Grant Thornton

Financial Statements

The Confederation College of Applied Arts and Technology

March 31, 2016

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, 2016, 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, 2016, 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 2, 2016

Chartered Professional Accountants
Licensed Chartered Accountants

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

As at	March 31, 2016	March 31, 2015
Assets		
Current		
Cash	**$ 13,712,322**	$ 3,845,100
Accounts receivable (Note 3)	**3,726,974**	6,553,250
Temporary investments (Note 2)	**-**	5,005,014
Inventory	**673,848**	585,969
Current portion of notes and long-term receivable	**19,687**	34,912
Grants receivable	**787,852**	239,222
Prepaid expenses	**637,329**	719,709
	19,558,012	16,983,176
Investment portfolio - endowments restricted (Note 4)	**8,118,258**	8,271,450
Notes and long-term receivable	**48,687**	22,351
Construction in progress (Note 5)	**6,451,032**	6,052,483
Capital assets (Note 6)	**36,187,884**	39,307,023
	$ 70,363,873	$ 70,636,483
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	**$ 7,707,085**	$ 5,549,299
Deferred revenue (Note 8)	**3,664,047**	4,230,091
Vacation pay	**3,088,398**	3,288,856
Current portion of long-term debt (Note 9)	**359,014**	506,385
	14,818,544	13,574,631
Post-employment benefits and compensated absences (Note 10)	**2,546,000**	2,649,000
Deferred capital contributions (Note 11)	**32,052,236**	34,810,162
Deferred capital contributions - construction in progress (Note 11)	**6,451,032**	6,052,483
Long-term debt (Note 9)	**1,230,986**	1,344,937
	57,098,798	58,431,213
Net Assets		
Unrestricted		
Operating	**$ 5,342,759**	$ 5,695,407
Post-employment benefits and compensated absences	**(2,546,000)**	(2,649,000)
Vacation Pay	**(3,088,398)**	(3,288,856)
	(291,639)	(242,449)
Invested in capital assets (Note 12)	**2,859,624**	2,703,853
Internally and externally restricted (Note 13)	**2,713,640**	1,475,939
Endowments restricted (Note 14)	**7,983,450**	8,267,927
	13,556,714	12,447,719
	13,265,075	12,205,270
	$ 70,363,873	$ 70,636,483

On behalf of the Board:

President

Chair, Board of Governors

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

The Confederation College of Applied Arts and Technology

Statement of Operations

For the year ended March 31	2016	2015
Revenue		
Post Secondary Grants	$ 30,779,378	$ 30,802,786
Other Provincial Grants	12,764,221	13,715,725
Tuition Fees - Domestic	9,486,509	9,424,411
Other Student Fees	2,725,349	3,026,595
Tuition Fees - International	6,430,175	4,783,669
Contracts and Programs	4,605,637	4,812,940
Ancillary Operations	3,456,420	3,591,804
Amortization of deferred capital contributions (Note 11)	2,876,140	3,134,801
Other Revenue	1,999,152	2,514,491
	75,122,981	75,807,222
Expenses		
Full-time Salaries and Benefits	$ 38,585,782	$ 40,116,713
Part-Time Salaries and Benefits	9,122,972	9,911,434
Restructuring Costs	1,065,369	364,316
Plant and Property Maintenance	3,189,192	3,370,940
Contract Services	7,645,094	8,146,433
Furniture & Equipment	393,281	438,684
Miscellaneous	1,003,155	1,440,419
Office and Instructional Supplies	5,136,014	5,243,176
Professional Dues & Audit Fees	762,891	704,438
Scholarships and Tuition Set-Aside	1,013,693	806,552
Telecommunications & Software	1,135,160	1,136,465
Travel and Professional Development	1,332,903	1,271,132
Depreciation	3,756,215	4,140,014
	74,141,721	77,090,716
Excess (Deficiency) of revenue over expenses	$ 981,260	$ (1,283,494)

