Consolidated Financial Statements of

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year Ended March 31, 2017

Consolidated Financial Statements

March 31, 2017

June 26, 2017

Independent Auditor's Report

**To the Board of Governors of the
Fanshawe College of Applied Arts and Technology**

We have audited the accompanying consolidated financial statements of the Fanshawe College of Applied Arts and Technology, which comprise the consolidated statement of financial position as at March 31, 2017 and the consolidated statements of operations, changes in net assets, cash flows, and remeasurement gains and losses for the year then ended, and the related notes, which comprise 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.

Auditor's 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 the auditor's 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, the auditor considers 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.

PricewaterhouseCoopers LLP
465 Richmond Street, Suite 400, London, Ontario, Canada N6A 5P4
T: +1 519 640 8000, F: +1 519 640 8015

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Fanshawe College of Applied Arts and Technology as at March 31, 2017 and the results of its 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licenced Public Accountants

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position

As at March 31, 2017, with comparative figures for 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 29,788,289	$ 26,043,782
Short term investments greater than 90 days	9,000,577	8,500,554
Accounts receivable (Note 3)	21,615,140	18,450,700
Grants receivable	3,077,988	4,125,224
Inventories	2,748,852	2,599,829
Prepaid expenses	158,205	-
Current portion of receivable from Student Union (Note 4)	156,148	146,464
	66,545,199	59,866,553
Receivable from Student Union (Note 4)	2,493,337	2,649,485
Student fee receivable (Note 5)	18,046,992	5,009,844
Investments (Note 6)	94,256,024	85,094,234
Capital assets (Notes 7, 9 and 10)	328,093,037	294,766,392
Intangible assets (Note 8)	1,059,520	1,362,239
	$ 510,494,109	$ 448,748,747
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 26,883,998	$ 24,098,428
Accrued vacation pay	9,200,482	9,040,941
Deferred revenue	62,466,273	48,170,669
Capital lease obligation (Note 9)	15,851	12,081
Current portion of bank loans (Note 10)	1,769,691	1,665,720
	100,336,295	82,987,839
Bank loans (Note 10)	49,584,943	40,517,143
Derivative financial instruments	4,721,418	6,073,943
Post-employment benefits and compensated absences (Note 11)	7,733,673	7,835,924
Capital lease obligation (Note 9)	11,888	-
Other long term liabilities	-	392,000
	62,051,922	54,819,010
Deferred contributions		
Restricted contributions (Note 12)	12,413,544	20,053,843
Capital assets (Note 13)	176,455,141	147,098,327
	188,868,685	167,152,170
Net assets		
Investment in capital assets (Note 14)	120,951,998	113,278,912
Endowments	22,191,900	20,234,736
Internally restricted (Note 15)	29,151,283	31,561,824
Unrestricted	(11,843,515)	(14,280,445)
Accumulated remeasurement loss	(1,214,459)	(7,005,299)
	159,237,207	143,789,728
Commitments (Notes 16 and 17)		
Contingencies (Note 18)		
	$ 510,494,109	$ 448,748,747

See accompanying notes to consolidated financial statements.

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
Revenue		
Enrollment revenue	$ 114,579,128	$ 96,053,430
Government grants	97,316,000	95,581,163
Ancillary revenue	22,948,804	22,420,777
Other revenue		
Amortization of deferred contributions related to capital assets (Note 14)	8,609,695	8,327,595
Investment income	2,872,186	4,334,547
Restricted contributions	2,207,615	1,831,408
Miscellaneous	9,064,489	9,838,048
	257,597,917	238,386,968
Expenditures		
Instructional service	119,808,653	111,662,884
Student service	36,020,185	34,618,325
College service	32,054,926	30,247,567
Instructional support service	24,323,010	23,574,287
Ancillary service	19,486,449	19,154,210
Facility service	17,987,385	15,462,332
(Schedule 1)	249,680,608	234,719,605
Excess of revenue over expenditures	$ 7,917,309	$ 3,667,363

See accompanying notes to consolidated financial statements.

