

Financial Statements of

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

March 31, 2018





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Independent Auditors' Report

To the Board of Governors of The Lambton College of Applied Arts and Technology

We have audited the accompanying financial statements of **The Lambton College of Applied Arts and Technology** which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

- Continued

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Lambton College of Applied Arts and Technology as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario

June 7, 2018

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

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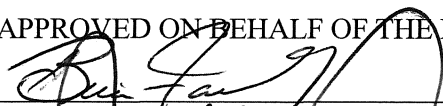
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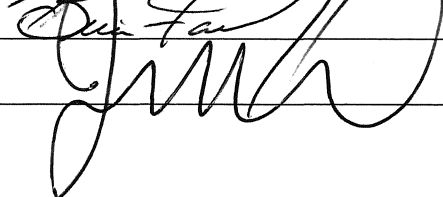
Statement of Financial Position

As at March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 93,304,582	\$ 104,453,480
Grants receivable	11,570,477	2,984,340
Accounts receivable	29,316,287	21,155,482
Inventories	502,061	559,152
Prepaid expenses	315,497	266,832
	135,008,904	129,419,286
CAPITAL (Note 4)	88,662,527	51,742,430
	\$ 223,671,431	\$ 181,161,716
LIABILITIES		
CURRENT		
Accounts payable and accrued charges	\$ 38,206,039	\$ 61,148,774
Accrued payroll, vacation pay and employee deductions	3,393,257	3,206,985
Deferred revenue	56,850,095	30,395,170
Funds held in trust (Note 5)	2,269,487	6,244,895
Current portion of long-term obligations (Note 6)	549,616	525,098
	101,268,494	101,520,922
LONG-TERM OBLIGATIONS (Note 6)	8,370,567	8,919,161
POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (Note 7)	1,867,000	1,927,000
DEFERRED CAPITAL CONTRIBUTIONS (Note 8)	50,916,388	30,401,261
	162,422,449	142,768,344
NET ASSETS		
Unrestricted		
Operating	8,487,958	6,513,466
Post-employment benefits and compensated absences	(1,867,000)	(1,927,000)
Vacation pay	(2,109,401)	(1,946,996)
	4,511,557	2,639,470
Invested in capital assets (Note 9)	28,825,956	11,896,910
Internally restricted (Note 10)	23,839,091	19,582,213
Externally restricted (Note 11)	497,906	735,204
Endowment funds (Note 12)	3,574,472	3,539,575
	61,248,982	38,393,372
	\$ 223,671,431	\$ 181,161,716

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS

 Chair

 President

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

For the year ended March 31, 2018

	<u>2018</u>	<u>2017</u>
REVENUE - Schedule 1		
Grants and reimbursements	\$ 32,538,557	\$ 33,501,289
Student tuition	69,145,909	44,254,748
Ancillary operations	4,866,845	4,227,878
Other income	2,886,025	2,218,256
Amortization of deferred capital contributions	2,991,423	2,642,815
	112,428,759	86,844,986
EXPENDITURE		
Salaries and benefits	45,054,010	43,844,702
Academic	28,646,409	18,019,279
Student services	1,125,047	945,469
Administrative	2,304,694	1,978,285
Physical resources	3,559,786	3,573,276
Ancillary operations	4,087,707	3,463,614
Depreciation of capital assets	4,593,095	4,047,309
	89,370,748	75,871,934
EXCESS OF REVENUE OVER EXPENDITURE	\$ 23,058,011	\$ 10,973,052

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

For the year ended March 31, 2018

	Unrestricted	Invested in Capital Assets (Note 9)	Internally Restricted (Note 10)	Externally Restricted (Note 11)	Endowment Funds (Note 12)	2018 Total	2017 Total
BALANCE, BEGINNING OF YEAR	\$ 2,639,470	\$ 11,896,910	\$ 19,582,213	\$ 735,204	\$ 3,539,575	\$ 38,393,372	\$ 27,507,067
EXCESS OF REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	24,659,683	(1,601,672)	-	-	-	23,058,011	10,973,052
INVESTED IN CAPITAL ASSETS	(18,530,718)	18,530,718	-	-	-	-	-
APPROPRIATION	(4,256,878)	-	4,256,878	-	-	-	-
CHANGE IN EXTERNALLY RESTRICTED NET ASSETS	-	-	-	(237,298)	-	(237,298)	(226,195)
CHANGE IN ENDOWMENT FUNDS	-	-	-	-	34,897	34,897	139,448
BALANCE, END OF YEAR	\$ 4,511,557	\$ 28,825,956	\$ 23,839,091	\$ 497,906	\$ 3,574,472	\$ 61,248,982	\$ 38,393,372