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

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

For the year ended March 31					2016	2015
	Unrestricted	Capital	Internally and Externally Restricted	Endowments Restricted	Total	Total
Balance, beginning of year	$ (242,449)	$ 2,703,853	$ 1,475,939	$ 8,267,927	$ 12,205,270	$ 12,807,451
Change in endowments during the year (Note 14)	-	-	-	(284,477)	(284,477)	703,588
Change in internally restricted net assets (Note 13)		-	387,701	-	387,701	-
Excess (deficiency) of revenue over expenses	981,260	-	-	-	981,260	(1,283,494)
Transfer from unrestricted to internally restricted	(850,000)		850,000			
Investment in capital assets (Note 12)	(180,450)	155,771	-	-	(24,679)	(22,275)
Balance, end of year	**$ (291,639)**	**$ 2,859,624**	**$ 2,713,640**	**$ 7,983,450**	**$ 13,265,075**	**$ 12,205,270**

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		2016		2015
Net inflow (outflow) of cash related to the following				
Operating				
Excess (deficiency) of revenue over expenses	$	981,260	$	(1,283,494)
Items not involving cash:				
Amortization of deferred capital contributions		(2,876,140)		(3,134,801)
Amortization of capital assets		3,756,215		4,140,014
Change in employee future benefits		(34,000)		27,000
Change in accrued sick leave liability		(69,000)		(93,000)
		1,758,334		(344,281)
Change in non-cash working capital balances (Note 17)		3,688,452		189,802
		5,446,786		(154,479)
Financing				
Long-term debt advances		245,062		202,065
Repayment of long-term debt		(506,383)		(498,173)
		(261,321)		(296,108)
Capital				
Deferred capital contributions		516,763		709,982
Construction in progress		(398,548)		(300,943)
Purchase of capital assets		(638,610)		(736,386)
		(520,395)		(327,347)
Investing				
(Increase) decrease in notes and long-term loans receivable		(11,110)		(17,372)
Increase in investment portfolio - Endowment Restricted		153,192		(669,010)
Increase in restricted assets		339,532		
Decrease in temporary investments		5,005,014		94,235
Increase in endowments, net awards		(284,477)		703,588
		5,202,151		111,441
Net cash inflow (outflow) for the year		9,867,222		(666,493)
Cash, Beginning of year		3,845,100		4,511,593
Cash, End of year		13,712,322		3,845,100

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, 2016. 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 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, 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 valuefor 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.

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.

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.

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.

	2016		
	Fair Value	**Amortized Cost**	**Total**
Cash	**$ 13,712,322**	**$ -**	**$ 13,712,322**
Accounts receivable	**-**	**3,726,974**	**3,726,974**
Temporary investments	**-**	**-**	**-**
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	**$ 11,502,433**	**$ 34,923,013**

	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
Long-term debt		1,851,322	1,851,322
	$ 17,121,564	$ 12,159,812	$ 31,132,698

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, 2016). At year end the outstanding balance under this credit facility agreement was $nil (2015 - $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, $592,273 (2015 - $618,718) was outstanding with respect to the Royal Bank loans described in Note 9.

2. Financial Instrument Classification (cont'd)

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

	2016				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying Value: GIC	$ -	$ -	$ -	$ -	$ -
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%	

	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%	

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)

2016

	Level 1	Level 2	Level 3	Total
Cash	$ 13,712,322	$ -	$ -	$ 13,712,322
Temporary investments	-	-	-	-
Investment portfolio	4,537,231	3,581,027		8,118,258
	$ 18,249,553	$ 3,581,027	$ -	$ 21,830,580

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

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2016 and 2015. 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.

		2016		2015
Students and sponsors	**$**	**1,426,803**	$	2,270,039
General		**2,300,171**		4,283,211
	$	**3,726,974**	$	6,553,250

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:

		2016				2015		
		Market		**Cost**		Market		Cost
Endowed								
Canadian equities	**$**	**2,910,204**	**$**	**2,909,652**	$	3,062,014	$	1,565,662
Canadian bonds		**3,581,027**		**3,537,526**		3,708,310		4,749,108
Foreign equities		**1,287,586**		**1,073,770**		1,202,209		977,098
Foreign fixed income		**184,151**		**243,340**		210,324		240,200
Cash and equivalents account		**155,290**		**155,290**		88,593		88,593
	$	**8,118,258**	**$**	**7,919,578**	$	8,271,450	$	7,620,661

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 2016 to 2023, and yield an average of 3.04% (2015 – 1.58%) 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 $6,451,032 (2015 - $6,052,483) has been spent to date. This $6,451,032 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

