Financial Statements of

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

March 31, 2022

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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, 2022, 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, 2022, 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.

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
TBD (upon approval from the Board of Governors)

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY
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For the year ended March 31, 2022

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Statement of Financial Position
As at March 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	**$ 200,512,302**	$ 154,862,808
Short-term investments (Note 4)	**10,598,857**	10,139,647
Grants receivable (Note 3)	**1,599,700**	1,862,417
Accounts receivable (Note 3)	**20,814,182**	15,518,572
Current portion of long-term receivable (Note 5)	**389,086**	342,853
Inventories	**351,282**	322,018
Prepaid expenses	**656,889**	498,571
	234,922,298	183,546,886
LONG-TERM RECEIVABLE (Note 5)	**5,054,205**	5,472,313
LONG-TERM INVESTMENTS (Note 4)	**38,782,874**	39,752,335
CAPITAL (Note 6)	**117,661,545**	114,874,618
	$ 396,420,922	$ 343,646,152
LIABILITIES		
CURRENT		
Accounts payable and accrued charges	**$ 116,006,511**	$ 98,763,238
Accrued payroll and employee deductions	**4,827,450**	4,614,589
Deferred revenue	**75,115,073**	54,485,019
Funds held in trust (Note 7)	**3,204,002**	2,951,773
Current portion of long-term obligations (Note 8)	**521,114**	648,420
	199,674,150	161,463,039
LONG-TERM OBLIGATIONS (Note 8)	**3,548,130**	6,519,226
POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (Note 9)	**1,884,000**	1,888,000
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	**63,933,836**	63,592,568
	269,040,116	233,462,833
NET ASSETS		
Unrestricted		
Operating	**12,049,996**	12,533,441
Post-employment benefits and compensated absences	**(1,884,000)**	(1,888,000)
Vacation pay	**(2,266,448)**	(2,625,206)
	7,899,548	8,020,235
Invested in capital assets (Note 11)	**55,101,756**	49,929,570
Internally restricted (Note 12)	**60,948,604**	47,639,929
Externally restricted (Note 13)	**1,639,434**	1,282,677
Endowment funds (Note 14)	**3,595,927**	3,576,478
	121,285,721	102,428,654
Accumulated Remeasurement Losses	**(1,804,463)**	(265,570)
	127,380,806	110,183,318
	$ 396,420,922	$ 343,646,152

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS

______________________________ Chair

______________________________ President

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Revenue and Expenditure

For the year ended March 31, 2022

		2022		2021
REVENUE - Schedule 1				
Grants and reimbursements	**$**	**32,621,013**	$	32,655,114
Student tuition		**89,722,224**		62,415,795
Ancillary operations		**2,365,806**		1,624,222
Other income		**3,562,383**		2,741,768
Amortization of deferred capital contributions		**4,901,432**		4,981,904
		133,172,858		104,418,803
EXPENDITURE				
Salaries and benefits		**56,113,706**		52,570,804
Academic		**36,983,029**		23,756,107
Student services		**1,305,567**		1,415,849
Administrative		**4,336,032**		3,941,297
Physical resources		**4,694,561**		3,662,205
Ancillary		**2,588,137**		2,057,142
Depreciation		**8,791,652**		9,019,939
		114,812,684		96,423,343
EXCESS OF REVENUE OVER EXPENDITURE	**$**	**18,360,174**	$	7,995,460

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Statement of Changes in Net Assets
For the year ended March 31, 2022

	Unrestricted	Invested in Capital Assets (Note 11)	Internally Restricted (Note 12)	Externally Restricted (Note 13)	Endowment Funds (Note 14)	2022 Total	2021 Total
BALANCE, BEGINNING OF YEAR	$ 8,020,235	$ 49,929,570	$ 47,639,929	$ 1,282,677	$ 3,576,478	$ 110,448,889	$ 101,977,152
EXCESS OF REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	22,250,394	(3,890,220)	-	-	-	18,360,174	7,995,460
INVESTED IN CAPITAL ASSETS	(9,062,406)	9,062,406	-	-	-	-	-
APPROPRIATION	(13,308,675)	-	13,308,675	-	-	-	-
CHANGE IN EXTERNALLY RESTRICTED NET ASSETS	-	-	-	356,757	-	356,757	476,855
CHANGE IN ENDOWMENT FUNDS	-	-	-	-	19,449	19,449	(578)
BALANCE, END OF YEAR	$ 7,899,548	$ 55,101,756	$ 60,948,604	$ 1,639,434	$ 3,595,927	$ 129,185,269	$ 110,448,889

