Financial Statements of

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

March 31, 2020

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of The Lambton College of Applied Arts and Technology (the College), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
June 25, 2020

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

Statement of Financial Position

As at March 31, 2020

		2020		2019
ASSETS				
CURRENT				
Cash	$	**161,778,256**	$	124,871,823
Grants receivable		**5,621,666**		6,165,649
Accounts receivable		**11,575,877**		19,127,125
Current portion of long-term receivable (Note 4)		**275,926**		269,523
Inventories		**585,512**		651,978
Prepaid expenses		**469,343**		600,843
		180,306,580		151,686,941
LONG-TERM RECEIVABLE (Note 4)		**5,897,189**		6,173,115
CAPITAL (Note 5)		**114,289,647**		107,292,974
	$	**300,493,416**	$	265,153,030
LIABILITIES				
CURRENT				
Accounts payable and accrued charges	$	**85,880,718**	$	52,590,645
Accrued payroll, vacation pay and employee deductions		**3,274,170**		2,699,364
Deferred revenue		**33,305,697**		46,478,623
Funds held in trust (Note 6)		**2,264,246**		2,328,731
Current portion of long-term obligations (Note 7)		**614,911**		583,255
		125,339,742		104,680,618
LONG-TERM OBLIGATIONS (Note 7)		**7,167,646**		7,783,578
POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (Note 8)		**1,838,000**		1,865,000
DEFERRED CAPITAL CONTRIBUTIONS (Note 9)		**64,170,876**		64,340,563
		198,516,264		178,669,759
NET ASSETS				
Unrestricted				
Operating		**11,064,350**		8,527,948
Post-employment benefits and compensated absences		**(1,838,000)**		(1,865,000)
Vacation pay		**(2,198,634)**		(2,028,621)
		7,027,716		4,634,327
Invested in capital assets (Note 10)		**48,509,329**		41,028,216
Internally restricted (Note 11)		**42,057,229**		36,684,674
Externally restricted (Note 12)		**805,822**		580,893
Endowment funds (Note 13)		**3,577,056**		3,555,161
		101,977,152		86,483,271
	$	**300,493,416**	$	265,153,030

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS

J.L.M. Michael Dennis
_______________ Chair

Judith Morris
_______________ President

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

For the year ended March 31, 2020

	2020	2019
REVENUE - Schedule 1		
Grants and reimbursements	**$ 31,968,276**	$ 37,149,624
Student tuition	**62,219,854**	68,692,848
Ancillary operations	**4,391,234**	5,138,962
Other income	**5,229,587**	3,960,393
Amortization of deferred capital contributions	**5,219,492**	3,854,248
	109,028,443	118,796,075
EXPENDITURE		
Salaries and benefits	**52,773,475**	50,585,984
Academic	**20,134,667**	23,715,659
Student services	**1,584,594**	1,353,624
Administrative	**3,057,068**	2,440,421
Physical resources	**4,155,906**	4,993,988
Ancillary operations	**3,388,262**	4,113,798
Depreciation of capital assets	**8,687,414**	6,421,988
	93,781,386	93,625,462
EXCESS OF REVENUE OVER EXPENDITURE	**$ 15,247,057**	$ 25,170,613

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Statement of Changes in Net Assets
For the year ended March 31, 2020

