

Consolidated Financial Statements of

**THE CAMBRIAN COLLEGE OF
APPLIED ARTS AND TECHNOLOGY**

Year ended March 31, 2016

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Index to Consolidated Financial Statements and Schedules

Year ended March 31, 2016

	Page
Independent Auditors' Report	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations	2
Consolidated Statement of Changes in Net Assets	3
Consolidated Statement of Cash Flows	4
Consolidated Statement of Remeasurement Gains and Losses	5
Notes to Consolidated Financial Statements	6 - 19
Schedules:	
Consolidated Analysis of Revenue Summary	20
Consolidated Operating Expense by Cost Object	21



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
Fax (705) 675-7586

INDEPENDENT AUDITORS' REPORT

To the Governors of The Cambrian College of Applied Arts and Technology

We have audited the accompanying consolidated financial statements of The Cambrian College of Applied Arts and Technology, which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of operations, changes in net assets, cash flows and remeasurement gains and losses for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Cambrian College of Applied Arts and Technology as at March 31, 2016, its consolidated results of operations, changes in net assets, cash flows and remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 9, 2016

Sudbury, Canada

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

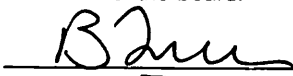
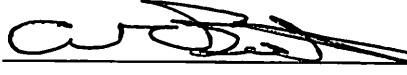
Consolidated Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 15,684,754	16,478,576
Investments (note 3)	6,969,626	6,339,599
Accounts receivable (note 15(a))	5,345,290	3,663,271
Grants receivable	2,684,510	3,153,292
Prepayments and inventories	771,557	639,630
Current portion of Student Centre receivable (note 2)	113,420	107,685
Land held for resale	125,000	158,000
	31,694,157	30,540,053
Student Centre receivable (note 2)	2,160,376	2,273,796
Student Centre interest rate swaps	643,241	642,297
Capital assets (note 4)	65,619,480	68,089,746
	\$ 100,117,254	101,545,892
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 6,158,622	6,430,729
Deferred contributions (note 6)	8,368,388	8,499,784
Current portion of employment-related obligations (note 7)	3,289,625	3,304,313
Current portion of long-term debt (note 8)	1,480,408	1,412,452
	19,297,043	19,647,278
Employment-related obligations (note 7)	2,603,000	2,742,000
Long-term debt (note 8)	16,745,987	18,226,620
Deferred capital contributions (note 9)	39,369,355	41,106,870
Interest rate swaps (note 8)	1,173,054	1,276,026
	79,188,439	82,998,794
Net assets:		
Unrestricted	1,008,857	998,505
Capital (note 10)	9,329,700	8,814,302
Internally restricted (note 11)	3,694,615	2,377,045
Endowment (note 11)	6,239,627	5,707,767
	20,272,799	17,897,619
Accumulated remeasurement gains	656,016	649,479
	20,928,815	18,547,098
Commitments and contingencies (note 13)		
	\$ 100,117,254	101,545,892

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 Chair, Board of Governors
 President

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Revenue (Schedule):		
Grants and reimbursements	\$ 40,618,744	41,074,156
Tuition fees	19,209,472	18,546,448
Business development	6,109,864	6,609,522
Contract training and other	13,001,631	10,498,284
Restricted	869,667	1,055,380
Investment	134,846	147,424
Amortization of deferred capital contributions (note 9)	2,338,349	2,352,816
	82,282,573	80,284,030
Expenses (Schedule):		
Academic	34,542,211	32,572,279
Administration	13,142,374	14,167,518
Special projects	9,574,012	9,819,784
Physical resources	7,783,476	8,283,805
Student services	6,395,602	6,516,666
Business development	4,229,341	4,241,951
Amortization of capital assets	3,902,112	3,876,210
Restricted	1,023,813	956,879
Provision for employment-related obligations (recovery)	(153,688)	(236,304)
	80,439,253	80,198,788
Excess of revenue over expenses	\$ 1,843,320	85,242

See accompanying notes to consolidated financial statements.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative information for 2015