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

For the year ended March 31, 2022

		2022		2021
OPERATING ACTIVITIES				
Excess of revenue over expenditure	**$**	**18,360,174**	$	7,995,460
Items not involving cash				
Depreciation		**8,791,652**		9,019,939
Amortization of deferred capital contributions		**(4,901,432)**		(4,981,904)
Post-employment benefits and compensated absences		**(4,000)**		50,000
		22,246,394		12,083,495
Changes in non-cash operating working capital items (Note 15)		**33,117,943**		36,140,608
		55,364,337		48,224,103
FINANCING ACTIVITIES				
Repayment of long-term obligations		**(3,098,402)**		(614,911)
CAPITAL				
Deferred capital contributions		**5,242,700**		4,403,596
Acquisition of capital assets		**(12,275,874)**		(9,604,910)
Loss on disposal of capital assets		**697,290**		-
		(6,335,884)		(5,201,314)
INVESTING ACTIVITIES				
Collection of long-term receivable		**371,875**		357,949
Investments		**(1,028,642)**		(50,157,552)
Net cash provided from externally restricted funds		**356,757**		476,855
Net cash provided from (to) endowment funds		**19,449**		(578)
		(280,561)		(49,323,326)
NET CHANGE IN CASH POSITION		**45,649,494**		(6,915,448)
Cash position, beginning of year		**154,862,808**		161,778,256
CASH POSITION, END OF YEAR	**$**	**200,512,302**	$	154,862,808

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Losses

For the year ended March 31, 2022

	2022	2021
BALANCE, BEGINNING OF YEAR	**$ (265,570)**	**$ -**
UNREALIZED LOSSES ATTRIBUTABLE TO: INVESTMENTS	**(1,538,893)**	**(265,570)**
BALANCE, END OF YEAR	**$ (1,804,463)**	**$ (265,570)**

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, overseas and in-country licensing and servicing agreements and from the sale of services and products is recognized at the time the products are delivered or the services provided.

Investment income earned on endowment funds is recognized as a direct increase in net assets when the related expense occurs. Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

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.

2. ACCOUNTING POLICIES - continued

Vacation pay

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

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

Fair value – cont'd

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

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 (2021 - $100,000).

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

3. FINANCIAL INSTRUMENTS - continued

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	60 days	61–90 days	91+days
Government receivables	$ 2,614,372	$ 2,614,372	$ -	$ -	$ -
Student receivables	17,156,270	16,424,272	24,194	86,265	621,539
Other receivables	2,825,590	2,000,753	111,291	170,970	542,576
Gross receivables	22,596,232	21,039,397	135,485	257,235	1,164,115
Less: impairment allowance	(182,350)	-	-	-	(182,350)
Net receivables	$ 22,413,882	$ 21,039,397	$ 135,485	$ 257,235	$ 981,765

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

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 other price 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 interest-bearing investments and long-term obligations.

At March 31, 2022, a 1% fluctuation in interest rates would have an estimated impact on interest expense related to Lambton College's bank loans of $40,000.

3. FINANCIAL INSTRUMENTS - continued

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through the fair value of financial instruments and how they are affected by changes in the market price of equity instruments.

The organization manages its other price risk by limiting their investment in instruments that have fluctuating fair values.

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. INVESTMENTS

Investments consist of cash and equivalents of $96,669 (2021 - $139,647), Guaranteed Investment Certificates of $20,526,534 (2021 - $20,000,000), equity instruments in public companies of $2,754,849 (2021 - $2,443,265), and bonds $26,003,679 (2020 - $27,309,070). Investments include $4,293,347 (2020 - $4,054,145) of investments externally restricted for endowment purposes (see Note 14).