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative figures for 2016

	Investment in Capital Assets	Endowments	Internally Restricted	Unrestricted	Accumulated Remeasurement Loss	2017 Total
Balance, beginning of year	$ 113,278,912	$ 20,234,736	$ 31,561,824	$ (14,280,445)	$ (7,005,299)	$ 143,789,728
Excess (deficiency) of revenue over expenditures (Note 14)	(8,570,254)	-	-	16,487,563	-	7,917,309
Unrealized gains attributable to:						
Investments	-	-	-	-	4,438,315	4,438,315
Derivative financial instruments	-	-	-	-	1,352,525	1,352,525
Endowments						
Donations	-	255,188	-	-	-	255,188
Return on investment	-	2,224,060	-	-	-	2,224,060
Awards	-	(581,562)	-	-	-	(581,562)
Net transfers from the College and Foundation	-	59,478	-	-	-	59,478
Internally restricted						
Deferred expenditures	-	-	1,660,000	(1,660,000)	-	-
Interfund transfer	-	-	(3,848,893)	3,848,893	-	-
Net transfers to the College	-	-	(221,648)	3,814	-	(217,834)
Net change in investment in capital assets (Note 14)	16,243,340	-	-	(16,243,340)	-	-
Balance, end of year	$ 120,951,998	$ 22,191,900	$ 29,151,283	$ (11,843,515)	$ (1,214,459)	$ 159,237,207

See accompanying notes to consolidated financial statements.

	Investment in Capital Assets	Endowments	Internally Restricted	Unrestricted	Accumulated Remeasurement Loss	2016 Total
Balance, beginning of year	$ 94,396,681	$ 20,899,079	$ 31,057,924	$ 1,429,587	$ (1,805,220)	$ 145,978,051
Excess (deficiency) of revenue over expenditures (Note 14)	(7,841,849)	-	-	11,509,212	-	3,667,363
Unrealized (losses) gains attributable to:						
Investments	-	-	-	-	(5,518,607)	(5,518,607)
Derivative financial instruments	-	-	-	-	318,528	318,528
Endowments						
Donations	-	306,602	-	-	-	306,602
Return on investment	-	(547,901)	-	-	-	(547,901)
Awards	-	(499,818)	-	-	-	(499,818)
Net transfers from the College and Foundation	-	76,774	-	-	-	76,774
Internally restricted						
Deferred expenditures	-	-	1,700,000	(1,700,000)	-	-
Interfund transfer	-	-	(1,204,836)	1,204,836	-	-
Return on investment	-	-	9,236	-	-	9,236
Net transfers to the College	-	-	(500)	-	-	(500)
Net change in investment in capital assets (Note 14)	26,724,080	-	-	(26,724,080)	-	-
Balance, end of year	$ 113,278,912	$ 20,234,736	$ 31,561,824	$ (14,280,445)	$ (7,005,299)	$ 143,789,728

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
Cash provided by (used in):		
Cash flows from operating activities		
Excess of revenue over expenditures	$ 7,917,309	$ 3,667,363
Change in non-cash working capital items (Note 19)	14,816,283	5,200,387
Items not involving cash:		
Amortization of capital assets	17,179,949	16,169,086
Loss on disposal of capital assets	-	358
Amortization of intangible assets	302,719	151,360
Amortization of deferred contributions related to capital assets	(8,609,695)	(8,327,595)
Net (decrease) increase in deferred contributions related to restricted contributions	(7,640,299)	1,723,959
Decrease in post employment benefits and compensated absences	(102,251)	(286,882)
	23,864,015	18,298,036
Cash flows from investing activities		
Short term investments greater than 90 days	(500,023)	27,249,766
Long term investments	(4,723,475)	(3,462,837)
Business combination net of cash consideration	-	(848,301)
(Decrease) increase in internally restricted net assets	(217,834)	8,736
Long term payable	(392,000)	-
	(5,833,332)	22,947,364
Cash flows from capital activities		
Increase in deferred contributions related to capital assets	37,966,509	15,918,763
Additions to capital assets	(50,506,594)	(40,307,183)
Advancement (repayment) of capital lease obligation	15,658	(12,658)
Advancement of bank loans	9,318,235	2,721,719
	(3,206,192)	(21,679,359)
Cash flows from financing activities		
Repayments from Student Union	146,464	137,380
Repayment of bank loans	(146,464)	(137,380)
Increase in student fee receivable	(13,037,148)	(5,009,844)
Net increase (decrease) in endowments	1,957,164	(664,343)
	(11,079,984)	(5,674,187)
Increase in cash and cash equivalents	3,744,507	13,891,854
Cash and cash equivalents, beginning of year	26,043,782	12,151,928
Cash and cash equivalents, end of year	$ 29,788,289	$ 26,043,782

See accompanying notes to consolidated financial statements.