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

For the year ended March 31, 2018

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Excess of revenue over expenditure	\$ 23,058,011	\$ 10,973,052
Items not involving cash		
Depreciation	4,593,095	4,047,309
Amortization of deferred capital contributions	(2,991,423)	(2,642,815)
Post-employment benefits and compensated absences	(60,000)	(13,000)
	<u>24,599,683</u>	<u>12,364,546</u>
Changes in non-cash operating working capital items (Note 13)	(17,015,462)	43,213,620
	<u>7,584,221</u>	<u>55,578,166</u>
FINANCING ACTIVITIES		
Repayment of long-term obligations	(524,076)	(498,408)
CAPITAL		
Deferred capital contributions	23,506,550	6,187,779
Acquisition of capital assets and construction in progress	(41,513,192)	(10,752,822)
	<u>(18,006,642)</u>	<u>(4,565,043)</u>
INVESTING ACTIVITIES		
Net cash provided to externally restricted funds	(237,298)	(226,195)
Net cash provided from endowment funds	34,897	139,448
	<u>(202,401)</u>	<u>(86,747)</u>
NET CHANGE IN CASH POSITION	(11,148,898)	50,427,968
Cash position, beginning of year	104,453,480	54,025,512
CASH POSITION, END OF YEAR	<u>\$ 93,304,582</u>	<u>\$ 104,453,480</u>

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2018

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The Lambton College of Applied Arts and Technology ("Lambton College") was incorporated as a College in 1966 under the laws of the Province of Ontario. Lambton College is dedicated to providing high quality education and training as well as contributing to the social and economic well being of the Community.

Lambton College is exempt from income taxes under Section 149 of the Income Tax Act.

Lambton College has an economic interest in The Lambton College Foundation. The Foundation was incorporated without share capital on March 29, 1994 under the Ontario Corporations Act. The operations of the Foundation are not included in these financial statements. The objectives of the Foundation are to promote interest in and awareness of Lambton College and to establish and administer funds for the support of students, research and development in the areas of curriculum and instruction, facilities and equipment and new initiatives.

2. ACCOUNTING POLICIES

The financial statements of Lambton 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 NPOs") and include the following significant accounting policies:

Revenue recognition

Lambton College follows the deferral method of accounting for contributions, which includes donations and government grants. Deferred contributions are recognized as revenue in the year in which the related expenses are recognized. Other contributions are recognized as revenue when received or receivable.

Donations of assets are recorded at fair value when a fair value can be reasonably estimated. Endowment contributions are recognized as direct increases in net assets.

Revenue from student fees and from the sale of services and products is recognized at the time the products are delivered or the services provided.

Accrual accounting

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Vacation pay

Lambton College recognizes vacation pay as an expense on the accrual basis.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2018

2. ACCOUNTING POLICIES - continued

Retirement and post-employment benefits and compensated absences

Lambton 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. Lambton College has adopted the following policies with respect to accounting for these employee benefits:

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.

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

The costs of vesting and non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' 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.

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

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in-first-out basis.

Capital assets

Capital assets are recorded at cost with the exception of donated assets which are recorded at their fair market value at the date of acquisition. Construction in progress is not amortized until the asset is placed into service. When a capital asset no longer contributes to Lambton College's ability to provide services, its carrying value is written down to its residual value. Depreciation is provided on a straight-line basis over the following periods:

Buildings	30 - 40 years
Site improvements	10 years
Leasehold improvements	5 years
Major equipment	10 years
Equipment and vehicles	5 years
Computer hardware	3 years

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Notes to the Financial Statements

For the year ended March 31, 2018

2. ACCOUNTING POLICIES - continued

Deferred capital contributions

Contributions received to fund capital asset acquisitions are deferred and amortized over the same term and on the same basis as the related capital asset.