Maturity profile of bonds held is as follows:

	2022				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying value	**$ 520,238**	**$4,817,618**	**$20,397,523**	**$268,300**	**$26,003,679**
Percentage of Total	**1%**	**18%**	**80%**	**1%**	**100%**

	2021				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying value	**$ -**	**$2,593,882**	**$24,442,678**	**$272,510**	**$ 27,309,070**
Percentage of Total	**0%**	**9.50%**	**89.50%**	**1%**	**100%**

4. INVESTMENTS – continued

The following table provides an analysis of investments 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 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – 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)

Level 3 – Inputs for the asset or liability that are not based on observable market date (unobservable inputs)

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Portfolio cash	**$ 96,669**	**$ -**	**$ -**	**$ 96,669**
Investments	**23,281,383**	**26,003,679**	**-**	**49,285,062**
	$ 23,378,052	**$ 26,003,679**	**$ -**	**$ 49,381,731**
Current portion				**10,598,857**
				$ 38,782,874

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Portfolio cash	**$ 139,647**	**$ -**	**$ -**	**$ 139,647**
Investments	**22,443,265**	**27,309,070**	**-**	**49,752,335**
	$ 22,582,912	**$ 27,309,070**	**$ -**	**$ 49,891,982**
Current portion				**10,139,647**
				$ 39,752,335

There were no investments classified as Level 3 for the year ended March 31, 2022.

5. LONG-TERM RECEIVABLE

	2022	2021
Long-term receivable, variable rate, due in equal, consecutive, blended, monthly instalments of $34,837, due in Aug 2043	**$ 5,443,291**	$ 5,815,166
Current portion	**389,086**	342,853
	$ 5,054,205	$ 5,472,313

5. LONG-TERM RECEIVABLE – continued

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

2023	**$ 389,086**
2024	**$ 302,505**
2025	**$ 309,691**
2026	**$ 317,048**
2027	**$ 324,579**

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.

6. CAPITAL

	2022			2021
	Cost	**Accumulated Depreciation**	**Net Book Value**	Net Book Value
Land	**$ 4,099,658**	**$ -**	**$ 4,099,658**	$ 4,099,658
Buildings	**128,099,754**	**43,440,534**	**84,659,220**	88,480,089
Site and leasehold improvements	**20,622,604**	**7,104,296**	**13,518,308**	11,551,083
Major equipment, equipment and vehicles	**22,722,791**	**14,820,839**	**7,901,952**	8,944,947
Computer hardware	**1,745,863**	**1,278,646**	**467,217**	628,066
Construction in progress	**7,015,190**	**-**	**7,015,190**	1,116,775
	$184,305,860	**$ 66,644,315**	**$117,661,545**	$114,874,618

7. 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 2022 of 1.0% (2021 – average rate of 1.00%) and consist of the following:

	2022	2021
Due to The Lambton College Foundation	**$ 1,459,707**	$ 1,395,447
Due to The Students Association of Lambton College	**1,744,295**	1,556,326
	$ 3,204,002	$ 2,951,773

7. 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 $74,745 and cash of $2,343,508 during the year (2021 – equipment of $155,716 and cash of $2,085,961). 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.

8. LONG-TERM OBLIGATIONS

	2022	2021
Demand loan, 6.20%, due in equal, consecutive, blended, monthly instalments of $61,283, secured by land and building	**$ 3,740,595**	$ 4,193,274
Demand loan, prime, due in equal, consecutive, monthly instalments of $2,414 plus interest	**190,728**	219,699
Demand loan, prime, due in equal, consecutive, monthly instalments of $1,022 plus interest	**137,921**	150,181
Term loan, 5.22%, due in equal, consecutive, blended, monthly instalments of $23,909, repaid during the year	**-**	2,604,491
	4,069,244	7,167,646
Current portion	**521,114**	648,420
	$ 3,548,130	$ 6,519,226

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

2023	**$ 521,114**
2024	**$ 549,953**
2025	**$ 580,525**
2026	**$ 612,933**
2027	**$ 1,804,718**

The long-term obligation is secured by land and building with a net book value of $8,782,622 (2021 - $9,208,343).

