



Date: June 24, 2016
Last Updated: March 23, 2016

To: **Board of Governors**
From: **President**

Subject **MONITORING REPORT – EL-2d Financial Condition and Activities (at Mar. 31/16)**

The President shall not place the organization in fiscal jeopardy or allow the development of a material deviation of actual expenditures from Board priorities established in Ends policies.

I hereby present the third in-year monitoring report on our Executive Limitations policy “Financial Condition and Activities” according to the schedule set out. I certify that the information contained in this report is true and represents compliance with all aspects of the policy unless specifically stated otherwise for the fiscal year 2015-2016.

The President shall not:

- 1. Materially expense more funds than have been received in a fiscal year.**

I interpret “fiscal jeopardy” as insolvency, the inability to finance operations, risking an in-year deficit not approved by the Board or making short-term adjustments with negative long-term impact.

I interpret “expense more funds than have been received in a fiscal year” to mean that the organization will comply with the Board-approved budget.

Evidence:

The actual operating income (before GAAP adjustments) for fiscal year ending March 31, 2016 showed a positive variance of \$800,810. A one-time operating grant from MTCU of \$500,000 as well as increased program and service revenues contributed to the operating surplus. As well, a positive variance of \$981,259 was reported on the 2015-16 Audited Financial Statements (after GAAP adjustments). NOTE: The 2010-11 fiscal year was the last time that the College posted a positive surplus on its audited financial statements. See Appendix A for further details.

I report compliance

2. Use any long-term reserves.

I interpret this to mean that I will not use any long-term reserves without Board of Governors' approval.

Evidence:

The College did not use any long-term reserves without Board approval in the 2015-16 fiscal year.

I report compliance.

3. Allow payroll, accounts payable, accounts receivable, or debts to be handled in an untimely manner.

I submit this is clear and requires no further interpretation.

Evidence:

Payroll

Payroll and statutory payroll deductions are paid via electronic funds transfer by the required due dates on a bi-monthly and monthly basis. This includes the transactions for the CAAT Pension Plan payments, online Payroll source deduction payments and Ontario Health Tax payments. Internal controls and checks exist to verify that payment has occurred on an accurate and timely basis. Our auditors test these accounting areas as well, on an annual basis.

Attestation:

Documentation is in place to attest that payment of payroll and other statutory payments are in compliance with regulatory requirements.

Accounts Payable

The College practice is to pay trade accounts within the terms of purchase, which are generally "net 30 days." As of March 31, 2016, the Accounts Payable balance was \$7.71 million versus \$5.55 million at March 31, 2015, an increase of approximately \$2.16 million. The increase in account balances are mainly due to Collaborative Nursing and Utility accruals. See Appendix B and C for further details.

Accounts Receivable

- As of March 31, 2016, the Accounts Receivable balance was \$3.73 million versus \$6.55 million at March 31, 2015. Account balance reductions are mainly due to changes in collection and AR policy. See Appendix B & D for further details.

Debts

Operating loans are paid automatically by direct debits to our bank account. As of March 31, 2016, Long-term debt was \$1.23 million versus \$1.34 million at March 31, 2015, a reduction of \$113,951.

I report compliance.

4. Acquire, Encumber, or dispose of real estate.

I submit this is clear and requires no further interpretation.

Evidence:

There have been no real estate transactions this fiscal year and no property has been encumbered to date.

I report compliance.

Addendum for Integrated Risk Management (IRM)

As directed by the Audit Committee (and Board), several IRM "foci" have been added to EL reports.

Evidence:

Attached as Appendix E is a brief summary of key Risks that the College is addressing and which merit the Board's notice.

Respectfully submitted,

D. Jim Madder
President

Appendix A

Confederation College
FINANCIAL STATEMENTS AS AT MARCH 31, 2016
With Comparison to the Actual Results for Fiscal 2015/2016

	Approved Budget 2015-16	Actual Year-End 2015-16	Variance Col (3) vs (2)
Revenue			
Post Secondary Grant	\$ 30,136,633	\$ 30,779,377	\$ 642,744
Other Provincial Grants	12,073,491	13,235,362	1,161,870.89
Tuition Fees-Domestic	9,597,361	9,486,509	- 110,851.75
Other Student Fees	2,648,913	2,725,349	76,436.02
Tuition Fees - International	5,341,430	6,430,175	1,088,745.38
Contract and Programs	4,302,147	4,605,637	303,490.25
Ancillary Operations	3,616,111	3,456,420	- 159,691.20
Other Revenue	3,060,799	2,210,427	- 850,372.38
Total Revenue	\$ 70,776,885	\$ 72,929,256	\$ 2,152,371
Expenses			
Total Full Time Salaries & Benefits	\$ 38,062,393	\$ 38,887,240	\$ (824,847)
Total Part Time Salaries & Benefits	9,141,655	9,122,972	18,683
Restructuring Costs	1,244,408	1,065,369	179,039
Buildings, Mtce, Grounds & Utilities	3,277,838	3,189,192	88,646
Contracted Services	6,020,014	7,645,094	(1,625,080)
Furniture & Equipment	872,411	1,430,440	(558,029)
Miscellaneous	2,357,834	1,003,155	1,354,679
Office & Instructional Expenses	6,345,400	5,540,337	805,063
Professional Dues & Audit Fees	603,665	762,891	(159,226)
Scholarships & TSA	521,301	1,013,693	(492,392)
Telecommunications & Software	1,239,078	1,135,160	103,918
Travel and Professional Development	1,090,888	1,332,903	(242,015)
Total Expenses	\$ 70,776,885	\$ 72,128,446	\$ (1,351,561)
Surplus (Deficiency) of revenue over expenses for the year	\$ -	\$ 800,810	\$ 800,810
2015-16 Business Plan versus 2015-16 Audited Financial Statements:			
Net Income (Loss) per GAAP (excess revenue over expenses)	(855,175)	\$981,259	\$1,836,434

