



Date: **March 14, 2018**

Last Updated: **November 8, 2017**

To: **Board of Governors**

From: **President**

Subject **MONITORING REPORT – EL-2d Financial Condition and Activities**

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 first 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 2017-18.

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 a year-end 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:

Our revised 2017-18 budget projection to year end March 31, 2018 shows a negative variance of approximately \$2.5M mostly due to the extraordinary costs related to the recent strike (a reduction of \$2.6M from the January 2018 forecast). This cost reduction in 2017-18 is due to the timing of academic recovery and student strike support activities carrying forward into the 2018-19 fiscal year (mostly flight program costs) and deferral of other non-essential expenses.

	Original Budget 2017/18	Forecast October 2017	Revised Forecast January 2018	Revised Year End Forecast March 31/18
Total Revenues	\$80,208,544	\$81,752,763	\$78,022,860	\$79,923,715
Total Expenses	\$80,208,256	\$81,606,424	\$83,091,467	\$82,432,773
Surplus (Deficit)	\$287	\$146,339	(\$5,068,607)	(\$2,509,058)

Forecasted Revenues to March 31, 2018 are projected to be below budget by approximately \$275K. Projected increases in tuition and student fees of approximately \$1.13M (see enrolment projections below) and one time operating grant funding from MAESD of \$1.62M (which must be utilized by year-end) are expected to be offset by projected decreases in contract training revenue of over \$2.6M (timing of the contracts has moved to the 2018-19 fiscal year) and ancillary operations revenue of \$795K (lower revenues from strike impact and increase in student withdrawals and refunds over budgeted levels).

Updated Student Enrolment

Description	2017-18 Projections		2017-18 Actual		Variance	
	Fall	Winter	Fall	Winter	Fall	Winter
International	538	580	660	876	+122	+296
Domestic	2783	2,630	2,859	2,270	+76	-360
Total	3,321	3,210	3,519	3,146	+198	-64

*NOTE: 441 full time students (410 domestic and 31 international) withdrew from the 2017 Fall semester and over \$1M in strike related Tuition fees were reimbursed.

Forecasted Expenditures to March 31, 2018 are projected to be over budget by approximately \$2.2M. The following is an overview: deferred maintenance and Greenstone Retrofit (\$433K); Contracted services (\$1.051) due to additional payments for Contract training delivery; increased cost for security, staff and utilities at the Residence (West Wing operational); Collaborative Nursing payments to Lakehead University for higher than budget (\$300K) for staffing for program delivery and new registration fees required; Bill 148 impact on ancillary contracts (cleaning; security; food services); Equipment (\$216K) for new phone system; Office and Instructional supplies; \$0.5M due to Student Strike Relief fund payments anticipated; Professional fees \$141K due to increased payments to International agents for fees and commissions (\$250K); offset by reduced expenditures for Miscellaneous \$542K.

Budget Scenario Summary

It is interesting to note that if we remove the extraordinary costs related to the strike and Bill 148, the result is a projected surplus of approximately \$187,000 at year-end March 31, 2018. While the Minister of MAESD directed all Colleges to use any strike savings to refund tuition fees and create the Student Support fund, no commitment has been provided to colleges facing deficits due to the extraordinary costs.

Projected Surplus (Deficit)	(\$2,509,058)
Remove: Faculty Strike/Tuition Fee Refund & Student Strike Support Costs	\$2,585,488
Remove: Bill 148 Costs (Jan 1-March 31 for 3 rd party contracts)	\$110,270
Revised Projected Surplus (Deficit)	\$186,699

See Appendix "A" for further financial details.

I report compliance

2. Use any long-term reserves.

I interpret “long term reserves” to mean a reserve specifically designated by the Board as a long term reserve, and identified as such on the Statement of Financial Position (Balance Sheet), with its purpose and conditions of use defined in the Notes to the Financial Statement.