	2016								2015
	Unrestricted				Capital (note 10)	Internally Restricted	Endowed (note 11)	Total	Total
	Operating	Employment related	Interest Rate Swaps	Total Unrestricted					
Net assets (debt), beginning of year	\$ 8,113,895	(6,046,313)	(1,069,077)	998,505	8,814,302	2,377,045	5,707,767	17,897,619	17,799,416
Excess (deficiency) of revenue over expenses	3,221,512	153,688	-	3,375,200	(1,559,318)	27,438	-	1,843,320	85,242
Endowments received	-	-	-	-	-	-	531,860	531,860	12,961
Net change in investment in capital assets	(1,764,848)	-	-	(1,764,848)	2,074,716	(309,868)	-	-	-
Appropriation	(1,600,000)	-	-	(1,600,000)	-	1,600,000	-	-	-
Net assets (debt), end of the year	\$ 7,970,559	(5,892,625)	(1,069,077)	1,008,857	9,329,700	3,694,615	6,239,627	20,272,799	17,897,619

See accompanying notes to consolidated financial statements.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,843,320	85,242
Adjustments for:		
Amortization of deferred capital contributions	(2,338,349)	(2,352,816)
Amortization of capital assets	3,902,112	3,876,210
Gain on sale of capital assets	(4,445)	-
Provision for employment-related obligations	(153,688)	(236,304)
	3,248,950	1,372,332
Changes in non-cash working capital (note 14)	(1,715,667)	2,522,779
	1,533,283	3,895,111
Financing activities:		
Repayment of long-term debt	(1,412,677)	(1,348,515)
Endowment contributions	531,860	12,961
	(880,817)	(1,335,554)
Investing activities:		
Purchase of investments	(1,936,263)	(6,446,052)
Proceeds on sale of investments	1,208,857	1,625,529
Decrease in Student Centre receivable	107,685	102,240
	(619,721)	(4,718,283)
Capital activities:		
Purchase of capital assets	(1,438,541)	(1,481,216)
Proceeds on sale of capital assets	11,140	-
Net capital contributions received	600,834	416,984
	(826,567)	(1,064,232)
Decrease in cash	(793,822)	(3,222,958)
Cash, beginning of year	16,478,576	19,701,534
Cash, end of year	\$ 15,684,754	16,478,576

See accompanying notes to consolidated financial statements.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Accumulated remeasurement gains, beginning of year	\$ 649,479	393,526
Unrealized gains (losses) attributable to:		
Fixed income	(13,266)	18,767
Equity Instruments	(110,009)	195,364
Derivative - interest rate swap	103,916	37,150
Realized (gains) losses attributable to:		
Fixed income	(598)	4,672
Equity Instruments	26,494	-
Net remeasurement gains for the year	6,537	255,953
Accumulated remeasurement gains, end of year	\$ 656,016	649,479

See accompanying notes to consolidated financial statements.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

The Cambrian College of Applied Arts and Technology (the "College") is an Ontario College established as a Community College under The Department of Education Act of the Province of Ontario. The College is a registered charity and is exempt from income taxes under the Income Tax Act.

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the unrestricted fund, capital fund and internally restricted and endowed funds and include the activities of The Cambrian College of Applied Arts and Technology and Cambrian College Foundation.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

(b) Revenue recognition:

i) Contributions are accounted for under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grant amounts relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Grants approved but not received are accrued.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the period in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at rates corresponding to those of the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

ii) Tuition fees are recognized as revenue over the teaching days which occur during the fiscal year.

iii) Business development including residence, parking and other sundry revenues are recognized when products are delivered on services provided to the student or client, the sales price is fixed and determinable, and collection is reasonably assured.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

1. Significant accounting policies (continued):

(c) Capital assets:

Capital asset purchases are recorded at cost. Property and equipment which are donated are recorded at their fair market value at the date of acquisition. When a capital asset no longer contributes to the College's ability to provide services, it is written down to its residual value. Amortization of capital assets is recorded on the straight-line basis at the following annual rates:

Buildings	2.5%
Parking lots	10%
Property and equipment	10% - 20%

(d) Employment future benefits:

Vacation entitlements are accrued for as entitlements are earned (note 7).

The College is liable to pay an employee's accumulated sick leave in the event of sickness or injury. The College is liable to pay 50% of an employee's eligible accumulated sick leave credit on termination or retirement.

For the post-employment benefits (continuation of life, medical and dental during LTD), these benefits are accounted for on a terminal basis, in comparison to the non-pension post-retirement benefit which is accounted for on an accrual basis. This means that the liability for the post-employment benefit is accrued only when a LTD claim occurs. For these benefits, the full change in the liability is being recognized immediately as an expense in the year.

The College is an employer member of the Colleges of Applied Arts and Technology Pension Plan, which is a multi-employer defined benefit pension plan. The College has adopted defined contribution account principles for this Plan because insufficient information is available to apply defined benefit accounting principles (note 12).