	Unrestricted	Invested in Capital Assets (Note 10)	Internally Restricted (Note 11)	Externally Restricted (Note 12)	Endowment Funds (Note 13)	2020 Total	2019 Total
BALANCE, BEGINNING OF YEAR	**$ 4,634,327**	**$ 41,028,216**	**$ 36,684,674**	**$ 580,893**	**$ 3,555,161**	**$ 86,483,271**	$ 61,248,982
EXCESS OF REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	**18,714,979**	**(3,467,922)**	**-**	**-**	**-**	**15,247,057**	25,170,613
INVESTED IN CAPITAL ASSETS	**(10,949,035)**	**10,949,035**	**-**	**-**	**-**	**-**	-
APPROPRIATION	**(5,372,555)**	**-**	**5,372,555**	**-**	**-**	**-**	-
CHANGE IN EXTERNALLY RESTRICTED NET ASSETS	**-**	**-**	**-**	**224,929**	**-**	**224,929**	82,987
CHANGE IN ENDOWMENT FUNDS	**-**	**-**	**-**	**-**	**21,895**	**21,895**	(19,311)
BALANCE, END OF YEAR	**$ 7,027,716**	**$ 48,509,329**	**$ 42,057,229**	**$ 805,822**	**$ 3,577,056**	**$ 101,977,152**	$ 86,483,271

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

For the year ended March 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenue over expenditure	**$ 15,247,057**	$ 25,170,613
Items not involving cash		
Depreciation of capital assets	**8,687,414**	6,421,988
Amortization of deferred capital contributions	**(5,219,492)**	(3,854,248)
Post-employment benefits and compensated absences	**(27,000)**	(2,000)
	18,687,979	27,736,353
Changes in non-cash operating working capital items (Note 15)	**28,920,665**	18,537,212
	47,608,644	46,273,565
FINANCING ACTIVITIES		
Repayment of long-term obligations	**(584,276)**	(553,350)
CAPITAL		
Deferred capital contributions	**5,049,805**	10,678,423
Acquisition of capital assets	**(15,684,087)**	(25,052,435)
	(10,634,282)	(14,374,012)
INVESTING ACTIVITIES		
Collection of long-term receivable	**269,523**	157,362
Net cash provided to externally restricted funds	**224,929**	82,987
Net cash provided from (to) endowment funds	**21,895**	(19,311)
	516,347	221,038
NET CHANGE IN CASH POSITION	**36,906,433**	31,567,241
Cash position, beginning of year	**124,871,823**	93,304,582
CASH POSITION, END OF YEAR	**$ 161,778,256**	$ 124,871,823

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.

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

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 and private donors are held in Lambton College's bank account. Interest earned from these funds is to be used to fund projects meeting the guidelines provided by the funding body. As the funds are held in a high interest bank account, the funds are not subject to market rate fluctuations.

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.

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 (2019 - $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:

			Past Due		
	Total	Current	31–60 days	61–90 days	91 + days
Government receivables	$ 9,783,579	$ 9,358,278	$ 425,301	$ -	$ -
Student receivables	6,221,253	5,785,689	68,900	48,812	317,852
Other receivables	1,449,058	723,636	127,361	83,171	514,890
Gross receivables	17,453,890	15,867,603	621,562	131,983	832,742
Less: impairment allowance	(256,347)	-	-	-	(256,347)
Net receivables	$ 17,197,543	$ 15,867,603	$ 621,562	$ 131,983	$ 576,395

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

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, 2020, a 1% fluctuation in interest rates would have an estimated impact on interest expense related to Lambton College's bank loans of $75,000.

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.

4. LONG-TERM RECEIVABLE

	2020	2019
Long-term receivable, 2.35%, due in equal, consecutive, blended, monthly instalments of $34,837, due in Aug 2043	**$ 6,173,115**	$ 6,442,638
Current portion	**275,926**	269,523
	$ 5,897,189	$ 6,173,115

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

2021	**$ 275,926**
2022	**$ 282,480**
2023	**$ 289,191**
2024	**$ 296,060**
2025	**$ 303,093**

By way of agreement, the Students Association of Lambton College (SAC) agreed to fund $6.6 million of the capital cost of the Athletics & Fitness Complex through an increase in the compulsory student building fee over a term not to exceed 30 years. The interest rate charged on the balance receivable is equal to the College's bank deposit rate or 4%, whichever is less.