Restricted funds

Restricted funds account for monies received for a specific purpose. The funds follow the restricted fund method of accounting for contributions.

Internally restricted funds (appropriations) represent allocations primarily relating to capital projects intended to be completed in future years.

Externally restricted funds represent contributions which are fully expendable for the stated purposes as defined by the fund providers.

Endowment funds

The endowment funds receive all revenue designated by the benefactors to be held in trust to generate income. Funds received from the Province of Ontario are held in Lambton College bank account and these values are not subject to market rate fluctuations. Income from these funds is to be used to fund projects meeting the guidelines provided by the funding body.

Management estimates

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 expenditure during the period. Actual results could differ from these estimates. Areas of key estimation include determination of fair value for deferred revenues, allowance for doubtful accounts, amortization of capital assets, amortization of deferred capital contributions, vacation pay and actuarial estimation of post-employment benefits and compensated absences liabilities.

3. FINANCIAL INSTRUMENTS

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

Fair value

This category includes derivatives and equity instruments quoted in an active market. Lambton College has designated that cash is classified as fair value.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2018

3. FINANCIAL INSTRUMENTS- continued

Amortized cost

This category includes all accounts receivable, accounts payable and accrued charges, accrued payroll, vacation pay and employee deductions, funds held in trust, and long-term obligations. 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.

Write-downs 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 write-down being recognized in the statement of operations.

Credit risk

Credit risk is the risk of financial loss to Lambton College if a debtor fails to make payments of interest and principal when due. Lambton College is exposed to this risk relating to its cash and accounts receivable. Lambton College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, Lambton College's cash accounts are insured up to \$100,000 (2017 - \$100,000).

Credit risk of student receivables is mitigated by financial approval processes before a student is enrolled.

Lambton College measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on Lambton College's historical experience regarding collections. The amounts outstanding at year end were as follows:

	Total	Current	Past Due		
			31-60 days	61-90 days	91 + days
Government receivables	\$ 12,344,767	\$ 12,344,767	\$ -	\$ -	\$ -
Student receivables	28,061,285	26,882,737	172,179	171,858	834,511
Other receivables	826,803	360,378	82,824	40,703	342,898
Gross receivables	41,232,855	39,587,882	255,003	212,561	1,177,409
Less: impairment allowance	(346,091)	-	-	-	(346,091)
Net receivables	\$ 40,886,764	\$ 39,587,882	\$ 255,003	\$ 212,561	\$ 831,318

Student receivables are impacted by increased enrolment through existing licensing agreements.

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Notes to the Financial Statements

For the year ended March 31, 2018

3. FINANCIAL INSTRUMENTS - continued

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.

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.

Currency risk

Currency risk relates to Lambton College operating in foreign currencies and converting non-Canadian earnings at different points in time at different foreign exchange rates when adverse changes in foreign currency exchange rates occur. Lambton College does not have any material transactions or 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.

Lambton College is exposed to this risk through its long-term obligations.

At March 31, 2018, a 1% fluctuation in interest rates would have an estimated impact on interest expense related to Lambton College's bank loans of \$89,202.

Equity risk

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

Lambton College is not exposed to this risk as they do not have equity holdings in the current year.

Liquidity risk

Liquidity risk is the risk that Lambton College will not be able to meet all cash outflow obligations as they come due. Lambton College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting.

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

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2018

4. CAPITAL

	2018			2017
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 3,859,213	\$ -	\$ 3,859,213	\$ 3,512,682
Buildings	64,270,076	32,090,802	32,179,274	33,533,042
Site and leasehold improvements	5,467,315	1,737,377	3,729,938	1,806,176
Major equipment, equipment and vehicles	15,009,746	8,726,917	6,282,829	5,531,670
Computer hardware	1,769,004	1,162,094	606,910	658,149
Construction in progress	42,004,363	-	42,004,363	6,700,711
	\$132,379,717	\$ 43,717,190	\$ 88,662,527	\$ 51,742,430

In 2015, Lambton College embarked on a major construction project to build the NOVA Chemicals Health & Research Centre and the Athletics & Fitness Complex. The 100,000 square foot project is estimated to cost \$48 million. Significant financing is provided by the Federal and Provincial governments through the New Building Canada Fund – Small Communities Fund, College capital reserves as well as major funding generously provided by the County of Lambton, NOVA Chemicals Corporation and The Students Association of Lambton College. The Lambton College Foundation Envision Tomorrow Capital Campaign, launched in 2015, is focused on fundraising the balance of the project. The Athletic & Fitness Complex will be open for student and community use in September 2018. The NOVA Chemicals Health & Research Centre will welcome students in January 2019.