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
Balance, beginning of year	$ (7,005,299)	$ (1,805,220)
Unrealized gains (losses) attributable to:		
Investments	4,438,315	(5,518,607)
Derivative financial instrument-interest rate swap	1,352,525	318,528
Net remeasurement gain (loss) for the year	5,790,840	(5,200,079)
Balance, end of year	$ (1,214,459)	$ (7,005,299)

See accompanying notes to consolidated financial statements.

The Fanshawe College of Applied Arts and Technology ("the College") is an incorporated entity that provides quality education and learning for employment to its communities. The College is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

(a) General:

The financial statements of the College have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPO's").

(b) Revenue recognition:

The College follows the deferral method of accounting for contributions, which include donations and government grants.

Under the Ontario Colleges of Applied Arts and Technology Act, the College is funded by the Ministry of Advanced Education and Skills Development ("MAESD"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Revenue from student fees, ancillary operations and other revenue is recognized when the services are provided or the products are sold.

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

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred, and when expended, are amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Deferred restricted contributions represent unspent donations for bursaries and scholarships, programs and other purposes. Deferred contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets.

Endowment contributions, having externally imposed restrictions requiring that the principal be maintained intact, are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Restricted investment income that must be maintained as an endowment is credited to net assets. Unrestricted investment income is recognized as revenue when earned.

Materials and services donated to the College are recognized as restricted contributions in the year received and are recorded at their fair value.

(c) Inventories:

Inventories are stated at the lower of cost and net realizable value.

(d) Financial instruments:

The College recognizes its financial instruments as either fair value or amortized cost. The College's accounting policy for each category is as follows:

Financial assets and financial liabilities are initially recognized at cost and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the College's designation of such instruments. Settlement date accounting is used.

<u>Fair Value</u>

This category includes instruments quoted in an active market.

They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations.

Transaction costs related to financial instruments in the fair value category 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 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 Statement of Operations.

Amortized Cost

This category includes accounts receivable, grants receivable, receivable from the Student Union, student fee receivable, accounts payable and accrued liabilities, capital lease obligation and bank loans. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the Statement of Operations.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value.

Buildings occupied and equipment used by the former Ontario Vocational Centre, London were donated to the College as of September 1, 1967 by the Ontario Department of Works and Education and have been recorded at the original capital cost incurred by those departments. Land donated to the College by the Department of Public Works has been recorded at the nominal value of $6. Subsequent additions to capital assets have been recorded at cost.

Capital assets are amortized on a straight line basis using the following estimated useful lives:

Buildings	40 years
Site improvements	10 years
Furniture and equipment	5 years
Library books	15 years

The College utilizes the ½ year rule when amortizing capital assets in the year of acquisition.

(f) Intangible assets:

Intangible assets are recorded at cost at the date of acquisition. When an intangible asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value.

Intangible assets are amortized on a straight line basis using the following estimated useful lives:

Goodwill	5 years
Future value of customer lists	5 years

The College utilizes the ½ year rule when amortizing intangible assets in the year of acquisition.

(g) Cost allocation:

Expenditures are recorded on the accrual basis and allocated among academic programs on the basis of direct charges wherever possible and otherwise on the basis of full time equivalent students or teaching contact hours.

(h) Vacation pay:

Vacation pay is accrued, as entitlement is earned.

(i) Retirement and post-employment benefits and compensated absences:

The College provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, vesting sick leave and non-vesting sick leave. The College has adopted the following policies with respect to accounting for these employee benefits:

(i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.

(ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.

(iii) The cost of vesting and non-vesting sick leave benefits are actuarially determined using management's best estimate and salary escalation, employee's use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.

(iv) The discount rate used in the determination of the above mentioned liabilities is equal to the College's internal rate of borrowing.

