

Consolidated Financial Statements of

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

Year ended March 31, 2018

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

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Year ended March 31, 2018

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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, 2018, 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.



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, 2018, 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.

A handwritten signature in black ink that reads 'KPMG LLP'. Below the signature is a long, horizontal, slightly curved line.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 6, 2018

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 28,292,583	23,660,244
Investments (note 3)	9,292,552	7,822,793
Accounts receivable (note 15(a))	6,010,927	1,682,382
Grants receivable	1,446,687	1,861,837
Prepayments and inventories	1,227,934	701,244
Current portion of Student Centre receivable (note 2)	125,823	119,461
	46,396,506	35,847,961
Student Centre receivable (note 2)	1,915,092	2,040,915
Student Centre interest rate swaps	346,894	503,883
Capital assets (note 4)	67,356,171	64,401,021
	\$ 116,014,663	102,793,780
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 7,356,761	7,502,905
Deferred contributions (note 6)	11,436,232	8,365,845
Current portion of employment-related obligations (note 7)	3,301,184	3,328,996
Current portion of long-term debt (note 8)	1,592,838	1,550,544
	23,687,015	20,748,290
Employment-related obligations (note 7)	2,430,000	2,568,000
Long-term debt (note 8)	13,598,592	15,194,679
Deferred capital contributions (note 9)	42,936,935	39,527,833
Interest rate swaps (note 8)	557,125	864,443
	83,209,667	78,903,245
Net assets:		
Unrestricted	4,670,155	1,017,462
Capital (note 10)	12,371,004	10,111,362
Internally restricted (note 11)	7,278,633	4,881,057
Endowment (note 11)	7,346,612	6,834,612
	31,666,404	22,844,493
Accumulated remeasurement gains	1,138,592	1,046,042
	32,804,996	23,890,535
Commitments and contingencies (note 13)		
	\$ 116,014,663	102,793,780

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, 2018, with comparative information for 2017

	2018	2017
Revenue (Schedule):		
Grants and reimbursements	\$ 39,900,836	39,405,532
Tuition fees	24,277,429	20,469,174
Business development	5,621,342	5,768,762
International programs and other	17,541,187	14,944,870
Restricted	784,000	966,011
Investment income	387,760	195,741
Amortization of deferred capital contributions (note 9)	2,195,978	2,304,807
	90,708,532	84,054,897
Expenses (Schedule):		
Academic	33,058,113	34,256,924
Administration	13,223,130	13,339,691
Special projects	7,209,219	7,425,341
Physical resources	7,732,737	8,206,877
Student services	7,083,745	6,768,714
International activities	6,160,730	2,906,591
Business development	3,431,586	3,756,362
Amortization of capital assets	3,739,445	4,516,424
Scholarships, bursaries and other	925,728	896,892
Provision for employment-related obligations (recovery)	(165,812)	4,372
	82,398,621	82,078,188
Excess of revenue over expenses	\$ 8,309,911	1,976,709

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, 2018, with comparative information for 2017

	2018								2017
	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	\$ 7,983,536	(5,896,997)	(1,069,077)	1,017,462	10,111,362	4,881,057	6,834,612	22,844,493	20,272,799
Excess (deficiency) of revenue over expenses	9,470,102	165,812	-	9,635,914	(1,543,467)	217,464	-	8,309,911	1,976,709
Endowments received	-	-	-	-	-	-	512,000	512,000	594,985
Net change in investment in capital assets	(2,683,221)	-	-	(2,683,221)	3,803,109	(1,119,888)	-	-	-
Appropriation	(3,300,000)	-	-	(3,300,000)	-	3,300,000	-	-	-
Net assets (debt), end of the year	\$ 11,470,417	(5,731,185)	(1,069,077)	4,670,155	12,371,004	7,278,633	7,346,612	31,666,404	22,844,493

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 8,309,911	1,976,709
Adjustments for:		
Amortization of deferred capital contributions	(2,195,978)	(2,304,807)
Amortization of capital assets	3,739,445	4,516,424
Gain on sale of capital assets	-	(5,074)
Provision for employment-related obligations (recovery)	(165,812)	4,372
	9,687,566	4,187,624
Changes in non-cash working capital (note 14)	(1,515,842)	6,022,634
	8,171,724	10,210,258
Financing activities:		
Repayment of long-term debt	(1,553,793)	(1,481,172)
Endowment contributions	512,000	594,985
	(1,041,793)	(886,187)
Investing activities:		
Purchase of investments	(4,653,126)	(1,794,797)
Proceeds on sale of investments	3,125,588	1,162,402
Decrease in Student Centre receivable	119,461	113,420
	(1,408,077)	(518,975)
Capital activities:		
Purchase of capital assets	(6,694,595)	(3,309,891)
Proceeds on sale of capital assets	-	17,000
Net capital contributions received	5,605,080	2,463,285
	(1,089,515)	(829,606)
Increase in cash	4,632,339	7,975,490
Cash, beginning of year	23,660,244	15,684,754
Cash, end of year	\$ 28,292,583	23,660,244