	2016		**2015**	
	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**	**39,641,862**	73,780,198	38,104,734
Leasehold improvements	**333,188**	**333,188**	333,188	333,188
Furniture and equipment	**75,071,462**	**73,363,033**	74,432,852	71,226,832
Library books	**20,000**	**20,000**	20,000	20,000
Major equipment	**5,246,515**	**5,200,453**	5,246,515	5,116,033
	$ 156,761,406	**$ 120,573,522**	$ 156,122,796	$ 116,815,773
Capital Assets Net book value		**$ 36,187,884**		$ 39,307,023

7. Accounts Payable and Accrued Liabilities

		2016		2015
Trade	$	4,148,592	$	2,467,332
Accrued liabilities		284,709		413,782
Accrued salaries and employees' deductions		3,273,784		2,668,185
	$	7,707,085	$	5,549,299

8. Deferred Revenue

		2016		2015
Ontario Ministry of Training, Colleges and Universities				
Aboriginal Educational and Training Strategy	$	39,390	$	171,871
Apprentice training		97,655		154,077
Campus safety		2,953		16,354
Capital BioEnergy Project		207,947		316,345
College Equipment Renewal Fund (CERF)		4,562		
Collaborative nursing		643,523		749,188
Employment programs		270,010		226,478
Other MTCU		15,827		4,547
Ontario MTCU bursaries		47,206		82,993
Second career		302,505		290,515
Special needs and tutoring		1,605		25,717
CODE SCWI		518,339		507,912
College service fee		135,265		73,855
Contract training		26,700		1,500
IT residence infrastructure		25,129		72,754
Miscellaneous contracts and projects		688,285		1,049,082
Resource Develoment Fee (SUCCI)		501,383		330,073
Student IT fee		65,926		71,996
Student tech fee		69,837		84,834
	$	3,664,047	$	4,230,091

9. Long-term Debt

		2016		2015
Royal Bank Loan for Ryan Hall renovations, repayable at $5,786 + Prime -1% monthly (2% at year-end), due 2021	**$**	**347,211**	$	416,653
Ontario Financing Authority loan for Residence retrofit repayable at $131,559 semi-annually at 2.405%, due 2020		**997,727**		1,232,604
Royal Bank loan for site improvements, repayable at $1,701.03 monthly plus interest at Prime - 1% (1.70% at year-end) due 2021		**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		**102,062**		-
Royal Bank loan for aircraft, fuel tank and camera repaid in year				100,028
Royal Bank loan for website development, repayable repaid in year				102,037
Total		**1,590,000**		1,851,322
Current portion		**359,014**		506,385
	$	**1,230,986**	$	1,344,937

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

Date		Amount
2017	$	359,014
2018		364,835
2019		370,796
2020		376,901
2021		118,454
	$	1,590,000

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.

2016

	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
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 gains	80,000	115,000	117,000	312,000
	$ 611,000	$ 1,608,000	$ 327,000	$ 2,546,000

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 gain	85,000	134,000	100,000	319,000
	$ 645,000	$ 1,663,000	$ 341,000	$ 2,649,000

2016

	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
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 losses	(5,000)	(32,000)	16,000	(21,000)
	$ (25,000)	$ 91,000	$ 29,000	$ 95,000

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 gain	(6,000)	(43,000)	15,000	(34,000)
	$ 39,000	$ 83,000	$ 30,000	$ 152,000

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, 2016 indicated an actuarial surplus of $1,179 million. The College made contributions to the Plan and its associated retirement compensation arrangement of $4,181,803 in 2016 ($4,207,389 in 2015), 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, 2016 of the future benefits was determined using a discount rate of 1.70% (2015 - 1.60%)

b) Drug costs

   Drug costs were assumed to increase at a 8.5% rate for 2016 (2015 – 9.0%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034 (2015 – 4.0% in 2034).

c) Hospital and other medical

   Hospital and other medical costs were assumed to increase at 4.0% per annum (2015 – 4.0%).
   Medical premium increases were assumed to increase at 7.15% per annum in 2016 (2015 – 7.5%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034 (2015 – 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 (2015 - 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:

	2016	2015
Wage and salary escalation		
Academic	**1.80%**	1.50%
Support	**0.50%**	1.00%
Discount rate	**1.70%**	1.60%

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:

		2016		2015
Balance, beginning of year	$	40,862,645	$	43,287,464
Add contributions for capital purposes		516,763		709,982
Less amortization of deferred capital contributions		(2,876,140)		(3,134,801)
Balance, end of year		38,503,268		40,862,645
Deferred capital contributions relating to construction in progress, end of year		6,451,032		6,052,483
Deferred capital contributions balance, end of year	$	32,052,236	$	34,810,162

12. Net Assets - Investment in Capital Assets

		2016		2015
Capital assets, net book value	$	42,638,916	$	45,359,507
Less amounts financed by:				
Working capital		-		58,313
Long-term debt (Note 9)		(1,276,024)		(1,851,322)
Deferred capital contributions (Note 11)		(38,503,268)		(40,862,645)
Invested in capital assets, end of year	$	2,859,624	$	2,703,853

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.

