2016 Financial Statements

MARCH 31, 2016

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THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

I N D E X

FINANCIAL STATEMENTS:

SUPPLEMENTARY SCHEDULES:

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Mohawk College of Applied Arts and Technology

We have audited the accompanying financial statements of Mohawk College of Applied Arts and Technology, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets, cash flows and remeasurement gains and losses for the year ended March 31, 2016 and notes, comprising 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 our 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, we consider 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mohawk College of Applied Arts and Technology as at March 31, 2016 and its results of operations, changes in net assets, cash flows and its remeasurement gains and losses for the year then ended, in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
June 9, 2016

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
STATEMENT OF FINANCIAL POSITION
March 31, 2016, with comparative figures for 2015 **Statement 1**

		2016	2015
		$	$
ASSETS			
CURRENT			
Cash	(note 2)	5,806,458	8,102,459
Investments	(note 3)	75,757,147	63,071,746
Accounts receivable		13,502,494	12,752,589
Grants receivable		4,752,789	5,464,630
Inventories		1,139,027	1,336,829
Prepaid expenses and other assets		1,833,683	1,586,473
Current portion of long-term receivable	(note 5)	821,475	783,711
		103,613,073	93,098,437
LONG-TERM			
Long-term investment	(note 4)	873,472	873,472
Long-term receivable	(note 5)	32,450,837	33,318,219
Construction in progress		277,563	1,023,711
Capital assets	(note 6)	154,937,400	155,750,297
		188,539,272	190,965,699
		292,152,345	284,064,136
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		24,504,526	18,604,538
Deferred revenue	(note 7)	20,604,431	19,601,641
Vacation pay		8,332,982	8,313,147
Current portion of long-term debt	(note 8)	1,680,557	1,609,711
Demand loan	(note 9)	8,224,938	8,808,915
		63,347,434	56,937,952
LONG-TERM LIABILITIES			
Long-term debt	(note 8)	47,003,150	48,683,708
Interest rate swap	(note 9)	2,458,123	2,705,682
Post-employment benefits and compensated absences	(note 10)	7,110,000	7,353,000
		56,571,273	58,742,390
DEFERRED CONTRIBUTIONS			
Deferred contributions	(note 11a)	5,107,402	6,069,890
Deferred contributions related to construction in progress	(note 11b)	270,000	-
Deferred contributions related to expenses of future periods	(note 11c)	6,337,698	6,001,919
Deferred contributions related to capital assets	(note 11d)	104,573,931	106,961,607
		116,289,031	119,033,416
NET ASSETS (statement 3)			
Net assets invested in capital assets	(note 12)	27,702,523	25,733,915
Unrestricted net assets:			
Operating		6,414,011	6,692,235
Vacation pay		(8,332,982)	(8,313,147)
Post-employment benefits and compensated absences		(7,110,000)	(7,353,000)
Restricted net assets:			
Internally restricted assets	(note 13)	23,015,000	18,580,000
Endowment contributions	(note 14)	16,120,612	15,698,294
		57,809,164	51,038,297
Accumulated remeasurement losses **(statement 5)**		(1,864,557)	(1,687,919)
		55,944,607	49,350,378
		292,152,345	284,064,136

SIGNED ON BEHALF OF THE BOARD:

ORIGINAL SIGNED BY:

Joe Parker, Chair of the Board of Governors

Ron J. McKerlie, President

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED March 31, 2016, with comparative figures for 2015 **Statement 2**

		2016	2015
		$	$
REVENUE			
Grants	(schedule 1)	93,549,779	91,108,277
Tuition fees		76,046,835	70,914,292
Ancillary	(schedule 1)	14,281,365	13,997,376
Amortization of deferred contributions		4,678,958	4,162,163
Amortization of deferred contributions related to capital assets		6,950,535	10,453,868
Other	(schedule 1)	10,631,914	7,109,962
		206,139,386	197,745,938
EXPENDITURES			
Salaries and benefits		119,303,052	118,689,595
Contracted services and professional fees		15,465,282	14,681,019
Supplies and other expenses		13,320,721	12,499,781
Utilities, maintenance and taxes		14,002,683	12,107,172
Instructional supplies		6,178,538	4,736,222
Ancillary	(schedule 2)	10,180,887	10,599,340
Scholarship, bursary and award payments		4,678,958	4,162,163
Amortization expense		13,764,852	13,567,440
Interest on long-term liabilities		2,895,864	2,999,287
		199,790,837	194,042,019
EXCESS OF REVENUE OVER EXPENDITURES		6,348,549	3,703,919

