Grant Thornton

Financial Statements

The Confederation College of Applied Arts and Technology

March 31, 2020

Grant Thornton

Independent Auditor's Report

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

Opinion

We have audited the financial statements of The Confederation College of Applied Arts & Technology ("the College"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, change in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Confederation College of Applied Arts & Technology as at March 31, 2020, and its results of operations, its changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 College's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Thunder Bay, Canada
June 12, 2020

Chartered Professional Accountants
Licensed Chartered Accountants

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

As at	March 31, 2020	March 31, 2019
Assets		
Current		
Cash	$ **49,199,280**	$ 36,154,220
Accounts receivable (Note 3)	**5,511,785**	7,271,211
Inventory	**688,534**	883,536
Current portion of notes and long-term receivable (Note 4)	**456,000**	454,409
Grants receivable	**1,846,600**	959,422
Prepaid expenses	**245,236**	509,746
	57,947,435	46,232,544
Investment portfolio - endowments restricted (Note 5)	**8,723,228**	9,419,568
Notes and long-term receivable (Note 4)	**6,877,548**	6,686,218
Construction in progress (Note 6)	**-**	2,242,704
Capital assets (Note 7)	**77,126,067**	77,415,749
	$ **150,674,278**	$ 141,996,783
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 8)	$ **17,370,094**	$ 14,052,396
Deferred revenue (Note 9)	**10,683,477**	5,662,539
Vacation pay	**3,133,348**	3,365,285
Current portion of long-term debt (Note 10)	**310,902**	629,762
	31,497,821	23,709,982
Post-employment benefits and compensated absences (Note 11)	**2,267,000**	2,339,000
Deferred capital contributions (Note 12)	**68,101,588**	70,442,906
Deferred capital contributions - construction in progress (Note 12)	**-**	577,653
Long-term debt (Note 10)	**9,742,557**	10,122,900
	111,608,966	107,192,441
Net Assets		
Unrestricted		
Operating	$ **7,901,192**	$ 5,842,551
Post-employment benefits and compensated absences	**(2,267,000)**	(2,339,000)
Vacation Pay	**(3,133,348)**	(3,365,285)
	2,500,844	138,266
Invested in capital assets (Note 13)	**6,586,941**	5,305,128
Internally and externally restricted (Note 14)	**21,388,163**	20,124,840
Endowments restricted (Note 15)	**8,589,364**	9,236,108
	36,564,468	34,666,076
	39,065,312	34,804,342
	$ **150,674,278**	$ 141,996,783

On behalf of the Board:

Kathleen Lynch

President

Chair, Board of Governors

The Confederation College of Applied Arts and Technology

Statement of Operations

For the year ended March 31	2020	2019
Revenue		
Post Secondary Grants	$ 32,040,764	$ 40,166,684
Other Provincial Grants	12,839,538	11,240,244
Tuition Fees - Domestic	6,872,386	10,158,946
Other Student Fees	4,386,796	3,776,380
Tuition Fees - International	18,561,610	18,361,151
Contracts and Programs	4,727,950	9,340,122
Ancillary Operations	3,040,112	3,242,470
Amortization of deferred capital contributions (Note 12)	5,354,979	4,999,320
Other Revenue	2,499,347	3,396,694
	90,323,482	104,682,011
Expenses		
Full-time Salaries and Benefits	$ 41,237,260	$ 39,997,604
Part-Time Salaries and Benefits	12,343,307	13,597,374
Restructuring Costs	-	771,918
Plant and Property Maintenance	3,380,708	3,419,561
Contract Services	9,539,563	11,041,480
Furniture & Equipment	497,092	432,614
Miscellaneous	1,089,850	1,110,928
Office and Instructional Supplies	6,077,243	6,279,215
Professional Dues & Audit Fees	887,457	809,677
Scholarships and Tuition Set-Aside	1,067,088	996,882
Telecommunications & Software	1,644,564	1,358,869
Travel and Professional Development	1,062,886	943,435
Depreciation	6,674,700	6,139,707
	85,501,718	86,899,264
Excess of revenue over expenses	$ 4,821,764	$ 17,782,747