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, 2018, with comparative information for 2017

	2018	2017
Accumulated remeasurement gains, beginning of year	\$ 1,046,042	656,016
Unrealized gains (losses) attributable to:		
Fixed income	4,057	(19,977)
Equity Instruments	(84,158)	166,321
Derivative - interest rate swap	150,329	169,253
Realized (gains) losses attributable to:		
Fixed income	(23,561)	(1,659)
Equity Instruments	45,883	76,088
Net remeasurement gains for the year	92,550	390,026
Accumulated remeasurement gains, end of year	\$ 1,138,592	1,046,042

See accompanying notes to consolidated financial statements.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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, 2018

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%
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, 2018

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 at 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 consolidated 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, 2018

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 \$125,823 (2017 - \$119,461).

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

2019	\$ 125,823
2020	132,524
2021	139,582
2022	147,016
2023	154,845
Thereafter	1,341,125
	\$ 2,040,915

3. Investments:

	Fair Value Hierarchy	2018	2017
Equities	Level 1	\$ 3,649,390	2,283,003
Mutual funds	Level 2	4,582,163	4,314,665
Fixed income	Level 2	1,060,999	1,225,125
		\$ 9,292,552	7,822,793

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 and equity investments.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

4. Capital assets:

2018	Cost	Accumulated Amortization	Net book Value
Land	\$ 159,066	—	159,066
Buildings	119,720,187	56,420,343	63,299,844
Parking lots	1,024,596	665,881	358,715
Equipment	11,545,236	8,006,690	3,538,546
	\$ 132,449,085	65,092,914	67,356,171

2017	Cost	Accumulated Amortization	Net book Value
Land	\$ 159,066	—	159,066
Buildings	114,653,265	53,941,410	60,711,855
Parking lots	866,414	570,012	296,402
Equipment	11,451,543	8,217,845	3,233,698
	\$ 127,130,288	62,729,267	64,401,021

5. Accounts payable and accrued liabilities:

	2018	2017
Accounts payable and accrued liabilities	\$ 2,831,280	3,102,401
Accrued salaries, wages and benefits	4,525,481	4,400,504
	\$ 7,356,761	7,502,905

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

6. Deferred contributions:

Details of the continuity of these funds are as follows:

	2018	2017
Balance, beginning of year	\$ 8,365,845	8,368,388
Additional contributions received	9,283,940	6,642,049
Amounts taken to revenue	(6,213,553)	(6,644,592)
Balance, end of year	\$ 11,436,232	8,365,845

7. Employee future benefits:

	2018	2017
Current portion:		
Vacation	\$ 3,083,507	3,168,016
Maternity top-up	217,677	160,980
	3,301,184	3,328,996
Non-pension post-employment benefits	566,000	623,000
Sick leave benefits - vested	237,000	294,000
- non-vested	1,627,000	1,651,000
	2,430,000	2,568,000
	\$ 5,731,184	5,896,996

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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, 2017.

The accrued benefit obligations accrued at March 31, 2018 amounted to \$2,202,000 (2017 - \$2,303,000). The net unamortized actuarial gain is \$363,000 (2017 - \$352,000). Benefit plan interest and current service (costs) gain recorded in the year were \$118,000 (2017 - \$121,000) and the amortization of actuarial gain of \$45,000 (2017 - \$25,000). The benefits paid out in the year were \$211,000 (2017 - \$117,000).