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED March 31, 2016, with comparative figures for 2015 **Statement 3**

	Invested in Capital Assets $	Unrestricted Operating $	Vacation & post-employment benefits & compensated absences $	Internally Restricted $	Endowment Contributions $	2016 Total $	2015 Total $
Balance, beginning of year	25,733,915	6,692,235	(15,666,147)	18,580,000	15,698,294	51,038,297	46,771,598
Excess (deficiency) of revenue over expenditures	(6,814,317)	13,696,191	223,165	(756,490)	-	6,348,549	3,703,919
Investment in capital assets	8,782,925	(5,400,499)	-	(3,382,426)	-	-	-
Change in internally imposed restrictions	-	(8,573,916)	-	8,573,916	-	-	-
Endowment contributions	-	-	-	-	422,318	422,318	562,780
Balance, end of year	27,702,523	6,414,011	(15,442,982)	23,015,000	16,120,612	57,809,164	51,038,297

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED March 31, 2016, with comparative figures for 2015 **Statement 4**

	2016 $	2015 $
Cash provided by (used in):		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	6,348,549	3,703,919
Items not involving cash:		
Amortization expense	13,764,852	13,567,440
Net income of Mohawk College Enterprise	(71,979)	(69,586)
Decrease in post-employment benefits and compensated absences	(243,000)	(315,000)
Loss on disposal of capital assets	38,433	4,713,346
Amortization of deferred contributions related to capital assets	(6,950,535)	(10,453,868)
	12,886,320	11,146,251
Changes in non-cash working capital items:		
Grants receivable	711,841	(346,162)
Accounts receivable	(749,905)	(619,454)
Inventories	197,802	(105,822)
Prepaid expenses and other assets	(247,210)	1,031,248
Current portion of long-term receivable	(37,764)	(36,029)
Accounts payable and accrued liabilities	5,971,967	(2,838,570)
Deferred revenue	1,002,790	(118,307)
Vacation pay	19,835	(751,225)
	19,755,676	7,361,930
INVESTING ACTIVITIES		
Purchase of investments, net	(13,109,598)	(2,024,287)
Long-term receivable	867,382	1,230,089
	(12,242,216)	(794,198)
CAPITAL ACTIVITIES		
Purchase of capital assets	(11,979,227)	(8,600,596)
Proceeds from sale of capital assets	12,550	520,092
Contributions for capital purposes	4,439,473	3,229,697
Construction in progress, net of deferred contributions	(97,563)	(1,023,711)
	(7,624,767)	(5,874,518)
FINANCING ACTIVITIES		
Contributions for endowment	422,318	562,780
Contributions for other restricted purposes, net	(962,488)	977,939
Contributions for expenses of future periods, net	549,165	3,422,155
Repayment of long-term debt	(1,609,712)	(1,541,876)
Repayment of demand loan	(583,977)	(545,963)
	(2,184,694)	2,875,035
(DECREASE) INCREASE IN CASH	(2,296,001)	3,568,249
CASH, BEGINNING OF YEAR	8,102,459	4,534,210
CASH, END OF YEAR	5,806,458	8,102,459

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED March 31, 2016, with comparative figures for 2015 **Statement 5**

	2016 $	2015 $
Accumulated remeasurement losses, beginning of year	(1,687,919)	(2,695,543)
Unrealized gains (losses) attributable to:		
Investments	(584,200)	1,064,686
Derivative - interest rate swap	247,559	(235,845)
Amounts reclassified to the statement of operations:		
Disposition of investments	160,003	178,783
Net remeasurement (losses) gains for the year	(176,638)	1,007,624
Accumulated remeasurement losses, end of year	(1,864,557)	(1,687,919)

See accompanying notes to the financial statements

General

Mohawk College of Applied Arts and Technology (the "College"), established in 1966, is an Ontario College of Applied Arts and Technology duly established pursuant to Ontario regulation 34/03 made under the Ontario Colleges of Applied Arts and Technology Act, 2002. The College is an agency of the Crown and provides post secondary, vocationally oriented education in the areas of applied arts, business, health sciences and technology.