Another major project commenced in fiscal 2016-17 with significant financial support from the Federal Strategic Investment Fund and additional funding from the Province of Ontario. The balance of the \$14 million project, to modernize 34,000 existing square feet and construct an additional 7,000 square feet of technology labs in the Centre of Excellence in Bio-Industrial Technologies, is provided from Lambton College capital reserves. The newly renovated Centre of Excellence will be fully occupied by the Fall 2018 semester.

5. FUNDS HELD IN TRUST

The funds held in trust are unsecured, due on demand, bear interest at the applicable bank rate plus 0.03% with an average rate in 2018 of 1.73% (2017 – average rate of 1.73%) and consist of the following:

	2018	2017
Due to The Lambton College Foundation	\$ 1,283,840	\$ 5,740,116,
Due to The Students Association of Lambton College	985,647	504,779
	\$ 2,269,487	\$ 6,244,895

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2018

5. FUNDS HELD IN TRUST - continued

The Lambton College Foundation was created for the purpose of raising funds for capital and other purposes to assist the College to provide outstanding applied education. The Lambton College Foundation has transferred to Lambton College gift-in-kind equipment at fair market value of \$253,796 and cash of \$6,167,654 during the year (2017 – equipment of \$81,251 and cash of \$408,576). All transactions are recorded at fair value. The College provides office space, computer and other equipment, services of certain College departments and accounting and financial systems processes. The Foundation is not controlled and therefore is not consolidated in these financial statements.

During the year the student fees and building fees are collected on behalf of the Students Association and the balance of those fees are held by the College and payable to the Students Association.

6. LONG-TERM OBLIGATIONS

	<u>2018</u>	<u>2017</u>
Demand loan, 6.20%, due in equal, consecutive, blended, monthly instalments of \$61,283, secured by land and building	\$ 5,403,083	\$ 5,761,520
Demand loan, prime, due in equal, consecutive, monthly instalments of \$2,414 plus interest	306,613	335,585
Demand loan, prime, due in equal, consecutive, monthly instalments of \$1,022 plus interest	187,982	199,218
Term loan, 5.22%, due in equal, consecutive, blended, monthly instalments of \$23,909, due in July 2033	3,022,505	3,147,936
	8,920,183	9,444,259
Current portion	549,616	525,098
	\$ 8,370,567	\$ 8,919,161

Principal amounts due in the next five years are as follows:

2019	\$ 549,616
2020	\$ 583,255
2021	\$ 614,911
2022	\$ 648,420
2023	\$ 683,890

The long-term obligation is secured by land and building with a net book value of \$10,485,504 (2017 - \$10,911,224).

Lambton College has an operating line of credit with its bankers which is due on demand and bears interest at prime less 0.75%. As at March 31, 2018 the balance was \$NIL.

Interest expense incurred on long-term obligations has been recorded as an expense in Academic and Ancillary operations expenditure. These payments amounted to \$568,608 (2017 - \$595,491).

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2018

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY

The following tables outline the components of Lambton College's post-employment benefits and compensated absences liabilities and related expenditure.

	2018			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 482,000	\$ 1,421,000	\$ 62,000	\$ 1,965,000
Value of plan assets	(98,000)	-	-	(98,000)
	\$ 384,000	\$ 1,421,000	\$ 62,000	\$ 1,867,000

	2017			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 476,000	\$ 1,444,000	\$ 68,000	\$ 1,988,000
Value of plan assets	(61,000)	-	-	(61,000)
	\$ 415,000	\$ 1,444,000	\$ 68,000	\$ 1,927,000

	2018			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expenditure
Current year benefits cost	\$ (29,000)	\$ (23,000)	\$ (7,000)	\$ (59,000)
Interest on accrued benefits obligation	1,000	-	-	1,000
Amortized actuarial losses	(2,000)	-	-	(2,000)
	\$ (30,000)	\$ (23,000)	\$ (7,000)	\$ (60,000)