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

Evidence:

The March 31, 2017 Financial Statements for the College did not report any long term reserves on its Statement of Financial Position or accompanying notes.

As of February 1, 2018, the Board has not designated the creation of a long term reserve fund therefore no such funds are available for use by the College.

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 January 31, 2018, the Accounts Payable balance was \$5.3 million versus \$6.4 million at March 31, 2017, a decrease of approximately \$1.1 million. The decrease in account balances is mainly due to the payment of various construction holdbacks. See Appendix “B” and “C” for further details.

Accounts Receivable

As of January 31, 2018, the Accounts Receivable balance was \$5.9 million versus \$4.71 million at March 31, 2017. Account balance increases are mostly due to timing of 2018 Winter Term Student and Sponsor fees. See Appendix "B" & "D" for further details.

Debts

Operating loans are paid automatically by direct debits to our bank account. See Appendix "E".

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 "F" 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 Statement as at January 31, 2018
 With Revised Forecast to March 31, 2018

	YTD January 31, 2018			Forecast - March 31, 2018		
	Budget	Actual	Variance	Annual Budget	Forecast	Variance
Revenue						
Post Secondary Grant	\$ 24,998,028	\$ 24,421,294	\$ (576,734)	\$ 29,997,633	\$ 31,619,687	\$ 1,622,054
Other Provincial Grants	\$ 9,508,128	\$ 9,345,024	\$ (163,103)	\$ 11,409,753	\$ 11,834,397	\$ 424,644
Tuition Fees-Domestic	\$ 7,830,211	\$ 8,075,051	\$ 244,841	\$ 9,396,253	\$ 8,460,785	\$ (935,468)
Other Student Fees	\$ 2,322,359	\$ 4,205,396	\$ 1,883,037	\$ 2,786,831	\$ 2,549,757	\$ (237,074)
Tuition Fees - International	\$ 6,550,284	\$ 10,167,420	\$ 3,617,136	\$ 7,860,341	\$ 10,162,134	\$ 2,301,793
Contract and Programs	\$ 8,913,386	\$ 3,104,701	\$ (5,808,685)	\$ 10,696,063	\$ 8,039,886	\$ (2,656,177)
Ancillary Operations	\$ 2,840,032	\$ 2,501,690	\$ (338,341)	\$ 3,408,038	\$ 2,613,436	\$ (794,602)
Other Revenue	\$ 1,190,434	\$ 805,180	\$ (385,254)	\$ 1,438,521	\$ 1,428,521	\$ -
Deferred Capital Contributions	\$ 2,679,259	\$ 2,679,259	\$ -	\$ 3,215,111	\$ 3,215,111	\$ -
Total Revenue	\$ 66,832,121	\$ 65,305,017	\$ (1,527,104)	\$ 80,208,544	\$ 79,923,715	\$ (274,830)
Expenses						
Total Full Time Salaries & Benefits	\$ 34,552,877	\$ 29,734,133	\$ 4,818,744	\$ 41,410,746	\$ 40,248,887	\$ (1,214,566)
Total Part Time Salaries & Benefits	\$ 7,587,750	\$ 5,816,325	\$ 1,771,425	\$ 9,124,052	\$ 10,281,493	\$ 1,176,193
Restructuring Costs	\$ -	\$ 5,397	\$ (5,397)	\$ -	\$ -	\$ -
Utilities	\$ 2,956,627	\$ 2,057,735	\$ 898,892	\$ 3,547,953	\$ 3,980,954	\$ 433,001
Contracted Services	\$ 6,442,029	\$ 4,839,777	\$ 1,602,252	\$ 7,708,434	\$ 8,781,485	\$ 1,051,051
Furniture & Equipment	\$ 852,583	\$ 671,705	\$ 180,879	\$ 1,023,100	\$ 1,227,808	\$ 204,708
Miscellaneous	\$ 1,421,544	\$ 869,997	\$ 551,546	\$ 1,676,797	\$ 1,164,081	\$ (541,771)
Office & Instructional Expenses	\$ 5,954,375	\$ 4,317,574	\$ 1,636,801	\$ 7,145,247	\$ 7,634,805	\$ 489,555
Professional & Audit Fees	\$ 1,137,389	\$ 590,301	\$ 547,087	\$ 1,389,866	\$ 1,505,652	\$ 140,786
Scholarships & TSA	\$ 490,667	\$ 725,558	\$ (234,890)	\$ 588,801	\$ 975,801	\$ 387,000
Telecommunications & Software	\$ 1,074,384	\$ 1,251,183	\$ (176,800)	\$ 1,289,260	\$ 1,414,761	\$ 125,500
Travel and Professional Development	\$ 1,091,840	\$ 1,187,439	\$ (95,599)	\$ 1,380,209	\$ 1,293,254	\$ (16,954)
Depreciation	\$ 3,269,826	\$ 3,269,826	\$ -	\$ 3,923,791	\$ 3,923,791	\$ -
Total Expenses	\$ 66,831,892	\$ 55,336,951	\$ 11,494,940	\$ 80,208,256	\$ 82,432,773	\$ 2,234,503
Surplus (Deficiency) of revenue over expenses	\$ 229	\$ 9,968,065	\$ 9,967,836	\$ 287	\$ (2,509,058)	\$ (2,509,333)