(j) Liabilities for contaminated sites:

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the College is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

The College does not have any liabilities for contaminated sites.

(k) Measurement uncertainty:

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates. Areas of key estimation include determination of the allowance for doubtful accounts, derivative financial instruments and the actuarial estimation of post-employment benefits and compensated absence liabilities as outlined in Note 11.

(l) Principles of consolidation:

The consolidated financial statements reflect the operations of the College and its wholly owned subsidiaries Fanshawe International Corporation, the Fanshawe College Foundation, the Canadian Centre for Product Validation Inc. and Hot Zone Training Consultants Inc.

2. Financial instrument classification:

The following tables provide fair value and cost information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below:

	2017		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 29,788,289	$ -	$ 29,788,289
Short term investments greater than 90 days	9,000,577	-	9,000,577
Accounts receivable	-	21,615,140	21,615,140
Grants receivable	-	3,077,988	3,077,988
Receivable from Student Union	-	2,649,485	2,649,485
Student fee receivable	-	18,046,992	18,046,992
Investments	94,256,024	-	94,256,024
Accounts payable and accrued liabilities	-	26,883,998	26,883,998
Capital lease obligation	-	27,739	27,739
Bank loans	-	51,354,634	51,354,634
Derivative financial instruments	4,721,418	-	4,721,418
	$ 137,766,308	$ 123,655,976	$ 261,422,284

	2016		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 26,043,782	$ -	$ 26,043,782
Short term investments greater than 90 days	8,500,554	-	8,500,554
Accounts receivable	-	18,450,700	18,450,700
Grants receivable	-	4,125,224	4,125,224
Receivable from Student Union	-	2,795,949	2,795,949
Student fee receivable	-	5,009,844	5,009,844
Investments	85,094,234	-	85,094,234
Accounts payable and accrued liabilities	-	24,098,428	24,098,428
Capital lease obligation	-	12,081	12,081
Bank loans	-	42,182,863	42,182,863
Derivative financial instruments	6,073,943	-	6,073,943
	$ 125,712,513	$ 96,675,089	$ 222,387,602

The amortized cost of accounts receivable, grants receivable and accounts payable and accrued liabilities approximate fair value because of their short terms to maturity. The receivable from Student Union, student fee receivable, capital lease obligation and bank loans have an insignificant interest rate differential, therefore, recording at fair value is unnecessary.

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
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 (unobservable inputs).

	2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 29,788,289	$ -	$ -	$ 29,788,289
Short term investments greater than 90 days	9,000,577	-	-	9,000,577
Investments	-	94,256,024	-	94,256,024
Derivative financial instruments	-	-	4,721,418	4,721,418
	$ 38,788,866	$ 94,256,024	$ 4,721,418	$ 137,766,308

	2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 26,043,782	$ -	$ -	$ 26,043,782
Short term investments greater than 90 days	8,500,554	-	-	8,500,554
Investments	-	85,094,234	-	85,094,234
Derivative financial instruments	-	-	6,073,943	6,073,943
	$ 34,544,336	$ 85,094,234	$ 6,073,943	$ 125,712,513

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2017 and March 31, 2016. There were also no transfers in or out of Level 3.

3. Accounts receivable:

Includes a balance owing from the Student Union for March 2017 expenditures of $212,512 (2016- $474,034).

4. Receivable from Student Union:

The receivable represents the Student Union’s share in support of the construction costs related to the student centre located on the London campus.

Principal repayments are due in accordance to the amortization schedule relating to the long term debt identified in Note 10. The following is a summary of the total amount receivable from the Student Union:

	2017	2016
Loan receivable from the London Campus Student Union with an effective fixed interest rate of 7.17% repayable over 25 years. No specific security has been received.	$ 2,649,485	$ 2,795,949
Less current portion	156,148	146,464
	$ 2,493,337	$ 2,649,485

The principal repayments required during the next 5 years are as follows:

2018	$ 156,148
2019	166,474
2020	177,482
2021	189,218
2022	201,729

5. Student fee receivable:

The receivable represents the student's share in support of the construction costs related to the new Wellness Centre located on the London campus.