The College is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation

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

These financial statements do not reflect the assets, liabilities and results of operations of the various student organizations or The Mohawk College Foundation which is a separate public foundation.

(b) Revenue recognition

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

Operating grants from the Ministry of Training, Colleges and Universities ("MTCU") and other government agencies are recorded as revenue in the year to which they relate. Grants approved but not received at the end of the fiscal year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year.

Revenue from tuition fees, contracts and sales from ancillary operations is recognized when the services are provided or the goods are sold and collection is reasonably assured.

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

Unrestricted contributions are recognized as revenue when received or receivable.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(c) Inventories

Inventories consist primarily of items held for resale in the Campus Stores. Inventories are valued at the lower of cost and net realizable value.

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(d) Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Donated capital assets are recorded at their fair market value at the date of donation. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to residual value. Construction in progress is recorded separately on the statement of financial position until construction is complete and the asset is put into operational use. Remaining capital assets are amortized on a straight-line basis over their estimated useful lives using the following rates:

Asset Class	Rate
Land	n/a
Buildings	40 years
Portables & roof replacement	20 years
Site improvements	10 years
Major equipment	10 years
Furniture & equipment	5 years
Vehicles	5 years
Computers & software	3 years

(e) Vacation pay

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

(f) Retirement and post-employment benefits and compensated absences

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

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

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

(iii) The cost of vesting and non-vesting sick leave benefits are actuarially determined using management's best estimate 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.

(iv) The discount rate used in the determination of the above-mentioned liabilities is based on the effective yield of Ontario bonds (trading on the market) that approximate the weighted average duration of the cashflows for the employee future benefits.

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(g) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at fair value or amortized cost. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gains/losses are adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(h) 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 expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of fair value for long-term investments, allowance for doubtful accounts, useful lives of capital assets, fair value of interest rate swap and actuarial estimation of post-employment benefits and compensated absences liabilities.

2. CASH:

The Canadian bank account earns interest at prime less 1.70%. Cash is carried at fair market value.

3. INVESTMENTS:

Investments are held with the College's investment management firm and consist of the following:

	Level	2016 $	2015 $
Pooled investments			
Bonds	2	6,056,262	5,958,450
Equities	2	5,975,860	5,742,655
Cash	2	1,001,362	990,389
Total pooled investments		13,033,484	12,691,494
Segregated investments			
Bonds	1	61,130,758	49,395,840
Cash	1	1,592,905	984,412
Total segregated investments		62,723,663	50,380,252
Total investments		75,757,147	63,071,746

The total cost of the investment portfolio is $74,702,472 (2015 – $61,055,045).

There were no significant transfers between Levels 1 and 2 for the years ended March 31, 2016 and 2015. There were no transfers in or out of Level 3.

Maturity profile of bonds held is as follows:

	March 31, 2016				
	Within 1 year $	2 to 5 years $	6 to 10 years $	Over 10 year $	Total $
Carrying value	9,360,480	43,259,915	13,726,014	840,611	67,187,020
Percent of Total	14%	65%	20%	1%	100%

The College's bond portfolio has interest rates ranging from 0.30% to 8.50% (2015 – 1.33% to 7.60%).

4. LONG-TERM INVESTMENT:

Long-term investments are carried at cost. As at March 31, 2016 the long-term investment consists of investment in land of $873,472 (2015 – $873,472). In October 1995, the College purchased land in conjunction with Hillfield-Strathallan College for undetermined future use.

In addition, the College controls Mohawk College Enterprise Corporation ("MCE") and is the only registered holder of issued and outstanding MCE shares (2016 – $100; 2015 – $100) and accounts for the investment using the modified equity method. Under the modified equity approach, the College makes no adjustment to the amounts disclosed or recognized in its financial statements for these differences. MCE undertakes and carries out education training programs and consulting projects for and on behalf of businesses and industries. MCE is the exclusive provider of corporate training on behalf of the College. MCE is a for-profit organization and was incorporated under the Business Corporations Act (Ontario) by Certificate of Incorporation dated April 1, 2010. The Board of Directors is approved by the College and the Shareholder Declaration provides for limitations on certain activities and actions on the part of MCE without the express consent of the College.