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

7. Employee future benefits (continued):

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligation include a discount rate of 2.6% (2017 – 2.0%). 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	8% (grading to 4% in 2034)
Hospital	4.0%
Other medical	4.0%
Dental	4.0%

8. Long-term debt:

	2018	2017
Ontario Financing Authority - Parking	\$ 16,660	65,061
- Residence	7,954,573	8,431,505
- Chiller	581,673	915,112
Bankers acceptances - Residence	2,939,172	3,389,422
- Student Centre	2,040,915	2,160,378
NORCAT	1,658,437	1,783,745
	15,191,430	16,745,223
Less: current portion	1,592,838	1,550,544
	\$ 13,598,592	15,194,679

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 million 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 at March 31, 2018. 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, 2018

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 \$557,125 (2017 - \$864,443) 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:

2019	\$ 1,592,838
2020	1,532,139
2021	1,364,798
2022	1,438,185
2023	1,511,760
Thereafter	7,751,710
	\$ 15,191,430

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:

	2018	2017
Balance, beginning of year	\$ 39,527,833	39,369,355
Additional contributions received, net	5,765,196	2,548,434
Amounts amortized to revenue	(2,195,978)	(2,304,807)
Transfer to other funds	(160,116)	(85,149)
Balance, end of year	\$ 42,936,935	39,527,833

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

	2018	2017
Unamortized deferred contributions	\$ 40,917,386	37,628,893
Unspent contributions	2,019,549	1,898,940
	\$ 42,936,935	39,527,833

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

10. Capital net assets:

Capital net assets are calculated as follows:

	2018	2017
Capital assets	\$ 67,356,171	64,401,021
Amounts financed by:		
Deferred capital contributions - unamortized	(40,917,386)	(37,628,892)
Long-term liabilities, net of student receivable	(13,150,515)	(14,584,845)
Inter-fund borrowing, net	(917,266)	(2,075,922)
	\$ 12,371,004	10,111,362

At March 31, 2018, an amount of \$917,266 (2017 - \$2,075,922) is owing from the operating fund to the capital fund. The amount is non-interest bearing and is expected to be repaid in 2019.

11. Internally restricted and endowed net assets:

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

	March 31, 2017 Balance, beginning of year	Additions/ Transfers	Disbursements	March 31, 2018 Balance, end of year
Infrastructure appropriation	\$ 2,471,021	3,300,000	869,888	4,901,133
Innovation fund	250,000	—	250,000	—
Student activities fund	7,379	22,900	16,337	13,942
Conferences and projects	289,932	64,754	79,496	275,190
Restricted funds	1,862,725	1,055,538	829,895	2,088,368
	4,881,057	4,443,192	2,045,616	7,278,633
Endowment	6,834,612	512,000	—	7,346,612
	\$ 11,715,669	4,955,192	2,045,616	14,625,245

	March 31, 2016 Balance, beginning of year	Additions/ Transfers	Disbursements	March 31, 2017 Balance, end of year
Infrastructure appropriation	\$ 1,649,599	1,800,000	978,578	2,471,021
Innovation fund	250,000	—	—	250,000
Student activities fund	6,758	22,484	21,863	7,379
Conferences and projects	282,160	64,725	56,953	289,932
Restricted funds	1,506,098	1,174,703	818,076	1,862,725
	3,694,615	3,061,912	1,875,470	4,881,057
Endowment	6,239,627	594,985	—	6,834,612
	\$ 9,934,242	3,656,897	1,875,470	11,715,669

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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, 2017 indicated an actuarial surplus of \$1.6 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 \$4,559,264 (2017 - \$4,587,868).

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:

2019	\$ 1,012,476
2020	842,421
2021	631,610
2022	333,678
2023	320,122
	\$ 3,140,307

- (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) 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.

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Notes to Consolidated Financial Statements

Year ended March 31, 2018

14. Changes in non-cash working capital:

	2018	2017
Cash provided by (used in):		
Decrease (increase) in accounts receivable	\$ (4,328,545)	3,662,908
Decrease in grants receivable	415,150	822,673
Decrease (increase) in prepayment and inventories	(526,690)	70,313
Increase (decrease) in accounts payable and accrued liabilities	(146,144)	1,344,283
Increase (decrease) in deferred contributions	3,070,387	(2,543)
Change in land held for resale	-	125,000
	<u>\$ (1,515,842)</u>	<u>6,022,634</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 (2017 - \$300,000).

The College's investment policy operates within the constraints of the investment guidelines issued by the Ministry of Advanced Education and Skills Development ("MAESD") 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 \$1,116,699 of which 18% is over 90 days. All other accounts receivables and long-term receivables are current. An amount of \$373,848 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.