5. CAPITAL

	2020			2019
	Cost	**Accumulated Depreciation**	**Net Book Value**	Net Book Value
Land	**$ 4,099,658**	**$ -**	**$ 4,099,658**	$ 3,859,213
Buildings	**124,448,035**	**37,385,906**	**87,062,129**	86,019,440
Site and leasehold improvements	**14,637,459**	**3,804,769**	**10,832,690**	5,501,450
Major equipment, equipment and vehicles	**22,672,511**	**12,412,160**	**10,260,351**	10,151,571
Computer hardware	**2,444,546**	**1,475,437**	**969,109**	1,011,710
Construction in progress	**1,065,710**	**-**	**1,065,710**	749,590
	$169,367,919	**$ 55,078,272**	**$114,289,647**	$107,292,974

6. 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 2020 of 2.32% (2019 – average rate of 2.13%) and consist of the following:

	2020	2019
Due to The Lambton College Foundation	**$ 763,984**	$ 1,023,958
Due to The Students Association of Lambton College	**1,500,262**	1,304,773
	$ 2,264,246	$ 2,328,731

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 $297,375 and cash of $1,946,477 during the year (2019 – equipment of $115,493 and cash of $2,616,747). 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.

7. LONG-TERM OBLIGATIONS

	2020	2019
Demand loan, 6.20%, due in equal, consecutive, blended, monthly instalments of $61,283, secured by land and building	**$ 4,620,293**	$ 5,023,104
Demand loan, prime, due in equal, consecutive, monthly instalments of $2,414 plus interest	**248,710**	278,989
Demand loan, prime, due in equal, consecutive, monthly instalments of $1,022 plus interest	**162,402**	174,666
Term loan, 5.22%, due in equal, consecutive, blended, monthly instalments of $23,909, due in July 2033	**2,751,152**	2,890,074
	7,782,557	8,366,833
Current portion	**614,911**	583,255
	$ 7,167,646	$ 7,783,578

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

2021	**$ 614,911**
2022	**$ 648,540**
2023	**$ 684,017**
2024	**$ 720,672**
2025	**$ 761,328**

The long-term obligation is secured by land and building with a net book value of $10,059,784 (2019 - $9,634,063).

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, 2020 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 $498,321 (2018 - $536,822).

8. 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.

	2020			
	Post-employment benefits	**Non-vesting sick leave**	**Vesting sick leave**	**Total liability**
Accrued employee future benefits obligations	**$ 518,000**	**$ 1,396,000**	**$ 32,000**	**$ 1,946,000**
Value of plan assets	**(108,000)**	**-**	**-**	**(108,000)**
	$ 410,000	**$ 1,396,000**	**$ 32,000**	**$ 1,838,000**

	2019			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 496,000	$ 1,406,000	$ 48,000	$ 1,950,000
Value of plan assets	(85,000)	-	-	(85,000)
	$ 411,000	$ 1,406,000	$ 48,000	$ 1,865,000

	2020			
	Post-employment benefits	**Non-vesting sick leave**	**Vesting sick leave**	**Total expenditure**
Current year benefits cost	**$ -**	**$ (10,000)**	**$ (16,000)**	**$ (26,000)**
Interest on accrued benefits obligation	**1,000**	**-**	**-**	**1,000**
Amortized actuarial losses	**(3,000)**	**-**	**-**	**(3,000)**
	$ (2,000)	**$ (10,000)**	**$ (16,000)**	**$ (28,000)**

	2019			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expenditure
Current year benefits cost	$ 27,000	$ (15,000)	$ (14,000)	$ (2,000)
Interest on accrued benefits obligation	1,000	-	-	1,000
Amortized actuarial losses	(1,000)	-	-	(1,000)
	$ 27,000	$ (15,000)	$ (14,000)	$ (2,000)

