



Date: **November 13, 2019**
Last Updated: **March 13, 2019**

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 2019-20.

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:

The year-end forecast was determined using the year-to-date September 30, 2019 financial information. Projected revenues and expenditures for the remainder of our fiscal year (as of March 31, 2020) were then analyzed and adjusted based on various assumptions.

Our 2019-20 operating budget projection to year-end March 31, 2020 shows a positive variance of approximately \$3.7M. This is approximately \$3.6M higher than our original budget projection of \$34,473.

Forecasted Revenues to March 31, 2020 of \$95M are projected to be above our original budget of \$92.6M by approximately \$2.5M. Projected increases in tuition and student fees of approximately \$2.1M due to higher than projected enrolment of International students, and domestic part time and online learners, and other revenue of \$0.4M (interest revenue and program related fees).

Updated Student Enrolment

Description	2019-20 Budget		2019-20 Actual Forecast		Variance	
	Fall	Winter	Fall	Winter	Fall	Winter
	International	1,334	1,402	1,333	1,402	(1)
Domestic	2,717	2,429	2,463	2,223	(254)	(206)
Total	4,051	3,831	3,796	3,625	(255)	(206)

Forecasted Expenditures to March 31, 2020 are projected to be under budget by approximately \$1.2M. Savings have been realized to the original budget with respect to salaries and benefits of \$1.8M due to lower than estimated costs of \$1.5M for full time staff due to vacancies and timing of hiring new or replacement staff, and \$0.3M for part time staff. These savings are offset by higher contracted services cost over budget by \$0.5M due to lower occupancy in residence which impacts contract cost of both residence and food services (reduced meal plan revenue to offset operation costs) \$0.4M, and temporary staff agency fees of \$0.1M due to vacancies in full time staff positions. The balance of the expenses are expected to be over budget by \$0.1M due to higher than expected professional fees.

See Appendix "A" for further financial details.

	Original Budget 2019-20	March 31/20 Forecast (at Sept 30/19)	Variance Forecast vs. Original Budget
Total Revenues	\$92,603,852	\$95,065,459	\$2,461,607
Total Expenses	\$92,569,379	\$91,409,500	\$1,159,879
Surplus (Deficit)	\$34,473	\$3,655,960	\$3,621,486

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, 2019 Financial Statements for the College reported \$4,400,000 in long term sustainability reserves on its Statement of Financial Position and accompanying notes.

As of September 30, 2019, the Internally Restricted Fund contained \$4,400,000 designated for Long Term Sustainability.

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 September 30, 2019, the Accounts Payable balance was \$18.61 million versus \$14.05 million at March 31, 2019, an increase of approximately \$4.56 million. The increase in account balances is mainly due to the timing of tuition payments for upcoming terms received in advance of tuition billings. See Appendix "B" and "C" for further details.

Accounts Receivable

As of September 30, 2019, the Accounts Receivable balance was \$10.1 million versus \$7.27 million at March 31, 2019. Account balance increases are mostly due to timing of 2019 Fall 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,

Kathleen Lynch
President

Appendix A

*Confederation College
Income Statement as at September 30, 2019
With Mid-Year Forecast to March 31, 2020*