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

For the year ended March 31					2020	2019
	Unrestricted	Capital	Internally and Externally Restricted	Endowments Restricted	Total	Total
Balance, beginning of year	$ 138,266	$ 5,305,128	$ 20,124,840	$ 9,236,108	$ 34,804,342	$ 16,799,846
Change in endowments during the year (Note 15)	-	-	-	(646,744)	(646,744)	355,323
Change in internally and externally restricted net assets (Note 14)	-	-	34,415	-	34,415	(182,908)
Excess of revenue over expenses	6,141,485	(1,319,721)		-	4,821,764	17,782,747
Transfer from unrestricted to internally restricted	(3,800,000)	-	3,800,000	-	-	-
Transfer from internally restricted to unrestricted	41,528		(41,528)		-	-
Investment in capital assets (Note 13)	(20,435)	2,601,534	(2,529,564)	-	51,535	49,334
Balance, end of year	$ 2,500,844	$ 6,586,941	$ 21,388,163	$ 8,589,364	$ 39,065,312	$ 34,804,342

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	2020	2019
Net inflow (outflow) of cash related to the following		
Operating		
Excess of revenue over expenses	$ 4,821,764	$ 17,782,747
Items not involving cash:		
Amortization of deferred capital contributions	(5,354,979)	(4,999,320)
Depreciation of capital assets	6,674,700	6,139,707
Change in post-employment benefits	(41,000)	32,000
Change in accrued sick leave liability	(31,000)	(37,000)
	6,069,485	18,918,134
Change in non-cash working capital balances (Note 18)	9,438,453	(3,646,645)
	15,507,938	15,271,489
Financing		
Long-term debt advances	-	-
Repayment of long-term debt	(699,203)	(759,086)
	(699,203)	(759,086)
Capital		
Deferred capital contributions	2,436,008	14,442,440
Construction in progress	2,242,704	13,292,235
Purchase of capital assets	(6,333,477)	(31,426,757)
	(1,654,765)	(3,692,082)
Investing		
(Increase) decrease in notes and long-term loans receivable	(192,921)	708,971
(Increase) in investment portfolio - Endowment Rest.	696,340	(352,103)
Increase (decrease) in restricted assets	34,415	(182,908)
Increase (decrease) in endowments, net awards	(646,744)	355,323
	(108,910)	529,283
Net cash inflow for the year	13,045,060	11,349,604
Cash, Beginning of year	36,154,220	24,804,616
Cash, End of year	49,199,280	36,154,220

1. Significant Accounting Policies

Description of Organization

The Confederation College of Applied Arts and Technology (The College), 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, 2020. 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 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.

1. Significant Accounting Policies (cont'd)

Amortized Cost

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

	2020		
	Fair Value	**Amortized Cost**	**Total**
Cash	**$ 49,199,280**	**$ -**	**$ 49,199,280**
Accounts receivable	**-**	**5,511,785**	**5,511,785**
Investment portfolio	**8,723,228**	**-**	**8,723,228**
Notes and long-term receivable	**-**	**7,333,547**	**7,333,547**
Accounts payable and accrued liabilities	**-**	**17,370,094**	**17,370,094**
Long-term debt		**10,053,459**	**10,053,459**
	$ 57,922,508	**$ 40,268,885**	**$ 98,191,393**

	2019		
	Fair Value	Amortized Cost	Total
Cash	$ 36,154,220	$ -	$ 36,154,220
Accounts receivable	-	7,271,211	7,271,211
Investment portfolio	9,419,568	-	9,419,568
Notes and long-term receivable	-	7,140,627	7,140,627
Accounts payable and accrued liabilities	-	14,052,396	14,052,396
Long-term debt		10,752,662	10,752,662
	$ 45,573,788	$ 39,216,896	$ 84,790,684

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% (0.7% at March 31, 2020).