Lambton College has an operating line of credit with its bankers which is due on demand and bears interest at prime less 1.0%. As at March 31, 2022 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 $824,475 (2021 - $465,837).

9. 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.

	2022			
	Post-employment benefits	**Non-vesting sick leave**	**Vesting sick leave**	**Total liability**
Accrued employee future benefits obligations	**$ 511,000**	**$ 1,483,000**	**$ 18,000**	**$ 2,012,000**
Value of plan assets	**(128,000)**	**-**	**-**	**(128,000)**
	$ 383,000	**$ 1,483,000**	**$ 18,000**	**$ 1,884,000**

	2021			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 526,000	$ 1,452,000	$ 25,000	$ 2,003,000
Value of plan assets	(115,000)	-	-	(115,000)
	$ 411,000	$ 1,452,000	$ 25,000	$ 1,888,000

	2022			
	Post-employment benefits	**Non-vesting sick leave**	**Vesting sick leave**	**Total expenditure**
Current year benefits cost	**$ (27,000)**	**$ 31,000**	**$ (7,000)**	**$ (3,000)**
Interest on accrued benefits obligation	**1,000**	**-**	**-**	**1,000**
Amortized actuarial losses	**(2,000)**	**-**	**-**	**(2,000)**
	$ (28,000)	**$ 31,000**	**$ (7,000)**	**$ (4,000)**

	2021			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expenditure
Current year benefits cost	$ 2,000	$ 56,000	$ (7,000)	$ 51,000
Interest on accrued benefits obligation	1,000	-	-	1,000
Amortized actuarial losses	(2,000)	-	-	(2,000)
	$ 1,000	$ 56,000	$ (7,000)	$ 50,000

9. 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, 2022 indicated an actuarial surplus on a going concern basis of $4.4 billion. Lambton College made contributions to the Plan and its associated retirement compensation arrangement of $4,402,800 (2021 - $4,317,158), 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, 2022 of the future benefits was determined using a discount rate of 2.90% (2021 – 1.7%).

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.

9. 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 (2021 – 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 2021 (2021 - 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:

	2022	2021
Wage and salary escalation	**1.0 – 1.25%**	0.5 – 2.0%
Discount rate	**2.9%**	1.7%

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 26.2% and 0 to 51 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

10. 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:

	2022	2021
Balance, beginning of year	**$ 63,592,568**	$ 64,170,876
Contributions received or receivable for capital purposes	**5,242,700**	4,403,596
Amortization of deferred capital contributions	**(4,901,432)**	(4,981,904)
Balance, end of year	**$ 63,933,836**	$ 63,592,568

11. 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	**$ 4,901,432**	$ 4,981,904
Depreciation of capital assets	**(8,791,652)**	(9,019,939)
	$ (3,890,220)	$ (4,038,035)

b. Net investment in capital assets:

Capital assets acquired	**$ 12,275,874**	$ 9,652,583
Capital assets disposition	**(697,295)**	(47,674)
Repayment of long-term obligations related to capital assets	**3,098,402**	614,911
Long-term receivable payment received	**(371,875)**	(357,949)
Amounts funded by deferred capital contributions	**(5,242,700)**	(4,958,836)
Correction of deferred capital contribution	**-**	555,240
	$ 9,062,406	$ 5,458,275

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

Capital assets, net book value	**$117,661,545**	$114,874,618
Less:		
Deferred capital contributions	**63,933,836**	63,592,568
Long-term receivable	**(5,443,291)**	(5,815,166)
Long-term obligations related to capital assets	**4,069,244**	7,167,646
	62,559,789	64,945,048
Net assets invested in capital assets	**$ 55,101,756**	$ 49,929,570

12. 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	$ 47,639,929	$ 21,554,575	$ 8,245,900	$ 60,948,604