8. 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

All full-time employees of Lambton College, and any part-time employees who opt to participate, are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), a multi-employer jointly-sponsored defined benefit plan for public colleges in Ontario and other employers across Canada. The College makes contributions to the Plan equal to those of employees. Contribution rates are set by the Plan's governors to ensure the long-term viability of the Plan. Since the Plan is a multi-employer plan, the College's contributions are accounted for as if the Plan were a defined contribution plan with the College's contributions being expensed in the period they come due.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates related to full-time members. 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, 2020 indicated an actuarial surplus on a going concern basis of $2.9 billion. Lambton College made contributions to the Plan and its associated retirement compensation arrangement of $4,201,194 (2019 - $4,090,622), 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, 2020 of the future benefits was determined using a discount rate of 1.6% (2019 – 2.2%).

b) Drug costs

   Drug costs were assumed to increase at 8.0% per annum in 2018 and decrease proportionately thereafter to an ultimate rate of 4% in 2040.

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

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4% per annum (2019 – 4%).

Medical premium increases were assumed to increase at 6.8% per annum until 2018 and decrease proportionately thereafter to an ultimate rate of 4% in 2040.

d) Dental costs

Dental costs were assumed to increase at 4% per annum in 2020 (2019 - 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:

	2020	2019
Wage and salary escalation	**0.5 – 2.0%**	0.5 – 2.0%
Discount rate	**1.6%**	2.2%

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.

9. 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:

	2020	2019
Balance, beginning of year	**$ 64,340,563**	$ 50,916,388
Contributions received or receivable for capital purposes	**5,049,805**	17,278,423
Amortization of deferred capital contributions	**(5,219,492)**	(3,854,248)
Balance, end of year	**$ 64,170,876**	$ 64,340,563

10. 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	**$ 5,219,492**	$ 3,854,248
Depreciation of capital assets	**(8,687,414)**	(6,421,988)
	$ (3,467,922)	$ (2,567,740)

b. Net investment in capital assets:

Capital assets acquired	**$ 15,684,087**	$ 25,052,435
Repayment of long-term obligations related to capital assets	**584,276**	553,350
Addition to long-term receivable	**-**	6,600,000
Long-term receivable payment received	**(269,522)**	(157,362)
Amounts funded by deferred capital contributions	**(5,049,806)**	(17,278,423)
	$ 10,949,035	$ 14,770,000

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

Capital assets, net book value	**$114,289,647**	$107,292,974
Less:		
Deferred capital contributions	**64,170,876**	64,340,563
Long-term receivable	**(6,173,115)**	(6,442,638)
Long-term obligations related to capital assets	**7,782,557**	8,366,833
	65,780,318	66,264,758
Net assets invested in capital assets	**$ 48,509,329**	$ 41,028,216

11. 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.

	Balance, Beginning of Year	Additions	Transfers, Adjustments, Disbursements	Balance, End of Year
Appropriations	**$ 36,684,674**	**$ 16,608,872**	**$ 11,236,317**	**$ 42,057,229**

12. NET ASSETS EXTERNALLY RESTRICTED

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

	Balance, Beginning of Year	Additions	Transfers, Adjustments, Disbursements	Balance, End of Year
Bursaries and awards	**$ 155,008**	**$ 255,163**	**$ 97,294**	**$ 312,877**
Financial assistance fund	**34,398**	**969,000**	**1,045,037**	**(41,639)**
Employment Stability Fund	**71,883**	**1,725**	**-**	**73,608**
Conferences and external projects	**319,604**	**1,328,651**	**1,187,279**	**460,976**
	$ 580,893	**$ 2,554,539**	**$ 2,329,610**	**$ 805,822**

13. NET ASSETS ENDOWMENT FUNDS

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

	Balance, Beginning of Year	Additions	Transfers, Adjustments, Disbursements	Balance, End of Year
OSOTF and OTSS	**$ 3,478,507**	**$ 83,524**	**$ 81,168**	**$ 3,480,863**
Other scholarships and bursaries	**76,654**	**20,389**	**850**	**96,193**
	$ 3,555,161	**$ 103,913**	**$ 82,018**	**$ 3,577,056**

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.

