426,803
General		3,849,138		2,300,171
	\$	4,712,961	\$	3,726,974

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:

	2017				2016			
	Market		Cost		Market		Cost	
Endowed								
Canadian equities	\$	2,497,112	\$	1,887,702	\$	2,910,204	\$	2,909,652
Canadian bonds		4,605,908		4,686,241		3,581,027		3,537,526
Foreign equities		1,517,457		1,127,569		1,287,586		1,073,770
Foreign fixed income		240,448		247,512		184,151		243,340
Cash and equivalents account		59,204		59,204		155,290		155,290
	\$	8,920,129	\$	8,008,228	\$	8,118,258	\$	7,919,578

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 2017 to 2025, and yield an average of 2.92% (2016 - 3.04%) over the term of the investments.

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

Notes to Financial Statements

March 31, 2017

5. Construction in Progress

	2017	2016
BioEnergy	\$ -	\$ 6,451,032
Wellness Centre	8,676,059	-
TEC Hub	453,522	-
Sioux Lookout Campus	265,341	-
Flight Simulator	408,276	-
	\$ 9,803,198	\$ 6,451,032

6. Capital Assets

	2017		2016	
	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	77,132,710	41,256,393	73,780,198	39,641,862
Leasehold improvements	333,188	333,188	333,188	333,188
Furniture and equipment	78,911,727	74,882,679	75,071,462	73,363,033
Library books	20,000	20,000	20,000	20,000
Major equipment	5,134,844	5,126,109	5,246,515	5,200,453
	\$ 163,842,512	\$ 123,633,355	\$ 156,761,406	\$ 120,573,522
Capital Assets Net book value	\$ 40,209,157		\$ 36,187,884	

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

Notes to Financial Statements

March 31, 2017

7. Accounts Payable and Accrued Liabilities

	2017	2016
Trade	\$ 4,676,214	\$ 4,148,592
Accrued liabilities	334,734	284,709
Accrued salaries and employees' deductions	1,408,969	3,273,784
	\$ 6,419,917	\$ 7,707,085

8. Deferred Revenue

	2017	2016
Ontario Ministry of Training, Colleges and Universities		
Aboriginal Educational and Training Strategy	\$ 49,728	\$ 39,390
Apprentice training	82,655	97,655
Campus safety	2,430	2,953
Capital BioEnergy Project	146,148	207,947
College Equipment Renewal Fund (CERF)	-	4,562
Collaborative nursing	562,886	643,523
Employment programs	90,645	270,010
Other MAESD	3,507	15,827
Ontario MAESD bursaries	143,313	47,206
Second career	478,680	302,505
Special needs and tutoring	-	1,605
CODE SCWI	437,766	518,339
College service fee	164,412	135,265
Contract training	27,500	26,700
IT residence infrastructure	14,189	25,129
Miscellaneous contracts and projects	783,781	688,285
Resource Development Fee (SUCCI)	671,265	501,383
Student IT fee	118,972	65,926
Student tech fee	110,618	69,837
	\$ 3,888,495	\$ 3,664,047

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

Notes to Financial Statements

March 31, 2017

9. Long-term Debt

	2017	2016
Royal Bank Loan for Ryan Hall renovations, repayable at \$5,786 plus interest at Prime -1% monthly (1.7% at year-end), due 2021	\$ 277,769	\$ 347,211
Ontario Financing Authority loan for Residence retrofit repayable at \$131,559 semi-annually including interest at 2.405%, due 2020	757,168	997,727
Royal Bank loan for site improvements, repayable at \$1,701 monthly plus interest at Prime - 1% (1.70% at year-end) due 2021	115,364	143,000
Royal Bank loan for website development, repayable at \$2,383.34 monthly plus interest at Prime - 1% (1.70% at year-end) due 2021	83,991	102,062
Ontario Financing Authority loan for Wellness Centre & Sioux Lookout Highschool, interest only repayment at 0.875% until substantial completion of the associated construction projects	5,615,000	-
Total	6,849,292	1,590,000
Current portion	364,399	359,014
	\$ 6,484,893	\$ 1,230,986

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

	Date		Amount
	2018	\$	364,399
	2019		371,194
	2020		378,144
	2021		120,555
	Thereafter		5,615,000
		\$	6,849,292

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

Notes to Financial Statements

March 31, 2017

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.