	2016	2015
Tuition set aside for student assistance	$ 705,890	$ 365,100
Scholarships and bursaries	211,518	212,775
Contributions for capital expenditures	377,164	356,781
Donations	384,435	333,868
Applied Research	5,307	5,307
One-Time Funding	500,000	-
Student Village	200,000	-
Parking Lot Development	50,000	-
Critical IT Infrastructure Upgrade	100,000	-
Employee professional development	93,629	116,411
Phase 2: Bio-Energy research project	85,697	85,697
	$ 2,713,640	$ 1,475,939

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

	2016	2015
Schedule of changes in Endowment Fund Balance		
Fund balance, beginning of year	$ 3,663,819	$ 3,663,155
Unrealized gain (unrealized loss)	-	-
Cash donations received	9,716	664
Fund balance, end of year	3,673,535	3,663,819
Schedule of changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	643,901	412,889
Realized gain	-	-
Unrealized investment gain (loss) net of direct investment-related expenses and preservation of capital contributions	(79,817)	360,497
Bursaries awarded (2016 = 258, 2015 = 366)	(118,550)	(129,485)
Expendable fund balance, end of year	445,534	643,901
Total endowment fund balance, end of year	$ 4,119,069	$ 4,307,720
Market value of fund, end of year	$ 4,119,069	$ 4,307,720

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

OSOTF II Second Phase

	2016	2015
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	100,591	74,048
Realized gain	-	-
Unrealized investment gain (loss) net of direct investment-related expenses and preservation of capital contributions	(6,534)	28,843
Bursaries awarded (2016 = 2, 2015 = 8)	(270)	(2,300)
Expendable fund balance, end of year	93,787	100,591
Total endowment fund balance, end of year	$ 345,865	$ 352,669
Market value of fund, end of year	$ 345,865	$ 352,669

OTSS

	2016	2015
Schedule of changes in Endowment Fund Balance		
Fund balance, beginning of year	$ 3,223,301	$ 2,928,877
Eligible cash donations received	32,965	210,598
Gift in kind		83,826
	3,256,266	3,223,301
Schedule of changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	384,237	233,292
Realized gain	-	-
Unrealized investment gain (loss) net of direct investment-related expenses and preservation of capital contributions	(66,842)	195,845
Bursaries awarded (2016 = 76, 2015 = 74)	(55,145)	(44,900)
Expendable fund balance, end of year	262,250	384,237
Total endowment fund balance, end of year	$ 3,518,516	$ 3,607,538
Market value of fund, end of year	$ 3,518,516	$ 3,607,538

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

Reports of OTSS awards issued for the period of April 1, 2015 to March 31, 2016:

Status of Recipients	OSAP Number	Recipients Amount	Non-OSAP Number	Recipients Amount	Number	Total Amount
Full-time	**171**	**$ 72,145**	**149**	**$ 63,240**	**320**	**$ 135,385**
Part-time	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Total	**171**	**$ 72,145**	**149**	**$ 63,240**	**320**	**$ 135,385**

	2016	2015
Grand total of endowment funds, end of year	**$ 7,983,450**	$ 8,267,927

15. Commitments

The College has leased realty for the Aviation Centre of Excellence at an annual rental of approximately $79,231, 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:

	2016	2015
Grants receivable	$ (548,630)	$ 517,023
Accounts receivable	2,826,276	(470,726)
Inventory	(87,879)	141,209
Prepaid expenses	82,380	(349,684)
Accounts payable and accrued liabilities	2,182,806	(930,385)
Vacation pay	(200,458)	151,218
Deferred revenue	(566,044)	1,131,147
	$ 3,688,452	$ 189,802

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 (2015 - $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 (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, 2016, 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.

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.