13. NET ASSETS ENDOWMENT FUNDS - continued

	OSOTF	OSOTF II	OTSS	Other	Total
Changes in Endowment Fund Balances					
Fund balances, beginning of year	$ 1,071,656	$ 139,544	$ 1,899,768	$ 57,500	$ 3,168,468
Cash donations	-	-	-	-	-
Fund balances, end of year	1,071,656	139,544	1,899,768	57,500	3,168,468
Changes in Expendable Funds Available for Awards					
Fund balances, beginning of year	92,104	10,730	264,705	19,154	386,693
Expendable donations	1,000	-	-	18,273	19,273
Investment income	27,597	3,600	51,328	2,115	84,640
Bursaries awarded	(23,990)	(2,200)	(54,978)	(850)	(82,018)
Fund balances, end of year	96,711	12,130	261,055	38,692	408,588
Total endowment fund balances and market value	$ 1,168,367	$ 151,674	$ 2,160,823	$ 96,192	$ 3,577,056
Awards issued in 2020	33	3	64	5	105

14. SUBSEQUENT EVENT

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus, the COVID-19 outbreak. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As a result of this, on March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020, through to at least June 18, 2020. In addition, the Canadian government has imposed travel restrictions to Canada until further notice.

On March 17, 2020 the College closed its campuses and learning sites and they remain closed to the date of the auditor's report. The plan for continuing education throughout the summer and fall semesters offered by the College will be through online curriculum which could have implications on number of course offerings, enrollment and ancillary revenues.

A significant portion of the College's tuition revenues is derived from international students. If the Canadian border remains closed, this will impact the College's ability to earn revenue from International students who choose to defer their studies until in-class sessions resume and travel restrictions are lifted.

As the impacts of COVID-19 continue, there could be further impact on the College, its students and funding sources. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the College is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

15. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2020	2019
Grants receivable	**$ 543,983**	$ 5,404,828
Accounts receivable	**7,551,248**	10,189,162
Inventories	**66,466**	(149,917)
Prepaid expenses	**131,500**	(285,346)
Accounts payable and accrued charges	**33,864,879**	13,690,713
Deferred revenue	**(13,172,926)**	(10,371,472)
Funds held in trust	**(64,485)**	59,244
	$ 28,920,665	$ 18,537,212

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Operating Revenue

For the year ended March 31, 2020 **Schedule 1**

	2020	2019
GRANTS AND REIMBURSEMENTS		
Basic operating and supplemental grants	**$ 20,761,186**	$ 24,329,527
Apprentice training	**904,642**	887,555
Municipal taxes	**177,525**	187,575
Capital support grants	**2,374**	888,210
Employment Services	**2,281,658**	2,711,299
Literacy and Basic Skills	**542,275**	543,582
Bursaries	**87,148**	67,777
Other provincial grants	**2,831,668**	3,345,044
Federal grants	**3,335,452**	3,240,078
Municipal grants	**1,044,348**	948,977
	31,968,276	37,149,624
STUDENT TUITION		
Full-time	**8,224,587**	9,190,818
Part-time	**1,545,024**	1,500,868
Contract education	**4,114,623**	4,639,342
International education	**44,052,722**	49,277,967
Sundry fees	**4,282,898**	4,083,853
	62,219,854	68,692,848
ANCILLARY OPERATIONS		
Campus Shop	**2,551,596**	3,171,712
Parking	**507,096**	535,031
Residence and Event Centre	**1,332,542**	1,432,219
	4,391,234	5,138,962
OTHER INCOME		
Other sources	**4,847,822**	3,511,640
Donations from The Lambton College Foundation	**381,765**	448,753
	5,229,587	3,960,393
AMORTIZATION OF DEFERRED CAPITAL CONTRIBUTIONS	**5,219,492**	3,854,248
	$ 109,028,443	$ 118,796,075