While under construction, principal and interest payments are not due. Quarterly payments will commence 90 days following substantial completion of the project which is forecasted to be July 2017.

6. Investments:

The estimated fair and book values, held indirectly through pooled funds, as at March 31 were:

	2017		2016	
	Estimated Fair Value	Book Value	Estimated Fair Value	Book Value
Bonds	$ 41,886,281	$ 42,860,717	$ 39,555,908	$ 39,371,525
Canadian equities	27,180,701	24,419,911	26,009,279	27,639,153
International equities	12,446,209	11,334,730	10,223,057	10,314,656
U.S. equities	9,979,304	6,861,850	7,850,748	6,041,521
Short term	2,763,529	2,758,763	1,455,242	1,452,830
	$ 94,256,024	$ 88,235,971	$ 85,094,234	$ 84,819,685

7. Capital assets:

			2017	2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 7,262,945	$ -	$ 7,262,945	$ 7,262,945
Buildings	359,131,699	111,414,295	247,717,404	234,949,614
Construction in progress	44,427,305	-	44,427,305	29,754,884
Site improvements	22,145,676	22,069,494	76,182	304,771
Furniture and equipment	160,833,237	135,536,635	25,296,602	19,065,199
Library books	6,650,326	3,337,727	3,312,599	3,428,979
	$ 600,451,188	$ 272,358,151	$ 328,093,037	$ 294,766,392

8. Intangible assets:

Due to the acquisition of Hot Zone Training Consultants Inc. in July 2015, and as a result of the College's consolidation process, intangible assets were recorded and as at March 31 were:

			2017	2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Goodwill	$ 814,599	$ 244,379	$ 570,220	$ 733,139
Future value of customer lists	699,000	209,700	489,300	629,100
	$ 1,513,599	$ 454,079	$ 1,059,520	$ 1,362,239

9. Capital lease obligation:

		2017		2016
Equipment lease contract, repayable in monthly installments of $1,505 including an effective fixed interest rate of 0.82%. The lease is repayable over 2 years and matures December 2018. The lease is secured by specific equipment.	$	27,739	$	-
Equipment lease contract, repayable in monthly installments of $1,560 including an effective fixed interest rate of 9.45%. The lease is repayable over 2 years and matures December 2016. The lease is secured by specific equipment.		-		12,081
Less current portion		15,851		12,081
	$	11,888	$	-

10. Bank loans:

The debt noted below is structured with fixed repayment terms which will retire the debt over an agreed period of time. The College is not in violation of any covenants as at March 31, 2017 and it is the intent of the College to repay the debt in accordance with the repayment schedules.

	2017	2016
Term loan with a notional amount of $20,000,000 and an effective fixed interest rate of 5.49%. The loan is repayable over 30 years and matures February 2040. No specific security has been pledged.	$ 17,751,318	$ 18,127,409
Non-revolving construction period loan to a maximum of $22,300,000 with a variable interest rate at less than 1%. 90 days after substantial completion is achieved, the loan will be converted to a term loan repayable over 25 years. No specific security has been pledged.	14,987,801	4,150,310
Term loan with a notional amount of $10,000,000 and an effective fixed interest rate of 6.46%, facilitated through a SWAP agreement. The loan is repayable over 25 years. The SWAP agreement matures May 2028. No specific security has been pledged.	6,376,151	6,757,971
Term loan with a notional amount of $7,500,000 and an effective fixed interest rate of 6.58%, facilitated through a SWAP agreement. The loan is repayable over 25 years. The SWAP agreement matures November 2028. No specific security has been pledged.	4,954,009	5,230,303
Term loan with a notional amount of $10,000,000 and an effective fixed interest rate of 6.05%, facilitated through a SWAP agreement. The loan is repayable over 25 years. The SWAP agreement matures September 2024. No specific security has been pledged.	4,619,065	5,095,912
Term loan with a notional amount of $4,000,000 and an effective fixed interest rate of 7.17%, facilitated through a SWAP agreement. The loan is repayable over 25 years. The SWAP agreement matures January 2029. No specific security has been pledged.	2,649,485	2,795,949
Term loan with a notional amount of $47,903 and an effective fixed interest rate of 4.99%. The loan is repayable over 6 years and matures February 2019. The loan is secured by a vehicle.	16,805	25,009
	51,354,634	42,182,863
Less current portion	1,769,691	1,665,720
	$ 49,584,943	$ 40,517,143

Principal payments required in each of the next 5 years are as follows:

2018	$	1,769,691
2019		1,879,325
2020		1,988,114
2021		2,112,442
2022		2,244,592

The principal payments shown in the above table do not contain amounts relating to the non-revolving construction period loan listed in Note 10 as the final principal amount, interest rate and other factors are not yet known with certainty.