	2017			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expenditure
Current year benefits cost	\$ (12,000)	\$ 3,000	\$ (3,000)	\$ (12,000)
Interest on accrued benefits obligation	1,000	-	-	1,000
Amortized actuarial losses	(2,000)	-	-	(2,000)
	\$ (13,000)	\$ 3,000	\$ (3,000)	\$ (13,000)

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2018

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY - continued

These amounts exclude pension contributions to the Colleges of Applied Arts and Technology Pension Plan, a multi-employer plan, described below.

Retirement benefits

CAAT Pension Plan

Substantially all employees of Lambton 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 related employers in Ontario. Other than regular full time employees may elect to join the Plan on or at any time after their date of hire. Lambton 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. Lambton College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify Lambton College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2018 indicated an actuarial surplus of \$2.3 billion. Lambton College made contributions to the Plan and its associated retirement compensation arrangement of \$3,694,300 (2017 - \$3,687,400), which has been included in the statement of revenue and expenditure.

Post-employment benefits

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

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

a) Discount rate

The present value as at March 31, 2018 of the future benefits was determined using a discount rate of 2.6% (2017 – 2.0%).

b) Drug costs

Drug costs were assumed to increase at 9% per annum until 2014 and decrease proportionately thereafter to an ultimate rate of 4% in 2034 (8.0% in 2018).

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4% per annum (2017 – 4%).

Medical premium increases were assumed to increase at 7.5% per annum until 2014 and decrease proportionately thereafter to an ultimate rate of 4% in 2034 (6.8% in 2018).

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2018

7. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY - continued

d) Dental costs

Dental costs were assumed to increase at 4% per annum in 2018 (2017 - 4%).

Compensated absences

Vesting sick leave

Lambton 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 College Employer Council.

Non-vesting sick leave

Lambton 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 College Employer Council.

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

	<u>2018</u>	<u>2017</u>
Wage and salary escalation	0.5 – 2.0%	0.5 – 1.8%
Discount rate	2.6%	2.0%

The probability that an employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 23.7% and 0 to 48 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2018

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received to fund the purchase of capital assets. The amortization of the deferred capital contributions is recorded as revenue in the statement of revenue and expenditure. Changes in the deferred capital contributions balance are as follows:

	2018	2017
Balance, beginning of year	\$ 30,401,261	\$ 26,856,297
Contributions received for capital purposes	23,506,550	6,187,779
Amortization of deferred capital contributions	(2,991,423)	(2,642,815)
Balance, end of year	\$ 50,916,388	\$ 30,401,261

9. INVESTED IN CAPITAL ASSETS

a. Change in net assets invested in capital assets is calculated as follows:

Excess of expenditure over revenue		
Amortization of deferred contributions related to capital assets	\$ 2,991,423	\$ 2,642,815
Depreciation of capital assets	(4,593,095)	(4,047,309)
	\$ (1,601,672)	\$ (1,404,494)

b. Net investment in capital assets:

Capital assets acquired	\$ 41,513,192	\$ 10,752,822
Repayment of long-term obligations related to capital assets	524,076	498,408
Amounts funded by deferred capital contributions	(23,506,550)	(6,187,779)
	\$ 18,530,718	\$ 5,063,451

c. Net assets invested in capital assets are represented by:

Capital assets, net book value	\$ 88,662,527	\$ 51,742,430
Less:		
Deferred capital contributions	50,916,388	30,401,261
Long-term obligations related to capital assets	8,920,183	9,444,259
	59,836,571	39,845,520
Net assets invested in capital assets	\$ 28,825,956	\$ 11,896,910

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2018

10. NET ASSETS INTERNALLY RESTRICTED

Internally restricted net assets are funds committed for specific purposes which represent allocations primarily related to major capital additions and other campus renewal projects intended to be completed in future years.