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Notes to Consolidated Financial Statements

Year ended March 31, 2018

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 MAESD. 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 instruments (interest rate swaps) that exchange 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 \$151,914 and a \$20,409 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, 2018

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 2017 comparative information has been reclassified to conform with the presentation adopted in 2018.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule - Consolidated Analysis of Revenue Summary

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Grants and reimbursements:		
MAESD		
Operating	\$ 21,428,495	21,625,501
Specific purpose	11,425,455	11,010,962
Other	6,240,408	6,523,487
Federal government - other	350,338	27,083
Ontario government grants - other	456,140	218,499
	<u>\$ 39,900,836</u>	<u>39,405,532</u>
Tuition fees:		
Full-time	\$ 22,838,832	19,254,146
Part-time	1,438,597	1,215,028
	<u>\$ 24,277,429</u>	<u>20,469,174</u>
Business Development:		
Residence	\$ 4,044,224	4,151,504
Parking	1,012,186	1,014,865
Other	-	4,603
Hospitality/conference planning	392,274	434,555
Rentals	172,658	163,235
	<u>\$ 5,621,342</u>	<u>5,768,762</u>
International Programs and Other:		
Miscellaneous	\$ 2,052,033	2,266,740
Other tuition related fees	2,084,281	2,089,988
International programs	13,276,131	10,044,254
Contract training/Enterprise Centre	128,742	543,888
	<u>\$ 17,541,187</u>	<u>14,944,870</u>
Restricted:		
Donations	\$ 548,453	563,139
Investment income	147,893	315,663
Other	87,654	87,209
	<u>\$ 784,000</u>	<u>966,011</u>

CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule - Consolidated Operating Expense by Cost Object

Year ended March 31, 2018, with comparative information for 2017

	Academic	Administration	Special Projects	Physical Resources	Student Services	Interational Activities	Business Development	Total 2018	Total 2017
Academic salaries	\$ 20,344,798	105,769	715,015	-	195,583	150,339	-	\$ 21,511,504	\$ 22,378,194
Support salaries	3,062,372	2,914,340	2,311,384	1,395,953	3,116,720	389,348	148,954	13,339,071	13,388,961
Fringe benefits	5,216,306	1,541,072	833,543	462,111	1,106,758	317,666	81,987	9,559,443	9,708,359
Administration salaries	1,872,639	3,464,665	972,167	463,887	1,075,499	851,037	186,372	8,886,266	8,795,630
Contracted services	115,319	660,854	294,083	1,882,221	437,095	2,849,579	1,375,523	7,614,674	5,044,646
Utilities and services	6,824	7,329	9,282	1,688,851	-	-	333,470	2,045,756	2,563,469
Interest on long-term debt	-	59,215	-	25,415	-	-	617,604	702,234	769,696
Instructional supplies and development	1,105,622	311,339	139,663	-	252,989	1,692	-	1,811,305	1,628,512
Supplies and other	28,230	565,132	63,899	96,805	97,196	39,291	38,580	929,133	708,299
Promotion and public relations	11,248	504,904	98,570	-	83,917	273,585	5,673	977,897	1,432,188
Equipment maintenance	124,943	1,216,009	1,927	609,794	12,928	-	3,588	1,969,189	1,607,550
Information technology	81,089	393,233	40,538	8,906	-	-	-	523,766	436,672
Professional fees	7,798	712,473	35,186	8,065	38,253	215,455	197,239	1,214,469	1,269,971
Travel	96,877	60,007	232,713	15,145	124,461	423,783	1,559	954,545	835,050
Stipends and allowances	13,752	(11)	978,762	-	-	-	-	992,503	1,044,584
Rentals	24,847	-	242,493	5,161	-	-	23,308	295,809	265,812
Facilities maintenance	9,627	-	8,715	728,136	2,486	-	144,594	893,558	1,170,693
Clinical and field work	710,350	(125)	-	-	-	-	-	710,225	659,991
Bursaries	411	58,639	13,921	-	253,537	174,203	-	500,711	514,039
Professional development	31,669	94,675	5,463	16,294	24,941	1,355	-	174,397	266,346
Special events	65,475	78,311	171,903	94	209,612	148,529	57,633	731,557	683,120
Insurance	(190)	247,279	-	-	-	304,967	-	552,056	444,544
Municipal taxation	-	-	-	313,013	-	-	-	313,013	290,587
Cost of sales	-	-	-	-	-	-	200,005	200,005	195,236
Printing and duplicating	96,260	39,057	18,354	861	33,887	10,231	12,790	211,440	254,794
Telecommunications	20,275	125,214	19,546	12,025	13,636	7,329	1,925	199,950	196,801
Fees and memberships	11,572	63,750	2,092	-	4,247	2,341	782	84,784	106,756
	\$ 33,058,113	13,223,130	7,209,219	7,732,737	7,083,745	6,160,730	3,431,586	\$ 77,899,260	\$ 76,660,500