11. Post-employment benefits and compensated absences:

2017	Vesting sick leave	Non-vesting sick leave	Post-employment benefits	WSIB post-employment benefits	Total liability
Accrued employee future benefits obligations	$ 126,000	$ 5,672,000	$ 1,676,000	$ 381,673	$ 7,855,673
Value of plan assets	-	-	(241,000)	-	(241,000)
Unamortized actuarial gain (loss)	819,000	(822,000)	122,000	-	119,000
Total liability	$ 945,000	$ 4,850,000	$ 1,557,000	$ 381,673	$ 7,733,673

2016	Vesting sick leave	Non-vesting sick leave	Post-employment benefits	WSIB post-employment benefits	Total liability
Accrued employee future benefits obligations	$ 1,234,000	$ 4,341,000	$ 1,822,000	$ 427,924	$ 7,824,924
Value of plan assets	-	-	(322,000)	-	(322,000)
Unamortized actuarial (loss) gain	(282,000)	496,000	119,000	-	333,000
Total liability	$ 952,000	$ 4,837,000	$ 1,619,000	$ 427,924	$ 7,835,924

Above amounts exclude pension contributions to the Colleges of Applied Arts and Technology (“CAAT”) pension plan, a multi-employer plan, described below.

Retirement Benefits

CAAT Pension Plan

Full-time employees of the College are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), which is a multi-employer jointly-sponsored defined benefit plan for eligible employees of public colleges and other employers in Ontario. Other than regular full-time employees may elect to join the Plan on or any time after their date of hire. 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.

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. The most recent actuarial valuation filed with pension regulators as at January 1, 2017 indicated an actuarial surplus of $1,600,000,000. The College made contributions to the Plan and its associated retirement compensation arrangement of $13,709,096 in 2017 (2016-$12,847,246), which has been included in the Statement of Operations.

Post-employment benefits

The College extends post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The College recognizes these benefits as they are earned during the employee's tenure of service. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council ("the Council").

The major actuarial assumptions employed for the valuations are as follows:

(a) Discount rate

The present value as at March 31, 2017 of the future benefits was determined using a discount rate of 2.00% (2016-1.70%).

(b) Drug costs

Drug costs increased 8.25% per annum for fiscal 2017 (2016-8.50%) grading down to 4.0% in 2034 (2016-4.0% in 2034).

(c) Hospital and other medical

Hospital and other medical costs increased 4.00% per annum for fiscal 2017 (2016-7.15%).

(d) Dental costs

Dental costs increased 4.0% per annum for fiscal 2017 (2016-4.0%).

Compensated absences

Vesting sick leave

The College has provided for vesting 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 an actuarial valuation study commissioned by the Council.

Non-vesting 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 an actuarial valuation study commissioned by the Council.

The assumptions used in the valuation of vesting and non-vesting sick leave are the College's best estimates of expected rates of:

	2017	2016
Wage and salary escalation		
Support staff	0.50%	0.50%
Academic	1.50%	1.80%
Discount rate	2.00%	1.70%

The probability that the employee will use more sick days than the annual entitlement and the excess number of sick days used over the annual entitlement are within ranges of 0% to 24% and 0.0 to 46.1 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

12. Deferred restricted contributions:

Deferred contributions represent unspent externally restricted funding that has been received and relates to a subsequent year. Changes in the contributions deferred to future periods are as follows:

	2017	2016
Balance, beginning of year	$ 20,053,843	$ 18,329,884
Add amounts received during the year	21,354,122	17,279,532
Less amounts disbursed in the year	(28,994,421)	(15,555,573)
Balance, end of year	$ 12,413,544	$ 20,053,843