(e) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Items subject to such estimates and assumptions include the carrying value of capital assets, valuation allowances for receivables; valuation of derivative financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

1. Significant accounting policies (continued):

(f) Financial instruments:

All financial instruments are initially recorded on the consolidated statement of financial position at fair value.

All investments held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains and losses until they are realized, when they are transferred to the consolidated statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value 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 consolidated 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 consolidated statement of operations.

Financial instruments are classified into fair value hierarchy Levels 1, 2 or 3 for the purposes of describing the basis of the inputs used to determine the fair market value of those amounts recorded a fair value, as described below:

Level 1	Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Fair value measurements are those derived from market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly
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

(g) Student organizations:

These financial statements do not reflect the assets, liabilities and results of operations of the various student organizations at the College.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

2. Student Centre receivable:

The Students' Associations have approved annual payments to reimburse the College for the related debt repayment on the Student Centre (note 8). Payments are consistent with the related debt. The current portion of the amount receivable is \$113,420 (2015 - \$107,658).

Under the existing terms and rates, principal due in each of the next five years and thereafter is approximately as follows:

2017	\$	113,420
2018		119,461
2019		125,823
2020		132,524
2021		139,582
Thereafter		1,642,986
	\$	2,273,796

3. Investments:

	Fair Value Hierarchy	2016	2015
Equities	Level 1	\$ 2,021,781	1,926,515
Mutual funds	Level 2	3,820,803	3,551,425
Fixed income	Level 2	1,127,042	861,659
		\$ 6,969,626	6,339,599

Equities have been separated from mutual funds to reflect their fair value hierarchy. Unrealized gains (losses) are reflected in the consolidated statement of remeasurement gains and losses with the fixed income investments.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

4. Capital assets:

2016	Cost	Accumulated Amortization	Net book Value
Land	\$ 159,066	—	159,066
Buildings	112,014,178	50,850,543	61,163,635
Parking lots	866,414	483,371	383,043
Property and equipment	11,473,355	7,559,619	3,913,736
	\$ 124,513,013	58,893,533	65,619,480

2015	Cost	Accumulated Amortization	Net book Value
Land	\$ 159,066	—	159,066
Buildings	111,230,913	48,406,170	62,824,743
Parking lots	866,414	396,730	469,684
Property and equipment	11,876,773	7,240,520	4,636,253
	\$ 124,133,166	56,043,420	68,089,746

5. Accounts payable and accrued liabilities:

	2016	2015
Accounts payable and accrued liabilities	\$ 2,553,513	3,683,178
Accrued salaries, wages and benefits	3,605,109	2,747,551
	\$ 6,158,622	6,430,729

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

6. Deferred contributions:

Details of the continuity of these funds are as follows:

	2016	2015
Balance, beginning of year	\$ 8,499,784	8,392,785
Additional contributions received	6,142,663	5,496,767
Amounts taken to revenue	(6,274,059)	(5,389,768)
Balance, end of year	\$ 8,368,388	8,499,784

7. Employee future benefits:

	2016	2015
Current portion:		
Vacation	\$ 3,023,058	3,094,633
Maternity top-up	266,567	209,680
	3,289,625	3,304,313
WSIB	—	63,000
Non-pension post-employment benefits	654,000	663,000
Sick leave benefits - vested	302,000	314,000
- non-vested	1,647,000	1,702,000
	2,603,000	2,742,000
	\$ 5,892,625	6,046,313

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

7. Employee future benefits (continued):

Vacation

The accrual for vacation represents the liability for earned but unpaid vacation entitlements.

Employee Future Benefits

Vested Sick Leave:

The College has provided for vested sick leave benefits during the year. Eligible employees, after 10 years of service, are entitled to receive 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 independent actuaries on behalf of the College System as a whole.

Non-Vested 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 independent actuaries on behalf of the College System as a whole.

Other employee future benefits:

The College maintains defined benefit and defined contribution plans providing other retirement and employee future benefits to most of its employees.

The costs of other post-employment benefits (including medical benefits, dental care, life insurance, and certain compensated absences) related to the employees' current service is charged to income annually. The cost is computed on an actuarial basis using the projected benefit method estimating the usage frequency and cost of services covered and management's best estimates of investment yields, salary escalation, and other factors. Plan assets are valued at fair value for purposes of calculating the expected return on plan assets.

The fair values of plan assets and accrued benefit obligations were determined by independent actuaries on behalf of the College System as a whole as at January 1, 2014.