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Transfers, Adjustments, Disbursements</u>	<u>Balance, End of Year</u>
Appropriations	\$ 19,582,213	\$ 20,883,554	\$ 16,626,676	\$ 23,839,091

11. NET ASSETS EXTERNALLY RESTRICTED

Externally restricted net assets are funds committed for specific purposes as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Transfers, Adjustments, Disbursements</u>	<u>Balance, End of Year</u>
Bursaries and awards	\$ 149,439	\$ 108,535	\$ 134,131	\$ 123,843
Financial assistance fund	185,680	638,700	804,920	19,460
Employment Stability Fund	69,226	1,186	-	70,412
Conferences and external projects	330,859	1,275,349	1,322,017	284,191
	\$ 735,204	\$ 2,023,770	\$ 2,261,068	\$ 497,906

12. NET ASSETS ENDOWMENT FUNDS

The endowment funds are funds committed for specific purposes as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Transfers, Adjustments, Disbursements</u>	<u>Balance, End of Year</u>
OSOTF and OTSS	\$ 3,478,564	\$ 69,338	\$ 49,785	\$ 3,498,117
Other scholarships and bursaries	61,011	17,344	2,000	76,355
	\$ 3,539,575	\$ 86,682	\$ 51,785	\$ 3,574,472

Endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund (OSOTF) and the Ontario Trust for Student Success (OTSS). Under these programs, the government matched funds raised by Lambton College to be maintained as endowment principal. The purpose of these programs is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend a post-secondary institution.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2018

12. NET ASSETS ENDOWMENT FUNDS - continued

	<u>OSOTF</u>	<u>OSOTF II</u>	<u>OTSS</u>	<u>Other</u>	<u>Total</u>
Endowment fund balances	\$ 1,071,656	\$ 139,544	\$ 1,889,768	\$ 57,500	\$ 3,158,468
<i>Changes in Expendable Funds Available for Awards</i>					
Fund balances, beginning of year	128,577	9,671	239,348	3,511	381,107
Expendable donations	-	-	10,000	14,700	24,700
Investment income	20,450	2,544	36,345	2,644	61,983
Bursaries awarded	(19,676)	(2,400)	(27,710)	(2,000)	(51,786)
Fund balances, end of year	129,351	9,815	257,983	18,855	416,004
Total endowment fund balances and market value	\$ 1,201,007	\$ 149,359	\$ 2,147,751	\$ 76,355	\$ 3,574,472
Awards issued in 2018	25	4	37	7	73

13. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	<u>2018</u>	<u>2017</u>
Grants receivable	\$ (8,586,137)	\$ (1,089,724)
Accounts receivable	(8,160,805)	(10,911,929)
Inventories	57,091	(26,851)
Prepaid expenses	(48,665)	128,128
Accounts payable and accrued charges	(22,756,463)	36,903,835
Deferred revenue	26,454,925	15,993,063
Funds held in trust	(3,975,408)	2,217,098
	<u>\$(17,015,462)</u>	<u>\$ 43,213,620</u>

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Operating Revenue

For the year ended March 31, 2018

Schedule 1

	<u>2018</u>	<u>2017</u>
GRANTS AND REIMBURSEMENTS		
Basic operating and supplemental grants	\$ 23,029,412	\$ 23,588,864
Apprentice training	630,443	798,961
Municipal taxes	190,125	196,950
Capital support grants	85,802	178,509
Employment Services	2,553,434	2,619,656
Literacy and Basic Skills	527,129	451,850
Bursaries	68,679	83,563
Other provincial grants	3,497,237	3,543,380
Federal grants	1,695,663	1,724,335
Municipal grants	260,633	315,221
	32,538,557	33,501,289
STUDENT TUITION		
Full-time	8,425,962	8,999,335
Part-time	1,386,095	1,454,728
Contract education	4,170,289	3,459,310
International education	51,649,014	27,063,382
Sundry fees	3,514,549	3,277,993
	69,145,909	44,254,748
ANCILLARY OPERATIONS		
Campus Shop	3,042,727	2,355,968
Parking	555,240	541,339
Residence and Event Centre	1,268,878	1,330,571
	4,866,845	4,227,878
OTHER INCOME		
Other sources	2,513,778	1,955,797
Donations from The Lambton College Foundation	372,247	262,459
	2,886,025	2,218,256
AMORTIZATION OF DEFERRED CAPITAL CONTRIBUTIONS	2,991,423	2,642,815
	\$ 112,428,759	\$ 86,844,986