4. LONG-TERM INVESTMENT (continued):

Mohawk College Enterprise Balance Sheet	**2016 $**	**2015 $**
Total assets	645,712	576,854
Total liabilities	836,266	839,387
Total net assets	(190,554)	(262,533)
	645,712	576,854

Mohawk College Enterprise Statement of Operations & Deficit	**2016 $**	**2015 $**
Total revenue	3,137,462	3,127,434
Total expenses	3,065,483	3,057,848
Income before income taxes	71,979	69,586
Income taxes	-	-
Net income for the year	71,979	69,586
Deficit, beginning of year	(262,633)	(332,219)
Deficit, end of year	(190,654)	(262,633)

Mohawk College Enterprise Statement of Cash Flows	**2016 $**	**2015 $**
Cash flows from operating activities	(133,540)	589,511
Cash flows used by financing activities	(2,863)	(412,688)
Cash flows used by investing activities	(8,526)	(26,716)
Net cash flows	(144,929)	150,107

The loss on the investment in MCE has been included in accounts payable and accrued liabilities.

5. LONG-TERM RECEIVABLE:

Long-term receivables held by the College consist of the following:

	2016 $	**2015 $**
DBARC student levy receivable	33,272,312	34,056,023
Pledges receivable	-	45,907
Less: Current portion of long-term receivable	(821,475)	(783,711)
	32,450,837	33,318,219

In April 2012, the Mohawk Students Association entered into an agreement with the College to establish a new compulsory student activity fee (the “ARC Fee”) to finance the building of the Athletic and Recreation Center (the “DBARC”). In November 2013, the DBARC construction was completed. The annual principal and interest payments on the long-term debt incurred to finance construction will be provided by the future ARC Fee student levies. The total principal and interest payments amount has been discounted at a rate of 4.762% (2015 – 4.762%) and the current amount receivable is $33,272,312 (2015 – $34,056,023). The current portion of long-term receivable represents the principal loan payments due within one year.

6. CAPITAL ASSETS:

	Cost $	Accumulated Amortization $	2016 Net Book Value $	2015 Net Book Value $
Land	2,193,775	-	2,193,775	2,193,775
Buildings	141,811,807	40,311,026	101,500,781	102,364,005
Portables & roof replacement	6,930,569	1,885,159	5,045,410	5,275,908
Site improvements	48,154,430	23,481,820	24,672,610	27,383,898
Major equipment	24,514,858	11,306,396	13,208,462	11,702,499
Furniture & equipment	17,323,633	13,098,564	4,225,069	4,081,842
Vehicles	1,352,632	955,767	396,865	309,814
Computers & software	17,045,671	13,351,243	3,694,428	2,438,556
	259,327,375	104,389,975	154,937,400	155,750,297

7. DEFERRED REVENUE:

Deferred revenue consists of the following:

	2016 $	2015 $
Student fees	18,011,560	16,882,954
Contracts	1,670,829	1,905,110
Student residence	315,145	312,275
MTCU grants	54,737	122,502
Other	552,160	378,800
	20,604,431	19,601,641

8. LONG-TERM DEBT:

	2016 $	2015 $
Unsecured loan payable to the Ontario Financing Authority at 3.855%, payable in blended semi-annual instalments of $486,267, due November 29, 2028.	9,870,908	10,446,231
Unsecured loan payable to the Ontario Financing Authority at 4.183%, payable in blended monthly instalments of $40,673, due September 2, 2031.	5,538,675	5,789,353
Unsecured loan payable to the Ontario Financing Authority at 4.762%, payable in blended semi-annual instalments of $1,198,162, due November 25, 2038.	33,274,124	34,057,835
	48,683,707	50,293,419
Less current portion	1,680,557	1,609,711
	47,003,150	48,683,708

8. LONG-TERM DEBT (continued):

Principal repayments for the next five years and thereafter:

2017	1,680,557
2018	1,731,404
2019	1,830,845
2020	1,936,684
2021	1,996,855
Thereafter	39,507,362
	$ 48,683,707

9. DEMAND LOAN:

The College has a demand credit facility with a Canadian chartered bank. Interest is charged at prime. Borrowing is unsecured and subject to a credit spread of 100 basis points. To reduce the interest rate risk on the loan, the College entered into an interest rate swap contract that entitles the organization to receive interest at floating rates and obliges it to pay interest at a fixed rate of 7.75% (including the credit spread). The swap contract provides for amortization over 25 years.