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% (1.85% at March 31, 2020). At year end the outstanding balance under this credit facility agreement was $nil (2019 - $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, $nil (2019 - $138,884) was outstanding with respect to the Royal Bank loans described in Note 10.

The College also has total approved financing with the Ontario Financing Authority in the amount of $13,335,844. Of this amount, $10,053,459 (2019 - $10,613,778) was outstanding as described in Note 10. Of the approved amount, $6,665,887 is repayable by SUCCI (Student Union of Confederation College Inc.).

2. Financial Instrument Classification (cont'd)

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

	2020				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying Value: Bonds	551,219	2,454,889	62,014	180,195	3,248,317
Total	$ 551,219	$ 2,454,889	$ 62,014	$ 180,195	$ 3,248,317
Percent of total	17%	75%	2%	6%	

	2019				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying Value: Bonds	626,271	2,090,645	102,446	195,704	3,015,066
Total	$ 626,271	$ 2,090,645	$ 102,446	$ 195,704	$ 3,015,066
Percent of total	21%	70%	3%	6%	

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)

	2020			
	Level 1	Level 2	Level 3	Total
Cash	$ 49,199,280	$ -	$ -	$ 49,199,280
Investment portfolio	8,723,228		-	8,723,228
	$ 57,922,508	$ -	$ -	$ 57,922,508

	2019			
	Level 1	Level 2	Level 3	Total
Cash	$ 36,154,220	$ -	$ -	$ 36,154,220
Investment portfolio	9,419,568		-	9,419,568
	$ 45,573,788	$ -	$ -	$ 45,573,788

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2020 and 2019. 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.

	2020	2019
Students and sponsors	**$ 525,391**	$ 795,573
General	**4,986,394**	6,475,638
	$ 5,511,785	$ 7,271,211

4. Notes and Long-term Receivable

In April 2016, the Student Union of Confederation College Inc. (SUCCI) entered into a funding and contribution agreement with the College to finance a contribution towards the new Wellness Centre. Amounts are to be paid to the College until the SUCCI contribution of $8.5 million, together with the deemed Ontario Financing Authority (OFA). Interest rate thereon per annum, is paid in full. The OFA debt is repayable over the next 22 years, and bears a fixed interest rate of 2.969% (Note 10). The current portion of the long-term receivable represents the principal loan payments due within one year.

		2020		2019
General	$	**31,248**	$	34,341
SUCCI Student Levy Receivable		**7,302,300**		7,106,286
Total		**7,333,548**		7,140,627
Current Portion		**456,000**		454,409
	$	**6,877,548**	$	6,686,218

5. 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:

		2020				2019		
		Market		**Cost**		Market		Cost
Endowed								
Canadian equities	$	**1,821,402**	$	**1,600,591**	$	2,376,257	$	1,752,314
Canadian fixed income		**4,774,877**		**5,498,482**		4,507,411		4,793,446
Foreign equities		**1,505,999**		**1,037,393**		1,957,369		1,356,632
Foreign fixed income		**429,024**		**516,275**		467,984		503,764
Cash and equivalents account		**191,926**		**191,926**		110,547		110,547
	$	**8,723,228**	$	**8,844,667**	$	9,419,568	$	8,516,703

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 2020 to 2077, and yield an average of 5.33% (2019 – 2.64%) over the term of the investments.

6. Construction in Progress

	2020	2019
Sioux Lookout Campus	$ -	$ 2,242,704
	$ -	$ 2,242,704

7. Capital Assets

	2020		2019	
	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	**111,244,353**	**47,777,624**	108,780,157	45,420,351
Bridge	**2,851,153**	**195,844**	2,044,936	81,797
Leasehold improvements	**333,188**	**333,188**	333,188	333,188
Furniture and equipment	**90,620,520**	**80,204,762**	88,477,865	76,881,590
Library books	**20,000**	**20,000**	20,000	20,000
Major equipment	**4,330,558**	**4,037,344**	4,169,012	3,967,540
	$ 211,709,815	**$ 134,583,748**	$ 206,135,201	$ 128,719,452
Capital Assets Net book value		**$ 77,126,067**		$ 77,415,749