		2017			
		Post-employee		Total liability	
		Benefits	Non-vesting sick leave	Vesting sick leave	
Accrued employee future benefits obligations	\$	571,000	\$ 1,561,000	\$ 260,000	\$ 2,392,000
Value of plan assets		(81,000)	-	-	(81,000)
Unamortized actuarial gains		83,000	51,000	52,000	186,000
	\$	573,000	\$ 1,612,000	\$ 312,000	\$ 2,497,000
		2016			
		Post-employee		Total liability	
		Benefits	Non-vesting sick leave	Vesting sick leave	
Accrued employee future benefits obligations	\$	643,000	\$ 1,493,000	\$ 210,000	\$ 2,346,000
Value of plan assets		(112,000)	-	-	(112,000)
Unamortized actuarial gain		80,000	115,000	117,000	312,000
	\$	611,000	\$ 1,608,000	\$ 327,000	\$ 2,546,000
		2017			
		Post-employee		Total expense	
		Benefits	Non-vesting sick leave	Vesting sick leave	
Current year benefit cost	\$	(27,000)	\$ 84,000	\$ 16,000	\$ 73,000
Interest on accrued benefit obligation		1,000	22,000	6,000	29,000
Amortized actuarial (losses) gains		(6,000)	(28,000)	30,000	(4,000)
	\$	(32,000)	\$ 78,000	\$ 52,000	\$ 98,000
		2016			
		Post-employee		Total expense	
		Benefits	Non-vesting sick leave	Vesting sick leave	
Current year benefit cost	\$	(21,000)	\$ 98,000	\$ 9,000	\$ 86,000
Interest on accrued benefit obligation		1,000	25,000	4,000	30,000
Amortized actuarial gain		(5,000)	(32,000)	16,000	(21,000)
	\$	(25,000)	\$ 91,000	\$ 29,000	\$ 95,000

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

The Confederation College of Applied Arts and Technology

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

Retirement Benefits

CAAT Pension Plan

Full-time 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 of public colleges and other employers in Ontario. Other than regular full-time employees may elect to join the Plan on or any time after their date of hire. 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. The most recent actuarial valuation filed with pension regulators as at January 1, 2017 indicated an actuarial surplus of \$1.6 billion. The College made contributions to the Plan and its associated retirement compensation arrangement of \$4,344,514 in 2017 (\$ 4,181,803 in 2016), 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, 2017 of the future benefits was determined using a discount rate of 2.00% (2016 - 1.70%)

b) Drug costs

Drug costs were assumed to increase at a 8.25% rate for 2017 (2016 - 8.5%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034 (2017 - 4.0% in 2034).

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.0% per annum (2016 - 4.0%).

Medical premium increases were assumed to increase at 6.98% per annum in 2017 (2016 - 7.15%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034 (2017 - 4.0% in 2034).

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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 (2016 - 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:

	2017	2016
Wage and salary escalation		
Academic	1.50%	1.80%
Support	0.50%	0.50%
Discount rate	2.00%	1.70%

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 23.7% and 0 to 10.5 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

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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:

	2017	2016
Balance, beginning of year	\$ 38,503,268	\$ 40,862,645
Add contributions for capital purposes	6,106,844	516,763
Less amortization of deferred capital contributions	(2,421,186)	(2,876,140)
Balance, end of year	42,188,926	38,503,268
Deferred capital contributions relating to construction in progress, end of year	5,650,890	6,451,032
Deferred capital contributions balance, end of year	\$ 36,538,036	\$ 32,052,236

12. Net Assets - Investment in Capital Assets

	2017	2016
Capital assets, net book value	\$ 50,012,355	\$ 42,638,916
Less amounts financed by:		
Working capital	313,978	-
Long-term debt (Note 9)	(6,849,293)	(1,276,024)
Deferred capital contributions (Note 11)	(42,188,926)	(38,503,268)
Invested in capital assets, end of year	\$ 1,288,114	\$ 2,859,624

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13. 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.