Appendix B

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 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

NOTES: March 31, 2016 vs March 31, 2015 Account Balances

- Cash variance higher due to maturation of ST investments and timing of cash flows and payrolls.
- Accounts Receivable reduction due to changes in collection and AR policy.
- ST Investment matured and not re-invested (sitting in cash account).
- Accounts Payable higher due to timing of payments mainly Collaborative Nursing & Utility Accruals.

Appendix C

Accounts Payable and Accrued Liabilities

March 31, 2016

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

Accounts Payable (Random) Samples

Vendor	Amount	A/P Document #	Date of Vendor Invoice	Invoice - Date Received	Date - Cheque Issued
Arbora Management Services	4,556.73	I0160256	29-Mar-16	4-Apr-16	6-Apr-16
Ebsco Canada Ltd	10,018.63	I0159953	16-Mar-16	28-Mar-16	31-Mar-16
B&H Photo Video	254.86	I0159534	9-Mar-16	10-Mar-16	24-Mar-16
Resolution Interactive Media Inc	16,950.00	I0159630	7-Mar-16	17-Mar-16	24-Mar-16
Kari Chiappetta Consulting Inc	10,532.10	I0159563	15-Mar-16	16-Mar-16	18-Mar-16
Hicks Morley Barristers & Solicitor	34,526.67	I0159226	25-Feb-16	8-Mar-16	10-Mar-16
Racco Industrial Roofing Ltd	1,298.69	I0159205	29-Feb-16	7-Mar-16	10-Mar-16
Infrastructure Health and Safety As	1,299.50	I0158987	31-Jan-16	29-Feb-16	4-Mar-16

Appendix D

Accounts Receivable

March 31, 2016

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

Integrated Risk Management Reporting to the Board

EL-2d Financial Condition and Activities Focus: Financial Viability, Government Policy, Funding and Commitment		
Item	Risk	Mitigation Strategy
Post-Secondary Enrolment	<ul style="list-style-type: none"> Enrolment less than projection resulting in reduced government grants and tuition income. 	<ul style="list-style-type: none"> Increase international student enrolment Strategic Enrolment Management Plan School/College work Initiative Study North Northern College Collaboration Technology Enabled Learning out-reach
Provincial Operating Grants and Tuition Fees	<ul style="list-style-type: none"> Provincial Operating Grants and Tuition fee revenue less than Budgeted 	<ul style="list-style-type: none"> Provincial grants and domestic tuition revenue factored into the 2015-16 budget. New Funding formula review by MTCU Tuition fee overall increase of 3% was based on MTCU's tuition fee policy. Domestic enrolment is projected to continue to decrease by 2.0% over the previous fiscal year's audited enrolment. International enrolment is expected to continue to grow.
Salary and Benefit Costs	<ul style="list-style-type: none"> Salary and benefits account for approximately 68% of total annual expenditures. 	<ul style="list-style-type: none"> Collective agreements are in place for faculty and support staff for the next 2 and 3 years respectively. Relative certainty about salary and benefit costs.
Contract Training	<ul style="list-style-type: none"> Significant changes to Canada and Ontario training agreement and policies Provincial fiscal restraint 	<ul style="list-style-type: none"> Strategic review of changing government funding policies Projected revenues and expenditures in budget reflect confirmed contracts only. Explore partnership opportunities with New Federal Government Diversification of revenue i.e., Ecuador Project; Indigenous Governance in Public Administration Internship Program.
Capital Infrastructure	<ul style="list-style-type: none"> Limited provincial capital grants to maintain and upgrade College facilities, technology and equipment 	<ul style="list-style-type: none"> Draft 10 year Capital Plan NOHFC and FedNor grants SUCCI partnership in Wellness Centre SLO High School Co-Location Project Provincial capital grants (FRP, CERF, AEF) TEC Hub announcement in 2016 Provincial Budget