



Date: **March 11, 2019**

Last Updated: **November 13, 2019**

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

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

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**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 January 31, 2020 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 \$3.5M before allocation of funds to reserves and funding the College’s investment in capital assets. This is approximately \$3.4M higher than our original budget projection of \$34,473.

Forecasted Revenues to March 31, 2020 of \$91M are projected to be less than our original budget of \$92.6M by approximately \$1.6M. This unfavourable variance is mainly due to the adoption of PSAB PS 3400 Revenue recognition, in where tuition is deferred to match the delivery of the programming or service. Tuition deferral is \$539K for domestic and \$1.65M for international tuition. Additionally, the Northern Tuition Sustainability grant of \$870K was not in the budget.

**Updated Student Enrolment**

Description	2019-20 Budget		2019-20 Actual      Estimated		Variance	
	Fall	Winter	Fall	Winter	Fall	Winter
<b>International</b>	1,334	1,402	1,333	1,457	(1)	55
<b>Domestic</b>	2,717	2,429	2,463	2,186	(254)	(243)
<b>Total</b>	4,051	3,831	3,796	3,643	(255)	(188)

Forecasted Expenditures to March 31, 2020 are projected to be under budget by approximately \$5.1M. Savings have been realized to the original budget with respect to salaries and benefits of \$4M due to lower than estimated costs of \$2.6M for full time staff due to vacancies and timing of hiring new or replacement staff, and \$1.4M for part time staff. Further, spending on office and instructional supplies is \$1.9M favourable based on year to date spending. These savings are offset by higher contracted services expenditures over budget by \$1.3M due to lower occupancy in residence which impacts contract cost of both residence \$356K and food services (reduced meal plan revenue to offset operation costs) \$0.3M, renovation costs to McIntyre food kiosk \$160K.

See Appendix "A" for further financial details.

	<b>Original Budget 2019-20</b>	<b>March 31/20 Forecast (at Sept 30/19)</b>	<b>Variance Forecast vs. Original Budget</b>
Total Revenues	\$92,603,852	\$90,961,772	(\$1,642,080)
Total Expenses	\$92,569,379	\$87,496,459	\$5,072,920
Surplus (Deficit)	\$34,473	<b>\$3,465,313</b>	<b>\$3,430,840</b>

**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 January 31, 2020, 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 January 31, 2020, the Accounts Payable balance was \$14.3 million versus \$14.05 million at March 31, 2019, an increase of approximately \$250k. The increase is due primarily to the timing of payments to suppliers. See Appendix "B" and "C" for further details.

Accounts Receivable

As of January 31, 2010, the Accounts Receivable balance was \$8.45 million versus \$7.27 million at March 31, 2019. Account balance increases are mostly due to timing of 2020 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: 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 January 31, 2020  
 With Mid-Year Forecast to March 31, 2020*