8. Accounts Payable and Accrued Liabilities

		2020		2019
Trade	$	**14,958,021**	$	11,601,417
Accrued liabilities		**404,009**		389,311
Government remittances		**1,107,990**		
Accrued salaries		**900,074**		2,061,668
	$	**17,370,094**	$	14,052,396

9. Deferred Revenue

		2020		2019
Ontario Ministry of Training, Colleges and Universities				
Aboriginal Educational and Training Strategy	$	**48,196**	$	39,390
Apprentice training		**3,688**		67,655
Campus safety		**76,164**		54,127
Capital Campaign TEC Hub		**100,384**		63,937
Collaborative nursing		**657,273**		528,919
Employment programs		**158,313**		205,558
Other MTCU		**3,160,534**		2,011,255
Ontario MTCU bursaries		**-**		101,116
Second career		**513,565**		496,920
Special needs and tutoring		**7,356**		6,385
CODE SCWI		**194,288**		582,343
College service fee		**172,614**		190,095
IT residence infrastructure		**95,394**		67,819
Miscellaneous contracts and projects		**1,723,128**		954,804
Post-secondary Tuition		**3,181,712**		24,178
Student IT fee		**255,870**		75,805
Student tech fee		**334,998**		192,233
	$	**10,683,477**	$	5,662,539

10. Long-term Debt

	2020	2019
Royal Bank Loan for Ryan Hall renovations, repaid in year	$ -	$ 138,884
Ontario Financing Authority loan for Residence retrofit repaid in year	-	258,446
Ontario Financing Authority loan for Wellness Centre repayable at $303,132 semi-annually including interest at 2.969% due 2042	**10,053,459**	10,355,332
Total	**10,053,459**	10,752,662
Current portion	**310,902**	629,762
	$ 9,742,557	$ 10,122,900

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

Date	Amount
2021	$ 310,902
2022	319,360
2023	328,912
2024	338,750
2025	348,124
Thereafter	8,407,411
	$ 10,053,459

Of the approved amount of the OFA loan for the Wellness Centre, $6.7 million is repayable by SUCCI (Student Union of Confederation College Inc.) (Note 4).

11. 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.

	2020			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 553,000	$ 2,197,000	$ 48,000	$ 2,798,000
Value of plan assets	(121,000)	-	-	(121,000)
Unamortized actuarial gains (losses)	58,000	(637,000)	169,000	(410,000)
	$ 490,000	$ 1,560,000	$ 217,000	$ 2,267,000

	2019			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 579,000	$ 1,529,000	$ 90,000	$ 2,198,000
Value of plan assets	(104,000)	-	-	(104,000)
Unamortized actuarial gains	56,000	41,000	148,000	245,000
	$ 531,000	$ 1,570,000	$ 238,000	$ 2,339,000

	2020			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$ (33,000)	$ 84,000	$ 4,000	$ 55,000
Interest on accrued benefit obligation	2,000	31,000	2,000	35,000
Amortized actuarial losses	(5,000)	(1,000)	(6,000)	(12,000)
	$ (36,000)	$ 114,000	$ -	$ 78,000

	2019			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$ 41,000	$ 78,000	$ 4,000	$ 123,000
Interest on accrued benefit obligation	2,000	39,000	3,000	44,000
Amortized actuarial losses	(6,000)	(6,000)	-	(12,000)
	$ 37,000	$ 111,000	$ 7,000	$ 155,000