Appendix B

The Confederation College of Applied Arts and Technology

Statement of Financial Position

	Actuals at January 31, 2018	Budgeted at March 31, 2018	Forecasted at March 31, 2018
Assets			
Current			
Cash	\$ 27,921,072	\$ 12,734,970	\$ 10,225,349
Accounts receivable	5,905,766	6,712,961	6,712,961
Inventory	641,246	641,246	641,246
Current portion of notes and long-term receivable	19,687	504,617	504,617
Grants receivables	-	190,034	190,034
Prepaid expenses	328,859	371,844	371,844
	34,816,630	21,155,672	18,646,051
Investment portfolio - endowments restricted	8,750,129	9,187,733	9,187,733
Notes and long-term receivable	82,266	7,542,656	7,542,656
Construction in progress	37,231,341	18,207,341	18,207,341
Capital assets	10,730,110	52,576,836	52,576,836
	\$ 91,610,477	\$ 108,670,238	\$ 106,160,617
Liabilities			
Current			
Accounts payable	\$ 5,269,329	\$ 4,919,916	\$ 4,919,916
Deferred revenue	5,928,774	3,025,430	3,025,430
Vacation Pay	3,011,721	2,886,721	2,886,721
Current portion of long term debt	364,399	634,578	634,578
	14,574,223	11,466,645	11,466,645
Post-employment benefits and compensated absences	2,497,000	2,497,000	2,497,000
Deferred capital contributions	33,058,635	49,206,125	49,206,125
Deferred capital contributions - construction in progress	6,451,032	19,042,000	19,042,000
Long term debt	11,446,060	11,206,507	11,206,507
	68,026,951	93,418,277	93,418,277
Net Assets			
Unrestricted			
Operating	16,757,149	6,789,372	4,279,751
Post-employment benefits and compensated absences	(2,497,000)	(2,497,000)	(2,497,000)
Vacation Pay	(3,011,721)	(2,886,721)	(2,886,721)
	11,248,428	1,405,651	(1,103,970)
Invested in capital assets	33,131	1,633,964	1,633,964
Internally restricted	3,640,298	3,195,197	3,195,197
Endowments restricted	8,661,669	9,017,149	9,017,149
	23,583,526	15,251,961	13,846,310
	-	-	-
	23,583,526	15,251,961	12,742,340
	\$ 91,610,477	\$ 108,670,238	\$ 106,160,617