13. 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	$ 733,781	$ 305,856	$ (309,203)	$ 730,434
Financial assistance fund	134,214	950,000	(621,599)	462,615
Employment Stability Fund	74,429	1,473	-	75,902
Conferences and external projects	340,253	891,783	(861,553)	370,483
	$ 1,282,677	$ 2,149,112	$ (1,792,355)	$ 1,639,434

14. NET ASSETS ENDOWMENT FUNDS

Endowment funds are restricted donations received by the College where the endowment principal is required to be maintained. The investment income generated from these endowments must be used in accordance with various purposes established by donors. The College ensures, as part of its fiduciary responsibilities, that all funds received and transferred to the Foundation with a restricted purpose are expended for the purpose for which they were provided.

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	$ 3,480,516	$ 69,996	$ (51,382)	$ 3,499,130
Other scholarships and bursaries	95,962	1,785	(950)	96,797
	$ 3,576,478	$ 71,781	$ (52,332)	$ 3,595,927

14. NET ASSETS ENDOWMENT FUNDS - continued

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.

	OSOTF	OSOTF II	OTSS	Other	Total
Changes in Endowment Fund Balances					
Fund balances, beginning of year	$ 1,071,656	$ 139,544	$ 1,903,768	$ 57,500	$ 3,172,468
Cash donations	-	-	1,019	-	1,019
Fund balances, end of year	1,071,656	139,544	1,904,787	57,500	3,173,487
Changes in Expendable Funds Available for Awards					
Fund balances, beginning of year	85,145	11,505	268,899	38,461	404,010
Expendable donations	-	-	-	-	-
Investment income	23,178	2,984	42,815	1,785	70,762
Bursaries awarded	(29,142)	(2,600)	(19,640)	(950)	(52,332)
Fund balances, end of year	79,181	11,889	292,074	39,296	422,440
Total endowment fund balances and market value	$ 1,150,837	$ 151,433	$ 2,196,861	$ 96,796	$ 3,595,927
Awards issued in 2022	41	3	27	4	75

15. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2022	2021
Grants receivable	**$ 262,717**	$ 3,759,249
Accounts receivable	**(5,295,610)**	(3,942,695)
Inventories	**(29,264)**	263,494
Prepaid expenses	**(158,318)**	(29,228)
Accounts payable and accrued charges	**17,456,134**	14,222,939
Deferred revenue	**20,630,054**	21,179,322
Funds held in trust	**252,229**	687,527
	$ 33,117,943	$ 36,140,608

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Analysis of Operating Revenue
For the year ended March 31, 2022 **Schedule 1**

	2022	2021
GRANTS AND REIMBURSEMENTS		
Basic operating and supplemental grants	**$ 21,140,087**	$ 22,333,758
Apprentice training	**735,446**	66,138
Municipal taxes	**160,800**	173,625
Capital support grants	**190,443**	352,135
Employment Services	**2,154,449**	2,113,884
Literacy and Basic Skills	**531,411**	540,549
Bursaries	**65,803**	90,077
Other provincial grants	**2,725,541**	1,647,221
Federal grants	**3,989,529**	3,795,584
Municipal grants	**927,503**	942,143
	32,621,013	32,055,114
STUDENT TUITION		
Full-time	**6,801,997**	7,140,189
Part-time	**1,610,708**	1,877,895
Contract education	**4,173,596**	2,405,148
International education	**25,069,408**	11,762,005
International education - license and service agreements	**47,827,546**	35,932,060
Sundry fees	**4,238,969**	3,298,497
	89,722,224	62,415,795
ANCILLARY OPERATIONS		
Campus Shop	**1,202,211**	976,973
Parking	**262,442**	219
Residence and event centre	**901,152**	647,030
	2,365,806	1,624,222
OTHER INCOME		
Other sources	**2,787,346**	2,328,903
Donations from The Lambton College Foundation	**775,037**	412,865
	3,562,383	2,741,768
AMORTIZATION OF DEFERRED CAPITAL CONTRIBUTIONS	**4,901,432**	4,981,904
	$ 133,172,858	$ 103,818,803