The fair value of the interest rate swap of ($2,458,123) (2015 – ($2,705,682)) is recorded on the statement of financial position. The change in fair value of the interest rate swap is recorded in the statement of remeasurement gains and losses, with no impact on the College's excess of revenue over expenditures.

10. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES:

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

	March 31, 2016			
	Post-employment benefits $	**Non-vesting sick leave $**	**Vesting sick leave $**	**Total liability $**
Accrued employee future benefit obligations	1,395,000	4,012,000	1,297,000	6,704,000
Value of plan assets	(244,000)	-	-	(244,000)
Unamortized actuarial gains (losses)	184,000	877,000	(411,000)	650,000
Total liability	1,335,000	4,889,000	886,000	7,110,000

	March 31, 2015			
	Post-employment benefits $	**Non-vesting sick leave $**	**Vesting sick leave $**	**Total liability $**
Accrued employee future benefit obligations	1,394,000	4,109,000	1,484,000	6,987,000
Value of plan assets	(239,000)	-	-	(239,000)
Unamortized actuarial gains (losses)	195,000	926,000	(516,000)	605,000
Total liability	1,350,000	5,035,000	968,000	7,353,000

10. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued):

	March 31, 2016			
	Post-employment benefits $	Non-vesting sick leave $	Vesting sick leave $	Total expense $
Current year benefit cost	13,000	264,000	55,000	332,000
Interest on accrued benefit obligation	3,000	67,000	23,000	93,000
Amortized actuarial losses (gains)	(12,000)	(86,000)	101,000	3,000
Total expense	4,000	245,000	179,000	428,000

	March 31, 2015			
	Post-employment benefits $	Non-vesting sick leave $	Vesting sick leave $	Total expense $
Current year benefit cost	51,000	233,000	51,000	335,000
Interest on accrued benefit obligation	4,000	106,000	41,000	151,000
Amortized actuarial losses (gains)	(14,000)	(115,000)	90,000	(39,000)
Total expense	41,000	224,000	182,000	447,000

The benefits paid out in the year were $671,000 (2015 – $762,000).

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

Retirement Benefits

<u>CAAT Pension Plan</u>
Substantially all employees of the College are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), which is a multi-employer jointly sponsored defined benefit plan for eligible employees of public colleges and related employers in Ontario. Contributions by the College on account of current service pension costs amounted to $10,619,957 (2015 – $10,425,480), which have been included in the statement of operations. Contributions by employees amounted to $10,521,117 (2015 – $10,317,166). Contribution rates are set by the Plan's governors to ensure the long-term viability of the Plan.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2016 indicated an actuarial surplus of $1.179 billion.

Post-employment Benefits

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

10. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued):

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

(a) *Discount rate*
The present value as at March 31, 2016 of the future benefits was determined using a discount rate of 1.7% (2015 – 1.6%).

(b) *Drug costs*
Drug costs were assumed to increase at an 8.5% rate for 2016 (2015 – 8.75%) and decrease proportionately thereafter to an ultimate rate of 4% in 2034 for fiscal 2016 (2015 – 4%).

(c) *Hospital and other medical*
Hospital and other medical costs were assumed to increase at 4% per annum for fiscal 2016 (2015 – 4%).

(d) *Dental costs*
Dental costs were assumed to increase at 4% per annum for fiscal 2016 (2015 – 4%).

Compensated Absences

Vesting Sick Leave
The College has provided for vesting sick leave benefits during the year. Eligible Faculty employees, hired before April 1, 1991 and Administrative employees hired before July 1, 1974 are entitled to receive on termination or retirement, accumulated sick days multiplied by their actual daily rate to a maximum of six months salary. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

Non-vesting Sick Leave
The College allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that the employees' illness or injury exceeds the current year's allocation of days. Sick days are paid out at the salary in effect at the time of usage. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

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

	2016	**2015**
Wage and salary escalation	0.5% - 1.8%	1% - 1.5%
Discount rate	1.7%	1.6%

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 24% and 0 to 44.3 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

11. DEFERRED CONTRIBUTIONS:

a) Deferred contributions:

Deferred contributions represent unspent externally restricted scholarships, bursaries, grants and donations for student awards and student assistance. It also includes unspent endowment investment income.