Appendix C

Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities

	Jan 31, 2018	March 31, 2017
Trade	4,555,512	4,676,214
Accrued Liabilities	381,009	334,734
Accrued salaries and employee's deductions	332,808	1,408,969
	5,269,329	6,419,917

Accounts Payable (Random) Samples

Vendor	A/P Document #	Amount	Date of Vendor Invoice	Invoice - Date Received	Dated Cheque Issued
Gra Ham Energy Limited	I0177345	65,459.10	22-Dec-17	17-Jan-18	19-Jan-18
Classroom Concepts	I0176943	14,690.17	12-Dec-17	22-Dec-17	8-Jan-18
QHR Technologies	I0176461	101.94	1-Jan-18	15-Dec-17	8-Jan-18
Donohue Higher Education Consultants	I0176272	12,836.80	31-Oct-17	8-Dec-17	12-Dec-17
Tom Jones Corporation	I0176270	1,359,124.88	24-Nov-17	8-Dec-17	12-Dec-17
Polinsys Resettlement LTD	I0175519	5,190.94	20-Sep-17	31-Oct-17	2-Nov-17
Sue Prodaniuk Advertising	I0174827	1,695.00	1-Oct-17	3-Oct-17	12-Oct-17

Appendix D

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.

	Jan 31, 2018	March 31, 2017
Students and sponsors	\$ 3,111,380	\$ 863,823
General	2,794,386	3,849,138
	\$ 5,905,766	\$ 4,712,961

Appendix E

Long-Term Debt	Amount
Sibley Hall	\$757,167
Ryan Hall	\$277,769
Site Improvements	\$91,530
Website Development	\$83,993
Wellness Centre	\$10,600,000
Total Debt as of September 30, 2017	\$11,810,459
Current Portion	(\$364,399)
Total Debt	\$11,446,060

Integrated Risk Management Reporting to the Board

Appendix F

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"> Strategic Enrolment Management Plan Study North/Northern College Collaboration Multi-year enrolment projections Program enrolment and costing reviews
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"> SNR grant currently being reviewed by MAESD re: existing eligibility criteria and allocations. Transition principle that existing SNR funded colleges should not be reduced while new model is being phased in. Tuition fee overall increase of 3% was based on MAESD tuition fee policy. Strike tuition fee refund policy and student support funds to provide assistance to students who have experienced financial hardships due to the strike. One-time funding from MAESD requested to address the projected 2017-18 deficit.
Salary and Benefit Costs	<ul style="list-style-type: none"> Salary and benefits account for approximately 63% of total annual expenditures. 	<ul style="list-style-type: none"> Academic faculty collective agreement (CA) expired September 30, 2017; December 20, 2017, the arbitrator issued the CA covering the October 1, 2017 to September 30, 2021 period. New support staff collective agreement in place until August 31, 2022.
Bill 148 & Financial Sustainability	<ul style="list-style-type: none"> Unfunded increase in salary and benefit costs, effective April 1, 2018. 	<ul style="list-style-type: none"> Colleges Ontario and MAESD working group created; Technical Briefing from DM on February 14, 2018 to review institutional capacity and cost pressures. Task Force created at Confederation to develop recovery plan options.
Contract Training	<ul style="list-style-type: none"> Significant changes to Canada and Ontario training agreement and policies 	<ul style="list-style-type: none"> Continue to explore partnership opportunities with Federal Government Diversification of revenue: Indigenous Governance in Public Administration Internship Program.
Capital Infrastructure	<ul style="list-style-type: none"> Limited provincial and federal capital grants to maintain and upgrade College facilities, technology and equipment 	<ul style="list-style-type: none"> Provincial, NOHFC, FedNor and SIF project grants Provincial facilities and program related grants (FRP, CERF, AEF); Special 50th anniversary CERF grant. TEC Hub, Sioux Lookout H.S.; Wellness Centre projects Greenhouse Gas Campus Retrofits Program New Capital Strategy being developed by MAESD. Capital campaign fund raising for TEC Hub equipment.