	January 31, 2020			Forecast to March 31, 2020		
	YTD Budget	YTD Actual	Variance	Annual Budget	March 2020 Forecast	Variance vs Budget
<b>Revenue</b>						
Post Secondary Grant	\$ 26,700,695	\$ 26,033,529	\$ (667,166)	\$ 32,040,834	\$ 32,910,905	\$ 870,071
Other Provincial Grants	9,555,253	9,361,501	(193,753)	11,466,304	11,466,304	-
Tuition Fees-Domestic	6,286,569	5,278,251	(1,008,319)	7,543,883	7,108,920	(434,963)
Other Student Fees	3,553,642	5,123,474	1,569,833	4,264,370	4,385,265	120,895
Tuition Fees - International	16,957,543	13,671,527	(3,286,016)	20,349,052	19,296,028	(1,053,024)
Contract and Programs	5,046,498	4,408,990	(637,509)	6,055,798	4,705,589	(1,350,209)
Ancillary Operations	2,813,881	2,731,684	(82,197)	3,376,657	2,995,583	(381,074)
Other Revenue	1,457,184	2,655,193	1,198,008	1,748,621	2,334,844	586,223
Deferred Capital Contributions	4,798,611	4,798,611	-	5,758,333	5,758,333	-
<b>Total Revenue</b>	<b>\$ 77,169,877</b>	<b>\$ 74,062,758</b>	<b>\$ (3,107,118)</b>	<b>\$ 92,603,852</b>	<b>\$ 90,961,772</b>	<b>\$ (1,642,080)</b>
<b>Expenses</b>						
Total Full Time Salaries & Benefits	\$ 36,487,085	\$ 34,699,603	\$ 1,787,482	\$ 43,784,502	\$ 41,184,009	\$ 2,600,493
Total Part Time Salaries & Benefits	11,591,356	8,948,041	2,643,314	13,909,627	12,558,543	1,351,084
Buildings, Mtce, Grounds & Utilities	3,098,978	2,037,309	1,061,668	3,718,773	3,496,084	222,689
Contracted Services	7,195,420	6,305,324	890,096	8,634,504	9,863,585	(1,229,081)
Furniture & Equipment	972,177	2,622,149	(1,649,973)	1,166,612	1,212,067	(45,455)
Miscellaneous	1,004,856	632,895	371,961	1,205,827	835,559	370,268
Office & Instructional Expenses	7,073,108	5,033,238	2,039,871	8,487,730	6,580,703	1,907,027
Professional & Audit Fees	614,748	770,207	(155,460)	737,697	1,060,261	(322,564)
Scholarships & TSA	866,993	760,303	106,690	1,040,391	918,126	122,265
Telecommunications & Software	1,167,741	1,130,017	37,723	1,401,289	1,311,921	89,368
Travel and Professional Development	878,099	911,361	(33,262)	1,053,719	1,046,894	6,825
Depreciation	6,190,590	6,190,590	-	7,428,708	7,428,708	-
<b>Total Expenses</b>	<b>\$ 77,141,149</b>	<b>\$ 70,041,038</b>	<b>\$ 7,100,111</b>	<b>\$ 92,569,379</b>	<b>\$ 87,496,459</b>	<b>\$ 5,072,920</b>
<b>Surplus (Deficiency) of revenue over expenses for the year</b>	<b>\$ 28,728</b>	<b>\$ 4,021,720</b>	<b>\$ 3,992,992</b>	<b>\$ 34,473</b>	<b>\$ 3,465,313</b>	<b>\$ 3,430,840</b>
					Efficiency Projects Reserve	(772,000)
					REACH Roof Repairs Reserve	(100,000)
					Aviation Flight Program Reserve	(500,000)
					Special Projects Reserve	(2,000,000)
					Investment in Capital Assets - Nakina Bridge	(83,000)
					<b>Unrestricted Surplus at March 31, 2020</b>	<b>\$ 10,313</b>

Appendix B

The Confederation College of Applied Arts and Technology

Statement of Financial Position

	Actuals at January 31, 2020	Budgeted at March 31, 2020	Forecasted at March 31, 2020
<b>Assets</b>			
<b>Current</b>			
Cash	\$ 50,625,196	\$ 13,681,869	\$ 31,880,693
Accounts receivable	8,447,591	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
	<u>60,586,476</u>	<u>33,487,449</u>	<u>51,686,275</u>
Investment portfolio - endowments restricted	9,246,116	9,702,155	9,702,155
Notes and long-term receivable	6,483,551	6,245,820	6,245,820
Construction in progress	2,253,744	-	-
Capital assets	<u>73,561,280</u>	<u>79,108,324</u>	<u>79,108,324</u>
	<u>\$ 152,131,168</u>	<u>\$ 128,543,748</u>	<u>\$ 146,742,574</u>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable	\$ 14,306,682	\$ 7,028,196	\$ 18,128,196
Deferred revenue	14,248,044	4,433,739	6,633,739
Vacation Pay	3,365,285	3,615,285	3,615,285
Current portion of long term debt	629,762	380,344	380,344
	<u>32,549,773</u>	<u>15,457,563</u>	<u>28,757,563</u>
Post-employment benefits and compensated absences	2,339,000	2,344,000	2,344,000
Deferred capital contributions	65,644,296	69,330,805	64,684,573
Deferred capital contributions - construction in progress	577,653	0	0
Long term debt	9,700,848	9,742,556	9,742,556
	<u>110,811,569</u>	<u>96,874,924</u>	<u>105,528,692</u>
<b>Net Assets</b>			
<b>Unrestricted</b>			
Operating	9,717,320	5,020,114	2,191,287
Post-employment benefits and compensated absences	(2,339,000)	(2,344,000)	(2,344,000)
Vacation Pay	(3,365,285)	(3,615,285)	(3,615,285)
	<u>4,013,035</u>	<u>(939,171)</u>	<u>(3,767,998)</u>
Invested in capital assets	6,462,537	6,654,460	11,500,921
Internally restricted	21,617,013	16,434,840	23,962,263
Endowments restricted	9,227,015	9,518,695	9,518,695
	<u>41,319,600</u>	<u>31,668,824</u>	<u>44,981,880</u>
	<u>41,319,600</u>	<u>31,668,824</u>	<u>41,213,882</u>
	<u>\$ 152,131,168</u>	<u>\$ 128,543,748</u>	<u>\$ 146,742,574</u>