The accrued benefit obligations accrued at March 31, 2016 amounted to \$2,368,000 (2015 - \$2,433,000). The net unamortized actuarial gain is \$353,000 (2015 - \$362,000). Benefit plan interest and current service (costs) gain recorded in the year were \$139,000 (2015 - (\$145,000)) and the amortization of actuarial gain of \$23,000 (2015 - \$36,000). The benefits paid out in the year were \$195,000 (2015 - \$216,000).

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

7. Employee future benefits (continued):

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligation include a discount rate of 1.7% (2015 – 1.6%). The average retirement age in the College System is assumed to be 63 and the liability has been recalculated as a result of a separation of the benefit pool for retirees and those on long-term disability from active employees.

For measurement purpose, the annual rate of increase in the per capita cost of covered health care benefits was assumed as follows:

	Other benefit plans
Drug	9% (grading to 4% in 2034)
Hospital	4.0%
Other medical	4.0%
Dental	4.0%

8. Long-term debt:

	2016	2015
Ontario Financing Authority - Parking	\$ 111,195	155,152
- Residence	8,884,052	9,313,458
- Chiller	1,237,356	1,548,791
Bankers acceptances - Residence	3,815,185	4,218,411
- Student Centre	2,273,796	2,381,482
NORCAT	1,904,811	2,021,778
	18,226,935	19,639,072
Less: current portion	1,480,408	1,412,452
	\$ 16,745,987	18,226,620

The College has entered into an unsecured loan agreement with the Ontario Financing Authority for the residence, Chiller and parking lot renovations. The parking lot loan bears interest at a fixed rate of 4.81% and is payable in blended monthly payments of \$4,206 with the final payment due on July 31, 2018. The residence loan bears interest at a fixed rate of 5.26%, and is repayable in blended monthly payments of \$75,753 with the final payment due on December 31, 2029. The Chiller loan bears interest at a fixed rate of 4.814%, and is payable in blended monthly payments of \$29,961 with the final payment due on November 9, 2019.

The banker's acceptances were advanced under variable rate credit facilities in the principal face amounts of \$2.276 and \$2.690 million for the residence and \$2.580 million for the Student Centre. Interest rates are adjusted monthly and were 1.2% - 1.49% plus stamping fees on March 31, 2016. The facilities are secured by a general security agreement. The Students' Associations are responsible to reimburse the College for the debt repayments on the Student Centre (note 2).

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

8. Long-term debt (continued):

The College has entered into interest rate derivative agreements to manage the volatility of interest rates. The College converted floating rate debt for fixed rate debt at 5.2% to 5.74%. The fair value of the interest rate swaps of \$1,173,054 (2015 - \$1,276,026) has been determined using Level 3 of the fair value hierarchy.

The College has renegotiated the unsecured NORCAT balance with interest at 4.39%, payable in blended monthly payments of \$16,371 maturing October 2030.

Under the existing terms and rates, principal due in each of the next five years and thereafter is approximately as follows:

2017	\$ 1,480,408
2018	1,551,544
2019	1,592,839
2020	1,532,139
2021	1,364,798
Thereafter	10,704,668
	<u>\$ 18,226,396</u>

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent balances of donations and grants received for capital asset acquisitions. Details of the continuity of these funds are as follows:

	2016	2015
Balance, beginning of year	\$ 41,106,870	43,042,702
Additional contributions received	795,713	983,229
Amounts amortized to revenue	(2,338,349)	(2,352,816)
Transfer to other funds	(194,879)	(566,245)
Balance, end of year	<u>\$ 39,369,355</u>	<u>41,106,870</u>

The balance of unamortized and unspent funds consists of the following:

	2016	2015
Unamortized deferred contributions	\$ 38,160,391	39,786,510
Unspent contributions	1,208,964	1,320,360
Balance, end of year	<u>\$ 39,369,355</u>	<u>41,106,870</u>

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

10. Capital net assets:

Capital net assets are calculated as follows:

	2016	2015
Capital assets	\$ 65,777,480	68,247,746
Amounts financed by:		
Deferred capital contributions - unamortized	(38,160,391)	(39,786,510)
Long-term liabilities, net of student receivable	(15,952,599)	(17,257,591)
Inter-fund borrowing, net	(2,334,790)	(2,389,343)
	\$ 9,329,700	8,814,302

At March 31, 2016, an amount of \$2,334,790 (2015 - \$2,389,343) is owing from the operating fund to the capital fund. The amount is non-interest bearing and is repayable over 10 years.