	September 30, 2019			Mid-Year Forecast to March 31, 2020		
	YTD Budget	YTD Actual	Variance	Annual Budget	Mid-Year Forecast	Variance
Revenue						
Post Secondary Grant	\$ 16,020,417	\$ 15,620,117	\$ (400,300)	\$ 32,040,834	\$ 32,085,092	\$ 44,258
Other Provincial Grants	5,733,152	6,201,592	468,440	11,466,304	11,588,940	122,636
Tuition Fees-Domestic	1,208,387.00	2,157,426	949,039	7,543,883	7,994,765	450,882
Other Student Fees	2,132,185	3,109,926	977,741	4,264,370	5,222,063	957,693
Tuition Fees - International	4,772,791	4,279,766	(493,025)	20,349,052	21,024,379	675,327
Contract and Programs	3,027,899	2,162,430	(865,469)	6,055,798	6,008,298	(47,500)
Ancillary Operations	1,688,329	1,559,907	(128,421)	3,376,657	3,269,416	(107,241)
Other Revenue	874,311	1,431,267	556,956	1,748,621	2,114,174	365,553
Deferred Capital Contributions	2,879,167	2,879,167	-	5,758,333	5,758,333	-
Total Revenue	\$ 38,336,637	\$ 39,401,597	\$ 1,064,961	\$ 92,603,852	\$ 95,065,459	\$ 2,461,607
Expenses						
Total Full Time Salaries & Benefits	\$ 21,892,251	\$ 20,288,081	\$ 1,604,170	\$ 43,784,502	\$ 42,248,690	\$ 1,535,812
Total Part Time Salaries & Benefits	6,954,814	4,519,344	2,435,469	13,909,627	13,673,049	236,578
Buildings, Mtce, Grounds & Utilities	1,859,387	1,296,384	563,002	3,718,773	3,711,863	6,910
Contracted Services	4,317,252	3,274,651	1,042,601	8,634,504	9,178,945	(544,441)
Furniture & Equipment	583,306	445,581	137,725	1,166,612	1,077,080	89,532
Miscellaneous	602,914	546,182	56,732	1,205,827	1,224,302	(18,475)
Office & Instructional Expenses	4,243,865	2,603,369	1,640,496	8,487,730	8,433,084	54,646
Professional & Audit Fees	368,849	561,491	(192,643)	737,697	893,837	(156,140)
Scholarships & TSA	520,196	184,484	335,711	1,040,391	918,126	122,265
Telecommunications & Software	700,645	1,278,734	(578,089)	1,401,289	1,394,144	7,145
Travel and Professional Development	526,860	510,773	16,086	1,053,719	1,227,671	(173,952)
Depreciation	3,714,354	3,714,354	-	7,428,708	7,428,708	-
Total Expenses	\$ 46,284,690	\$ 39,223,428	\$ 7,061,262	\$ 92,569,379	\$ 91,409,500	\$ 1,159,879
Surplus (Deficiency) of revenue over expenses for the year	\$ (7,948,053)	\$ 178,169	\$ 8,126,222	\$ 34,473	\$ 3,655,960	\$ 3,621,486

Appendix B

The Confederation College of Applied Arts and Technology

Statement of Financial Position

	Actuals at September 30, 2019	Budgeted at March 31, 2020	Forecasted at March 31, 2020
Assets			
Current			
Cash	\$ 45,916,009	\$ 13,681,869	\$ 18,580,693
Accounts receivable	10,086,450	3,190,211	3,190,211
Temporary investments	-	15,000,000	15,000,000
Inventory	883,536	883,536	883,536
Current portion of notes and long-term receivable	440,398	440,398	440,398
Grants receivables	54,430	156,132	156,132
Prepaid expenses	135,325	135,305	135,305
	57,516,148	33,487,449	38,386,275
Investment portfolio - endowments restricted	9,236,109	9,702,155	9,702,155
Notes and long-term receivable	6,703,303	6,245,820	6,245,820
Construction in progress	3,771,858	-	-
Capital assets	75,194,178	79,108,324	79,108,324
	\$ 152,421,597	\$ 128,543,748	\$ 133,442,574
Liabilities			
Current			
Accounts payable	\$ 18,613,452	\$ 7,028,196	\$ 7,028,196
Deferred revenue	13,685,047	4,433,739	4,433,739
Vacation Pay	3,365,285	3,615,285	3,615,285
Current portion of long term debt	629,762	380,344	380,344
	36,293,547	15,457,563	15,457,563
Post-employment benefits and compensated absences	1,990,735	2,344,000	2,344,000
Deferred capital contributions	67,563,740	69,330,805	69,330,805
Deferred capital contributions - construction in progress	577,653	0	0
Long term debt	9,700,848	9,742,556	9,742,556
	116,126,521	96,874,924	96,874,924
Net Assets			
Unrestricted			
Operating	4,436,012	5,020,114	9,498,511
Post-employment benefits and compensated absences	(1,990,735)	(2,344,000)	(2,344,000)
Vacation Pay	(3,365,285)	(3,615,285)	(3,615,285)
	(920,008)	(939,171)	3,539,226
Invested in capital assets	8,264,689	6,654,460	7,074,889
Internally restricted	19,727,487	16,434,840	16,434,840
Endowments restricted	9,222,909	9,518,695	9,518,695
	36,295,076	31,668,824	33,028,424
	-	-	-
	36,295,076	31,668,824	36,567,650
	\$ 152,421,597	\$ 128,543,748	\$ 133,442,574