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

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

Retirement Benefits

CAAT Pension Plan

All full-time employees of the College, and any part-time employees who opt to participate, are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), a multi-employer jointly-sponsored defined benefit plan for public colleges in Ontario and other employers. The College makes contributions to the Plan equal to those of employees. Contribution rates are set by the Plan's governors to ensure the long-term viability of the Plan. Since the Plan is a multi-employer plan, the College's contributions are accounted for as if the plan were a defined contribution plan with the College's contributions being expensed in the period they come due.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates related to full-time members. 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, 2020 indicated an actuarial surplus on a going concern basis of $2.9 billion. The College made contributions to the Plan and its associated retirement compensation arrangement of $4,485,261 (2019 - $4,336,853), 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, 2020 of the future benefits was determined using a discount rate of 1.60% (2019 - 2.20%)

b) Drug costs

Drug costs were assumed to increase at a 8.0% rate for 2018 and decrease proportionately thereafter to an ultimate rate of 4.0% in 2040 (2019 – 4.0% in 2040).

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.0% per annum in 2020 (2019 – 4.0%).
Medical premium increases were assumed to increase at 6.55% per annum in 2020 and decrease proportionately thereafter to an ultimate rate of 4.0% in 2040 (2019 – 4.0% in 2040).

11. 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 (2019 - 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:

	2020	2019
Wage and salary escalation		
Academic	**2.00%**	2.00%
Support	**1.50%**	1.50%
Discount rate	**2.20%**	2.60%

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 23.7% and 0 to 46.1 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

12. 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:

	2020	2019
Balance, beginning of year	$ **71,020,559**	$ 61,577,439
Add contributions for capital purposes	**2,436,008**	14,442,440
Less amortization of deferred capital contributions	**(5,354,979)**	(4,999,320)
Balance, end of year	**68,101,588**	71,020,559
Deferred capital contributions relating to construction in progress, end of year	**-**	577,653
Deferred capital contributions balance, end of year	$ **68,101,588**	$ 70,442,906

13. Net Assets - Investment in Capital Assets

	2020	2019
Capital assets, net book value	$ **77,126,067**	$ 79,658,453
Less amounts financed by:		
Working capital	**313,621**	313,610
SUCCI Student Levy Receivable (Note 4)	**7,302,300**	7,106,286
Long-term debt (Note 10)	**(10,053,459)**	(10,752,662)
Deferred capital contributions (Note 12)	**(68,101,588)**	(71,020,559)
Invested in capital assets, end of year	$ **6,586,941**	$ 5,305,128

14. 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.

		2020		2019
Tuition set aside for student assistance	$	**1,309,684**	$	1,158,282
Scholarships and bursaries		**146,535**		217,937
Contributions for capital expenditures		**300,168**		208,467
Donations		**73,932**		211,218
Applied Research		**5,307**		5,307
Special Projects		**12,514,464**		10,590,000
TEC Hub Campaign Commitment		**800,000**		-
Student Village		**-**		200,000
Parking Lot Development		**400,000**		400,000
Critical IT Infrastructure Upgrade		**1,204,444**		1,500,000
Long-term Sustainability		**4,400,000**		4,400,000
Sioux Lookout High School Project		**-**		1,000,000
Employee professional development		**93,629**		93,629
Environmental Sustainability		**140,000**		140,000
	$	**21,388,163**	$	20,124,840

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.

15. 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.

15. 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

	2020	2019
Schedule of changes in Endowment Fund Balance		
Fund balance, beginning of year	**$ 3,675,470**	$ 3,675,470
Cash donations received	**460**	-
Fund balance, end of year	**3,675,930**	3,675,470
Schedule of changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	**1,004,467**	844,045
Unrealized investment gain (loss) net of direct investment-related expenses and preservation of capital contributions	**(264,947)**	269,102
Bursaries awarded (2020 = 178, 2019 = 282)	**(62,257)**	(108,680)
Expendable fund balance, end of year	**677,263**	1,004,467
Total endowment fund balance, end of year	**$ 4,353,193**	$ 4,679,937
Market value of fund, end of year	**$ 4,353,193**	$ 4,679,937