Deferred contributions are comprised of:

	2017	2016
Student activity fees	$ 5,146,886	$ 4,242,376
Fundraising campaigns	4,222,334	13,226,657
Scholarships and bursaries	969,711	618,505
Employee stability fund	529,207	520,285
Alumni activities	288,167	317,161
Other	1,257,239	1,128,859
	$ 12,413,544	$ 20,053,843

13. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations. Changes in the deferred capital contributions balances are as follows:

	2017	2016
Balance, beginning of year	$ 147,098,327	$ 139,507,159
Add contributions received for capital progress	37,966,509	15,918,763
Less amortization of deferred capital contributions	(8,609,695)	(8,327,595)
Balance, end of year	$ 176,455,141	$ 147,098,327

14. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

		2017	2016
Capital assets		$ 328,093,037	$ 294,766,392
Amounts financed by:	Student fee receivable	18,046,992	5,009,844
	Deferred contributions	(176,455,141)	(147,098,327)
	Capital lease obligation	(27,739)	(12,081)
	Bank loans	(48,705,151)	(39,386,916)
		$ 120,951,998	$ 113,278,912

(b) Change in net assets invested in capital assets is calculated as follows:

		2017	2016
Excess of expenditures over revenue:			
Amortization of deferred contributions related to capital assets		$ 8,609,695	$ 8,327,595
Amortization of capital assets		(17,179,949)	(16,169,086)
Loss on disposal of capital assets		-	(358)
		$ (8,570,254)	$ (7,841,849)
Net change in investment in capital assets:			
Additions to capital assets		$ 50,506,594	$ 40,397,701
Amount financed by:	Student fee receivable	13,037,148	5,009,844
	Deferred contributions	(37,966,509)	(15,918,763)
	Capital lease obligation	(15,658)	(12,081)
	Bank loans	(9,318,235)	(2,752,621)
		$ 16,243,340	$ 26,724,080

15. Internally restricted net assets:

Internally restricted net assets represent funds set aside for future expenditures. Details of the internally restricted net asset balances are as follows. See Note 17.

	2017	2016
Deferred capital expenditures	$ 27,357,544	$ 29,116,890
Deferred operating expenditures	1,793,739	2,223,286
Student awards	-	221,648
Balance, end of year	$ 29,151,283	$ 31,561,824

16. Operating leases:

The College leases premises and equipment. The remaining aggregate minimum rental payments under operating leases for the next 5 years are as follows:

2018	$ 666,489
2019	674,783
2020	687,599
2021	616,623
2022	610,187

17. Commitments:

As at March 31, 2017, outstanding capital asset commitments approximate $60,800,531 (2016- $88,159,727) primarily relating to the construction and expansion of various facilities. See Note 15.

18. Contingencies:

In the normal course of operations there are outstanding claims against the College, primarily as a result of grievances filed under the provisions of the collective agreements between the College and The Ontario Public Services Employees Union ("OPSEU"). The amount of these claims is not determinable at this time, and accordingly losses, if any, as a result of these claims will be expensed in the period in which the claims are known.

19. Supplemental cash flow information:

	2017	2016
Change in non-cash working capital items:		
Accounts receivable	$ (3,164,440)	$ (7,595,198)
Grants receivable	1,047,236	(2,545,663)
Inventories	(149,023)	(245,414)
Prepaid expenses	(158,205)	10,928
Accounts payable and accrued liabilities	2,785,570	8,204,291
Accrued vacation pay	159,541	209,099
Deferred revenue	14,295,604	7,162,344
	$ 14,816,283	$ 5,200,387

During the year, the following cash amounts were received (paid):

	2017	2016
Interest revenue	$ 4,168,010	$ 5,051,565
Interest expense	(2,217,400)	(2,314,844)

20. Financial instrument risk management:

Credit risk

Credit risk is the risk of financial loss to the College if a debtor fails to make payments of interest and principal when due. The College is exposed to this risk relating to its cash and cash equivalents 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 $100,000 (2016-$100,000).

The maximum exposure to investment credit risk is the amount of the investments as shown in Note 6.