**Appendix C**

**Accounts Payable and Accrued Liabilities**

	<b>Jan 31, 2020</b>	<b>March 31, 2019</b>
Trade	<b>\$ 12,317,526</b>	\$ 11,601,417
Accrued Liabilities	<b>429,545</b>	389,311
Accrued salaries and employee's deductions	<b>1,559,611</b>	2,061,668
	<b>\$ 14,306,682</b>	\$ 14,052,396

**Accounts Payable (Random) Samples**

**Accounts Payable (Random) Samples**

<b>Vendor</b>	<b>Vendor ID</b>	<b>Amount</b>	<b>A/P Document #</b>	<b>Vendor Invoice</b>	<b>Date of Vendor Invoice</b>	<b>Invoice - Date Received</b>	<b>Date - Cheque Issued</b>
Teleco Landline	TELLAN	10,593.75	I0197703	95165	7-Jan-20	8-Jan-20	28-Jan-20
Frasca International	FRASCAINT	9,500.00	I0198236	17227	30-Dec-19	10-Jan-20	28-Jan-20
Bosch Rexroth Canada Corp	BOSREXCAN	34,524.39	I0198105	9404680112	16-Jan-20	21-Jan-20	28-Jan-20
LexisNexis Canada Inc	LEXNEX	4,311.75	I018078	11306538	10-Dec-19	21-Jan-20	23-Jan-20
Bosch Rexroth Canada Corp	BOSREXCAN	24,100.64	I0197593	9404677412	18-Dec-19	3-Jan-20	16-Jan-20
Gra Ham Energy Limited		73,579.40	I0196612	B86607A	1-Nov-19	28-Nov-19	28-Nov-19
Propworks Propeller Systems	PROPWORCS	1,299.50	I0197782	11547	20-Dec-19	10-Jan-20	16-Jan-20
Phelps Group Inc	PHELPSGR	2,529.39	I0197295	39622	13-Dec-19	13-Dec-19	18-Dec-19
BlueJeans	BLUJEA	4,000.00	I0197279	INV00220238	30-Nov-19	17-Dec-19	18-Dec-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.

	<b>January 31, 2020</b>	<b>March 31, 2019</b>
Students and sponsors	<b>\$ 5,606,131</b>	\$ 795,573
General	<b>2,841,460</b>	6,475,638
	<b>\$ 8,447,591</b>	\$ 7,271,211

**Appendix E**

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

\*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**

<b>EL-2d Financial Condition and Activities</b>		
<b>Focus: Financial Viability, Government Policy, Funding and Commitment</b>		
<b>Item</b>	<b>Risk</b>	<b>Mitigation Strategy</b>
Post-Secondary Enrolment	Enrolment less than projection resulting in reduced government grants and tuition income.	<ul style="list-style-type: none"> <li>• Program Mix Strategy (Strategic Enrolment Plan)</li> <li>• Study North/Northern College Collaboration</li> <li>• Multi-year enrolment projections</li> <li>• Program enrolment and costing reviews</li> </ul>
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"> <li>• Strategic Mandate Agreement 3 Performance and Outcomes based funding strategies to support target performance</li> <li>• Corridor funding strategies via Program Mix Strategy</li> <li>• Special SNR grant of \$2.41M for one more year, after this fiscal</li> <li>• International tuition fees provide increased revenue</li> <li>• Budget scenarios to be developed to identify options to manage a reduction in operating grants, as required</li> <li>• Implement strategic cost reduction strategies, if required.</li> <li>• Fund long term sustainability initiatives through internally restricted reserves, as identified and approved</li> </ul>
Salary and Benefit Costs	Salary and benefits account for approximately 62% of total annual expenditures.	<ul style="list-style-type: none"> <li>• Academic faculty collective agreement in place until Sep. 30, 2021.</li> <li>• New support staff collective agreement in place until Aug.31, 2022.</li> </ul>
Contract Training	Significant changes to Canada and Ontario training agreement and policies;	<ul style="list-style-type: none"> <li>• Continue to explore partnership opportunities with Federal, Provincial and Municipal Governments, Industry, First Nations, etc.</li> <li>• Diversification of revenue streams.</li> <li>• Continue to monitor contract training activity against planned activities and contract terms, and monitor payment terms.</li> </ul>
Capital Infrastructure	Limited provincial and federal capital grants to maintain and upgrade College facilities, technology and equipment	<ul style="list-style-type: none"> <li>• Provincial, NOHFC, FedNor and SIF project grants</li> <li>• Provincial facilities and program related grants (FRP, CERF, AEF)</li> <li>• Capital campaign fund raising for TEC Hub equipment continues.</li> <li>• Consulting on preliminary feasibility assessments on special capital projects underway to determine future capital needs.</li> </ul>