	2016 $	2015 $
Balance, beginning of year	6,069,890	5,091,951
Additional contributions received	3,716,470	5,140,102
Less award payments & administrative expenses	(4,678,958)	(4,162,163)
Balance, end of year	5,107,402	6,069,890

Deferred contributions are comprised of:

	2016 $	2015 $
Endowment interest funds	2,239,709	2,696,307
Tuition set-aside funds	1,539,480	1,924,810
Scholarships and bursaries	516,499	540,795
Joint employment stability replacement fund	428,468	400,690
MTCU grants	374,153	499,519
Other	9,093	7,769
	5,107,402	6,069,890

b) Deferred contributions related to construction in progress:

	2016 $	2015 $
Balance, beginning of year	-	94,687
Additional contributions received	180,000	-
Plus amounts transferred from deferred contributions related to expenses of future periods	90,000	-
Less amounts transferred to capital assets in the year	-	(94,687)
Balance, end of year	270,000	-

11. DEFERRED CONTRIBUTIONS (continued):

c) Deferred contributions related to expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations intended to support primarily college-wide equipment and facility improvements and also provide student financial assistance.

	2016 $	2015 $
Balance, beginning of year	6,001,919	3,388,336
Additional contributions received	3,034,307	5,095,439
Less amounts recognized as revenue in the year	(2,485,142)	(1,673,284)
Less amounts transferred to deferred contributions related to capital assets	(123,386)	(808,572)
Less amounts transferred to deferred contributions related to construction in progress	(90,000)	-
Balance, end of year	6,337,698	6,001,919

Deferred contributions related to expenses of future periods are comprised of:

	2016 $	2015 $
MTCU	13,280	13,280
Donations	3,223,215	2,774,734
Other	3,101,203	3,213,905
	6,337,698	6,001,919

d) Deferred contributions related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants and other contributions received for the purchase of capital assets.

	2016 $	2015 $
Balance, beginning of year	106,961,607	113,282,519
Additional contributions received	4,439,473	3,229,697
Plus amounts transferred from deferred contributions related to construction in progress	-	94,687
Plus amounts transferred from deferred contributions related to expenses of future periods	123,386	808,572
Less amortization in the year	(6,950,535)	(10,453,868)
Balance, end of year	104,573,931	106,961,607

Deferred contributions related to capital assets are comprised of:

	2016 $	2015 $
MTCU	57,118,491	59,671,918
ARC Fees	31,792,509	33,004,487
Donations	10,802,309	9,374,017
Other	4,860,622	4,911,185
	104,573,931	106,961,607

12. INVESTMENT IN CAPITAL ASSETS:

The College's investment in capital assets is calculated as follows:

	2016	2015
	$	$
Capital assets	154,937,400	155,750,297
Construction in progress	277,563	1,023,711
Investment in land	873,472	873,472
	156,088,435	157,647,480
Less:		
Current portion of long-term debt	(859,082)	(826,000)
Demand loan	(8,224,938)	(8,808,915)
Long-term debt	(14,457,961)	(15,317,043)
Deferred contributions related to construction in progress	(270,000)	-
Deferred contributions related to capital assets	(104,573,931)	(106,961,607)
Investment in capital assets	27,702,523	25,733,915

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

	2016	2015
	$	$
Deficiency of revenues over expenditures:		
Amortization of deferred capital contributions related to capital assets	6,950,535	10,453,868
Amortization of capital assets	(13,764,852)	(13,567,440)
	(6,814,317)	(3,113,572)
Net change in investment of capital assets:		
Purchase of capital assets and transfers from construction in progress	12,205,807	4,390,870
Amounts funded by deferred capital contributions	(4,832,859)	(3,943,582)
Repayment of term debt	1,409,977	1,340,157
Investment in capital assets	8,782,925	1,787,445

13. INTERNALLY RESTRICTED ASSETS:

Net assets internally restricted by the Board of Governors represent specific initiatives, liabilities and other provisions. Internally restricted net assets are not available for other purposes without approval of the Board of Governors.

14. ENDOWMENT CONTRIBUTIONS:

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

14. ENDOWMENT CONTRIBUTIONS (continued):

Investment income on endowments that was disbursed during the year has been recorded in the statement of operations since this income is available for disbursement as scholarships and bursaries and the donors' conditions have been met. The unspent portion of investment income is recorded in deferred contributions. Investment income on endowed assets recognized and deferred was $621,558 and $72,471 respectively (2015 – $663,481 and $351,315).