	2017	2016
Tuition set aside for student assistance	\$ 785,869	\$ 705,890
Scholarships and bursaries	259,205	211,518
Contributions for capital expenditures	346,337	377,164
Donations	309,946	384,435
Applied Research	5,307	5,307
Special Projects	1,000,000	500,000
Student Village	200,000	200,000
Parking Lot Development	50,000	50,000
Critical IT Infrastructure Upgrade	600,000	100,000
Employee professional development	93,629	93,629
Phase 2: Bio-Energy research project	-	85,697
	\$ 3,650,293	\$ 2,713,640

The Ministry of Advanced Education and Skills Development 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.

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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

	2017	2016
Schedule of changes in Endowment Fund Balance		
Fund balance, beginning of year	\$ 3,673,535	\$ 3,663,819
Unrealized gain (unrealized loss)	-	-
Cash donations received	80	9,716
Fund balance, end of year	3,673,615	3,673,535
Schedule of changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	445,534	643,901
Realized gain	-	-
Unrealized investment gain (loss) net of direct investment- related expenses and preservation of capital contributions	483,280	(79,817)
Bursaries awarded (2017 = 237, 2016 = 258)	(122,308)	(118,550)
Expendable fund balance, end of year	806,506	445,534
Total endowment fund balance, end of year	\$ 4,480,121	\$ 4,119,069
Market value of fund, end of year	\$ 4,480,121	\$ 4,119,069

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

OSOTF II Second Phase

	2017		2016
Schedule of changes in Endowment Fund Balance			
Fund balance, beginning of year	\$ 252,078	\$	252,078
Eligible cash donations received	-		-
	<u>252,078</u>		<u>252,078</u>
Schedule of changes in Expendable Funds Available for Awards			
Fund balance, beginning of year	93,787		100,591
Realized gain	-		-
Unrealized investment gain (loss) net of direct investment- related expenses and preservation of capital contributions	40,579		(6,534)
Bursaries awarded (2017 = 4, 2016 = 2)	(520)		(270)
	<u>133,846</u>		<u>93,787</u>
Expendable fund balance, end of year	133,846		93,787
Total endowment fund balance, end of year	\$ 385,924	\$	345,865
Market value of fund, end of year	\$ 385,924	\$	345,865

OTSS

	2017		2016
Schedule of changes in Endowment Fund Balance			
Fund balance, beginning of year	\$ 3,256,266	\$	3,223,301
Eligible cash donations received	20,260		32,965
Gift in kind	-		-
	<u>3,276,526</u>		<u>3,256,266</u>
Schedule of changes in Expendable Funds Available for Awards			
Fund balance, beginning of year	262,250		384,237
Realized gain	-		-
Unrealized investment gain (loss) net of direct investment- related expenses and preservation of capital contributions	412,819		(66,842)
Bursaries awarded (2017 = 99, 2016 = 76)	(68,095)		(55,145)
	<u>606,974</u>		<u>262,250</u>
Expendable fund balance, end of year	606,974		262,250
Total endowment fund balance, end of year	\$ 3,883,500	\$	3,518,516
Market value of fund, end of year	\$ 3,883,500	\$	3,518,516

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

Reports of OTSS awards issued for the period of April 1, 2016 to March 31, 2017:

Status of Recipients	OSAP Number	Recipients Amount	Non-OSAP Number	Recipients Amount	Number	Total Amount
Full-time	257	\$ 116,800	121	\$ 57,095	378	\$ 173,895
Part-time	n/a	n/a	n/a	n/a	n/a	n/a
Total	257	\$ 116,800	121	\$ 57,095	378	\$ 173,895

	2017	2016
Grand total of endowment funds, end of year	\$ 8,749,545	\$ 7,983,450

15. Commitments

The College has leased realty for the Aviation Centre of Excellence at an annual rental of approximately \$81,212, 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.

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17. Statement of Cash Flows

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

	2017	2016
Grants receivable	\$ (402,182)	\$ (548,630)
Accounts receivable	(985,987)	2,826,276
Inventory	32,602	(87,879)
Prepaid expenses	110,485	82,380
Accounts payable and accrued liabilities	(1,287,168)	2,182,806
Vacation pay	(76,677)	(200,458)
Deferred revenue	224,448	(566,044)
	\$ (2,384,479)	\$ 3,688,452

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.

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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 to \$300,000 (2016 - \$300,000).

The College's investment policy operates within the constraints of the investment guidelines issued by the MAESD 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 MAESD. 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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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 (see note 4) 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, 2017, 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 58% 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.

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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. Comparative Figures

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