11. Internally restricted and endowed net assets:

Details of internally restricted and endowed net assets are as follows:

	March 31, 2015 Balance, beginning of year	Additions/ Transfers	Disbursements	March 31, 2016 Balance, end of year
Infrastructure appropriation	\$ 359,466	1,600,000	309,867	1,649,599
Innovation fund	250,000	—	—	250,000
Student activities fund	4,032	20,169	17,443	6,758
Conferences and projects	272,507	75,726	66,073	282,160
Restricted funds	1,491,040	955,356	940,298	1,506,098
	2,377,045	2,651,251	1,333,681	3,694,615
Endowment	5,707,767	531,860	—	6,239,627
	\$ 8,084,812	3,183,111	1,333,681	9,934,242

	March 31, 2014 Balance, beginning of year	Additions/ Transfers	Disbursements	March 31, 2015 Balance, end of year
Infrastructure appropriation	\$ 1,000,000	—	640,534	359,466
Innovation fund	—	250,000	—	250,000
Student activities fund	8,259	10,814	15,041	4,032
Conferences and projects	289,749	72,773	90,015	272,507
Restricted funds	798,070	1,544,793	851,823	1,491,040
	2,096,078	1,878,380	1,597,413	2,377,045
Endowment	5,694,806	12,961	—	5,707,767
	\$ 7,790,884	1,891,341	1,597,413	8,084,812

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

12. Pension plan:

Substantially all of the employees of the College are members of the Colleges of Applied Arts and Technology ("CAAT") Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the CAAT. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the highest five consecutive years prior to retirement, termination or death. The College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long-term viability of the Plan.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. 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 asset and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2016 indicated an actuarial surplus of \$1.2 billion.

Under these arrangements, the College makes contributions equal to those of the employees. Contributions made by the College during the year amounted to approximately \$4,555,655 (2015 - \$4,375,435).

13. Commitments and contingencies:

- (a) The College has entered into agreements to lease equipment and premises. The total annual minimum lease payments to maturity are approximately as follows:

2017	\$ 683,416
2018	658,069
2019	554,342
2020	450,512
2021	338,668
	\$ 2,685,007

- (b) The College is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.
- (c) Under its credit agreement with the Royal Bank of Canada, the College has a \$2 million unutilized operating line facility, bearing interest at the bank's prime rate less 0.75% per annum.
- (d) The College has entered into a capital lease of equipment. The College is not required to make payments on this lease unless energy savings are realized.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

14. Changes in non-cash working capital:

	2016	2015
Cash provided by (used in):		
Decrease (increase) in accounts receivable	\$ (1,682,019)	453,826
Decrease in grants receivable	468,782	2,745,979
Increase in prepayment and inventories	(131,927)	(357,707)
Decrease in accounts payable and accrued liabilities	(272,107)	(426,318)
Increase (decrease) in deferred contributions	(131,396)	106,999
Change in land held for resale	33,000	–
	<u>\$ (1,715,667)</u>	<u>2,522,779</u>

15. Financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The College is exposed to this risk relating to its cash 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 to \$ 300,000 (2015 - \$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. Investments are outlined in Note 3.

Included in accounts receivable are student receivables in the amount of \$997,942 of which 34% is over 90 days. All other accounts receivables and long-term receivables are current. An amount of \$188,263 has been provided for an impairment allowance.

Student receivables not impaired are collectible based on the College's assessment and past experience regarding collection rates.

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.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

15. Financial instruments (continued):

(b) 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 MTCU. The policy's application is monitored by management, the investment managers and the board of governors. Diversification techniques are utilized to minimize risk.

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.

(c) 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. The College does not have any material transactions or financial instruments denominated in foreign currencies.

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.

(d) 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, bank loans and term debt.

The College mitigates interest rate risk on its term debt through derivative financial instrument (interest rate swaps) that exchanges the variable rate inherent in the term debt for a fixed rate (see note 8). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

A 1% fluctuation in interest rates would have an estimated impact on interest expense related to the College's bank loans of \$182,264 and a \$22,738 impact on interest income related to the College's long-term receivable.

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.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

15. Financial instruments (continued):

(e) 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.

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.

(f) 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 and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

Accounts payable are all current and the terms of the long-term debt are disclosed in note 8.

Derivative financial liabilities mature as described in note 8.

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.