Appendix C

Accounts Payable and Accrued Liabilities

	<u>Sept 30, 2019</u>	<u>March 31, 2019</u>
Trade	\$ 16,770,397	\$ 11,601,417
Accrued Liabilities	846,321	389,311
Accrued salaries and employee's deductions	996,735	2,061,668
	<u>\$ 18,613,452</u>	<u>\$ 14,052,396</u>

Accounts Payable (Random) Samples

Vendor	Vendor ID	Amount	A/P Document #	Date of Vendor Invoice	Invoice - Date Received	Date - Cheque Issued
Brampton Flying Club	BRAMPFLY	2,339.10	10194926	3-May-19	25-Sep-19	26-Sep-19
Goss Gilroy Inc.	GOSGILINC	12,689.62	10194280	18-Jul-19	12-Sep-19	12-Sep-19
Newegg Canada Inc	NEWCANINC	4,199.87	10193772	7-Aug-19	12-Aug-19	15-Aug-19
Northern College	NORTHERNC	16,733.00	10193682	9-Aug-19	12-Aug-19	15-Aug-19
Dassault Systems Canada	DASSAULT	10,418.37	10193478	25-Jul-19	31-Jul-19	1-Aug-19
City of Thunder Bay	CITYTBAY	221,000.00	10193069	8-Jul-19	10-Jul-19	18-Jul-19
Aviation Solutions Inc	AVISOLINC	12,085.87	10193200	8-Jul-19	17-Jul-19	18-Jul-19
Ken Veneruz	KENVEN	1,538.00	10192418	21-Jun-19	18-Jun-19	21-Jun-19
Allen Equipment Contracting Co.	ALLEQUCON	25,408.05	10191934	23-May-19	23-May-19	6-Jun-19

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.

	<u>Sept 30, 2019</u>	<u>March 31, 2019</u>
Students and sponsors	\$ 8,622,342	\$ 795,573
General	1,464,109	6,475,638
	<u>\$ 10,086,450</u>	<u>\$ 7,271,211</u>

Appendix E

Long-Term Debt	Amount
Sibley Hall (OFA Loan)	\$129,995
Ryan Hall (Bank Loan)	\$0
Wellness Centre (OFA Loan)*	\$10,200,615
Total Debt as of September 30, 2019	\$10,330,610
Current Portion	(\$629,762)
Long-term Debt	\$9,700,848

*Of the approved amount of the OFA loan for the Wellness Centre, \$7.1 million is repayable by SUCCI.

Appendix F

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	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 • Program mix review
Provincial Operating Grants, Tuition Fees and Ancillary Fees.	<p>Provincial Operating Grants and Tuition fee revenue less than Budgeted. NOTE: New Tuition Fee Framework starting <u>2019-20 fiscal year</u> (tuition reduction; tuition freeze; Student Choice Initiative).</p> <p>Provincial fiscal situation and reduction of Provincial Grants</p>	<ul style="list-style-type: none"> • Corridor funding strategies via enrolment management • Special SNR grant of \$2.41M for 2 more years • International tuition fees provide increased revenue • Budget scenarios to be developed to identify options to manage a reduction in operating grants, as required • Implement strategic cost reduction strategies, if required. • Fund long term sustainability initiatives through internally restricted reserves, as identified and approved
Salary and Benefit Costs	Salary and benefits account for approximately 62% of total annual expenditures.	<ul style="list-style-type: none"> • Academic faculty collective agreement in place until Sep. 30, 2021. • New support staff collective agreement in place until Aug.31, 2022.
Contract Training	Significant changes to Canada and Ontario training agreement and policies;	<ul style="list-style-type: none"> • Continue to explore partnership opportunities with Federal, Provincial and Municipal Governments, Industry, First Nations, etc. • Diversification of revenue streams. • Continue to monitor contract training activity against planned activities and contract terms, and monitor payment terms.
Capital Infrastructure	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) • Capital campaign fund raising for TEC Hub equipment continues. • Consulting on preliminary feasibility assessments on special capital projects underway to determine future capital needs.