The College measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the College's historical experience regarding collections. The amounts outstanding as at March 31, 2017 and March 31, 2016 were as follows:

			2017			
			Past Due			
	Total	Current	1-30 days	31-60 days	61-90 days	91+ days
Student receivables	$ 7,162,327	$ 4,753,080	$ 102,816	$ 61,917	$1,586,047	$ 658,467
Other receivables	16,636,252	13,107,086	234,758	178,220	16,806	3,099,382
Gross receivables	23,798,579	17,860,166	337,574	240,137	1,602,853	3,757,849
Less: impairment allowances	(2,183,439)	-	-	-	-	(2,183,439)
Net receivables	$21,615,140	$ 17,860,166	$ 337,574	$ 240,137	$1,602,853	$1,574,410

			2016			
			Past Due			
	Total	Current	1-30 days	31-60 days	61-90 days	91+ days
Student receivables	$ 4,768,642	$ 2,341,376	$ 55,538	$ 40,549	$1,432,340	$ 898,839
Other receivables	15,782,058	13,334,926	288,777	91,638	104,709	1,962,008
Gross receivables	20,550,700	15,676,302	344,315	132,187	1,537,049	2,860,847
Less: impairment allowances	(2,100,000)	-	-	-	-	(2,100,000)
Net receivables	$18,450,700	$ 15,676,302	$ 344,315	$ 132,187	$1,537,049	$ 760,847

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.

Since it is the College's intent to make payments on the bank loans until maturity, it is not cost effective to determine the fair value of the debt. The fair value of investments included in Note 6 is based on quoted market prices.

The College's investment policy operates within the constraints of the investment guidelines issued by MAESD. The policy's application is monitored by management, the investment managers and the board of governors. Diversification techniques are utilized to minimize risk.

Currency risk

Currency risk relates to the risk of operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency rates occur.

The College does not have any material transactions or directly hold financial instruments denominated in foreign currencies.

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 capital lease obligation and bank loans.

The College mitigates interest rate risk on its capital lease obligation through a fixed interest rate (Note 9) and on its bank loans through derivative financial instruments which replace the variable rates inherent in the bank loans for a fixed rate (Note 10). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the capital lease obligation and bank loans.

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

The College does not have any material transactions or directly hold financial instruments subject to equity risk.

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. The following tables set out the contractual maturities (representing undiscounted contractual cash flows of financial liabilities):

	2017			
	Within 6 months	6 months to 1 year	1-5 years	>5 years
Accounts payable and accrued liabilities	$ 26,883,998	$ -	$ -	$ -
Capital lease obligation	7,925	7,926	11,888	-
Bank loans	871,449	898,242	8,224,473	41,360,470
	$ 27,763,372	$ 906,168	$ 8,236,361	$ 41,360,470

	2016			
	Within 6 months	6 months to 1 year	1-5 years	>5 years
Accounts payable and accrued liabilities	$ 24,098,428	$ -	$ -	$ -
Capital lease obligation	8,895	3,186	-	-
Bank loans	820,255	845,465	7,749,572	32,767,571
	$ 24,927,578	$ 848,651	$ 7,749,572	$ 32,767,571

There have been no significant changes from the previous year in the exposure to all risk categories or policies, procedures and methods used to measure the risk.

21. Capital management:

The College's objectives when managing capital are to develop and maintain a financial model and a capital expenditure process which supports the strategic directions of the College, and safeguards the College's ability to continue to provide benefits to the community.

Capital at the College is comprised of net assets. In order to maintain or adjust the capital structure, the College must obtain additional funding.

Endowment contributions have externally imposed restrictions requiring that the principal be maintained intact.

22. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's presentation.

THE FANSHAWE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Analysis of Expenditures

Schedule 1

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
Expenditures		
Salaries and benefits	$ 152,975,605	$ 145,213,147
Other operating costs	19,481,946	15,288,409
Contract services	18,468,689	17,367,029
Amortization expense	17,482,668	16,320,446
Utilities and maintenance	16,161,269	15,177,819
Ancillary cost of sales	8,602,319	8,593,952
Operating supplies	8,479,416	8,080,156
Student assistance	5,811,296	6,363,803
Loan interest	2,217,400	2,314,844
	$ 249,680,608	$ 234,719,605