16. Comparative information:

Certain 2015 comparative information has been reclassified to conform with the presentation adopted in 2016.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule - Consolidated Analysis of Revenue Summary

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Grants and reimbursements:		
MTCU:		
Operating	\$ 21,578,102	22,409,965
Specific purpose	10,763,936	11,579,945
Other	7,340,369	6,213,766
Other funding sources	177,187	179,014
Federal government - other	167,623	302,162
Ontario government grants - other	591,527	389,304
	\$ 40,618,744	41,074,156
Tuition fees:		
Full-time	\$ 17,329,609	16,636,689
Part-time	1,879,863	1,909,759
	\$ 19,209,472	18,546,448
Business Development:		
Residence	\$ 4,209,223	4,478,328
Parking	929,985	936,293
Records Centre	73,566	297,428
Other	362,960	320,419
Print Shop	171,322	156,766
Hospitality/conference planning	200,091	243,350
Rentals	162,717	176,938
	\$ 6,109,864	6,609,522
Contract Training and Other:		
Miscellaneous	\$ 2,498,890	2,601,306
Other tuition related fees	2,148,776	2,365,006
International programs	7,406,173	4,409,508
Contract training/Enterprise Centre	947,792	1,122,464
	\$ 13,001,631	10,498,284
Restricted:		
Donations	\$ 708,429	659,690
Investment income	65,343	312,102
Other	95,895	83,588
	\$ 869,667	1,055,380

See accompanying notes to consolidated financial statements.

CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule - Consolidated Operating Expense by Cost Object

Year ended March 31, 2016, with comparative information for 2015

	Academic	Administration	Special Projects	Physical Resources	Student Services	Business Development	Total 2016	Total 2015
Academic salaries	\$ 20,256,976	45,666	1,092,435	-	144,164	-	\$ 21,539,241	\$ 21,209,688
Support salaries	2,731,520	2,703,165	2,781,580	1,635,761	2,692,038	197,102	12,741,166	12,358,910
Fringe benefits	5,245,784	1,469,095	1,111,401	578,917	958,935	123,591	9,487,723	8,867,198
Administration salaries	1,827,591	3,904,459	1,270,125	632,849	1,051,403	293,094	8,979,521	8,192,185
Contracted services	670,050	466,425	582,944	1,094,886	439,961	1,857,598	5,111,864	5,084,958
Utilities and services	-	-	7,900	1,991,265	-	312,797	2,311,962	2,683,058
Interest on long-term debt	-	67,567	-	47,468	-	719,492	834,527	910,921
Instructional supplies and development	1,222,805	117,669	184,434	312	143,593	-	1,668,813	2,418,694
Supplies and other	87,384	483,632	104,253	82,091	129,064	47,786	934,210	1,432,869
Promotion and public relations	537,385	709,873	184,417	-	158,714	15,909	1,606,298	1,582,151
Equipment maintenance	122,542	1,247,078	6,861	461,137	9,773	4,883	1,852,274	1,657,808
Information technology	65,504	341,507	22,079	1,619	8,545	-	439,254	394,120
Professional fees	233,491	541,249	23,868	350	33,633	217,529	1,050,120	1,015,121
Travel	321,892	71,532	291,213	7,140	98,075	4,915	794,767	775,985
Stipends and allowances	-	-	1,361,646	-	-	-	1,361,646	1,230,437
Rentals	26,123	-	228,801	-	-	21,470	276,394	450,672
Facilities maintenance	52,332	34,688	-	858,681	-	160,579	1,106,280	968,961
Clinical and field work	616,416	-	-	-	-	62	616,478	773,895
Bursaries	37,600	124,910	94,599	-	247,984	-	505,093	1,329,144
Professional development	42,500	120,221	24,227	21,103	13,838	6	221,895	230,829
Special events	105,788	214,203	154,837	2,798	218,132	34,221	729,979	568,393
Insurance	185,686	230,266	-	-	-	-	415,952	364,595
Municipal taxation	-	-	-	352,313	-	-	352,313	310,643
Cost of sales	-	-	-	-	-	198,765	198,765	225,605
Printing and duplicating	126,394	52,359	23,002	5,109	39,823	15,731	262,418	307,836
Telecommunications	13,515	148,793	23,390	9,677	7,852	3,266	206,493	156,331
Fees and memberships	12,933	48,017	-	-	75	545	61,570	100,996
	\$ 34,542,211	13,142,374	9,574,012	7,783,476	6,395,602	4,229,341	\$ 75,667,016	\$ 75,602,003

See accompanying notes to consolidated financial statements.