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

OSOTF II Second Phase

	2020	2019
Schedule of changes in Endowment Fund Balance		
Fund balance, beginning of year	$ **252,078**	$ 252,078
Schedule of changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	**153,474**	138,923
Unrealized investment gain (loss) net of direct investment-related expenses and preservation of capital contributions	**(22,960)**	23,281
Bursaries awarded (2020 = 7, 2019 = 23)	**(1,780)**	(8,730)
Expendable fund balance, end of year	**128,734**	153,474
Total endowment fund balance, end of year	$ **380,812**	$ 405,552
Market value of fund, end of year	$ **380,812**	$ 405,552

OTSS

	2020	2019
Schedule of changes in Endowment Fund Balance		
Fund balance, beginning of year	$ **3,341,256**	$ 3,304,955
Eligible cash donations received	**40,231**	36,301
	3,381,487	3,341,256
Schedule of changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	**809,363**	665,314
Unrealized investment gain (loss) net of direct investment-related expenses and preservation of capital contributions	**(234,981)**	236,399
Bursaries awarded (2020 = 132 2019 = 110)	**(100,510)**	(92,350)
Expendable fund balance, end of year	**473,872**	809,363
Total endowment fund balance, end of year	$ **3,855,359**	$ 4,150,619
Market value of fund, end of year	$ **3,855,359**	$ 4,150,619

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

Reports of OTSS awards issued for the period of April 1, 2019 to March 31, 2020:

Status of Recipients	OSAP Number	Recipients Amount	Non-OSAP Number	Recipients Amount	Number	Total Amount
Full-time	76	$ 62,950	56	$ 37,560	132	$ 100,510
Part-time	n/a	n/a	n/a	n/a	n/a	n/a
Total	76	$ 62,950	56	$ 37,560	132	$ 100,510

	2020	2019
Grand total of endowment funds, end of year	$ 8,589,364	$ 9,236,108

16. Commitments

The College has leased realty for the Aviation Centre of Excellence at an annual rental of approximately $87,456, with annual increases of 2.5%, and an expiry date of 2053.

17. 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.

During the year, the College began the process of demolishing the Fitness Centre (Neebing Building). The demolition cost is estimated at $522,631. At March 31, 2020, the demolition phase was approximately 44% complete. The site restoration phase is estimated to cost $597,000, which will be funded by the College's reserve funds for this purpose.

18. Statement of Cash Flows

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

		2020		2019
Grants receivable	$	**(887,178)**	$	(66,234)
Accounts receivable		**1,759,426**		(2,161,116)
Inventory		**195,002**		(98,266)
Prepaid expenses		**264,510**		(148,162)
Accounts payable and accrued liabilities		**3,317,692**		3,269,016
Vacation pay		**(231,937)**		258,089
Deferred revenue		**5,020,938**		(4,699,972)
	$	**9,438,453**	$	(3,646,645)

19. 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.

20. 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 (2019 - $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. An amount of $552,768 (2019-$735,451) has been set up as an allowance for doubtful accounts. 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.

20. 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 5) and long-term debt (see note 10).

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, 2020, total equity in the portfolio was $3,600,000, 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 $360,000. Equities represent approximately 41.20% 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.

21. 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.

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.

22. COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus, the "COVID-19 outbreak". In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As a result of this, on March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020, through to at least May 29, 2020. In addition, the Canadian government has imposed travel restrictions to Canada until further notice.

On March 17, the College closed its campuses and learning sites and they remain closed to the date of the auditor's report. Currently, the plan for continuing education throughout the summer term offered by the College will be through online curriculum, and continue to be subject to the guidance of public health authorities. The College's plan for the fall term is to have a mix of online program and course delivery with some on-campus activities, for programs that have significant in-person components, which could have implications on number of course offerings, enrollment and ancillary revenues.

A significant portion of the College's tuition revenues is derived from international students. If the Canadian border remains closed, this will impact the College's ability to earn revenue from International students who choose to defer their studies until in class sessions resume and travel restrictions are lifted.

As the impacts of COVID-19 continue, there could be further impact on the College, its students and funding sources. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the College is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

23. Comparative Figures

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