The College has the following endowment funds:

	2016	2015
	$	$
Ontario Student Opportunity Trust Funds (Schedule 3)	5,583,328	5,583,328
Ontario Trust for Student Support (Schedule 4)	7,620,697	7,310,255
Other	2,916,587	2,804,711
	16,120,612	15,698,294

15. FINANCIAL INSTRUMENT RISK MANAGEMENT:

<u>Credit risk</u>
Credit risk is the risk of financial loss to the College if a debtor fails to make payments of interest and principal when due. The College is exposed to this risk relating to its cash, debt holdings in its investment portfolio, long-term receivable, accounts receivable and grants receivable. The College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up to $100,000.

The College's investment policy operates within the constraints of the investment guidelines issued by the MTCU and puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis. The guidelines permit the College's funds to be invested in bonds issued by the Government of Canada, a Canadian province or a Canadian municipality having a rating of AAA or better.

The College's maximum exposure to credit risk is representative of the carrying value of cash, investments, accounts receivable, grants receivable, current portion of long-term receivable and long-term receivable which as at March 31, 2016 totals $133,091,200.

Accounts receivable are ultimately due from students. Credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population.

Grants receivable are due from government sources. The College works to ensure that all eligibility criteria are met in order to qualify to receive the funding.

The College measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the College's historical experience regarding collections.

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.

<u>Market risk</u>
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.

15. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued):

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

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

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

Interest rate risk
Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The College is exposed to this risk through its interest bearing investments, demand loan and long-term debt.

The College mitigates interest rate risk on its demand loan through a derivative financial instrument that exchanges the variable rate inherent in the term debt for a fixed rate (see note 9). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the demand loan.

At March 31, 2016, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of bonds and the interest rate swap of $2,281,420 and $507,000 respectively. The College's demand loan as described in note 9 would not be impacted as the inherent variable rate of the debt has been fixed with the use of the aforementioned derivative interest rate.

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.

Equity risk
Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The College is exposed to this risk through its equity holdings within its investment portfolio. At March 31, 2016, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the College's equities of $597,586. 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.

Liquidity risk
Liquidity risk is the risk that the College will not be able to meet all cash outflow obligations as they come due. The College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

Derivative financial liabilities mature as described in note 9.

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

16. THE MOHAWK COLLEGE FOUNDATION:

The College has an economic interest in the Mohawk College Foundation (the "Foundation"), which raises funds from the community and alumni to finance certain expenditures of the College. The Foundation's accounts are not included in these financial statements. The Foundation is incorporated under the Province of Ontario as a public foundation and is a registered charity under the Income Tax Act.

On January 1, 2015, the agreement between the Foundation and College for the licencing and management of the parking operations of the College expired and was not renewed. The management of the parking operations transferred back to the College.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
ANALYSIS OF OPERATING GRANTS, ANCILLARY AND OTHER REVENUE
FOR THE YEAR ENDED March 31, 2016, with comparative figures for 2015 **Schedule 1**

	2016	2015
	$	$
OPERATING GRANTS REVENUE		
General operating and capital grants	65,086,561	61,606,084
Apprenticeship	8,915,889	8,180,754
Collaborative program grants	7,234,988	7,516,587
Employment Services	3,099,059	3,013,070
Federal projects	2,231,539	2,609,241
Aboriginal grants	1,420,653	1,055,068
School College Works Initiative	1,395,763	1,553,856
Literacy & Basic Skills	1,386,909	1,620,256
Disability Services	1,175,704	1,299,132
Municipal tax grant	813,675	800,250
Termination gratuities	323,332	1,056,456
Other Ministry grants	465,707	797,523
	93,549,779	91,108,277
ANCILLARY REVENUE		
Campus stores	5,723,650	5,889,381
Parking	3,321,895	2,672,749
Student residence	3,249,712	3,149,691
Food services	959,492	988,509
Facility rentals	445,103	555,672
Student life	167,456	152,450
Printing	153,524	134,311
Athletic and recreation centre	142,062	130,767
Other	118,471	323,846
	14,281,365	13,997,376
OTHER REVENUE		
Contract training projects	2,637,004	2,643,339
Investment income	1,343,122	1,277,364
International projects	402,388	304,226
Student government	370,929	313,714
Donations	279,438	1,283,677
Miscellaneous	5,599,033	1,287,642
	10,631,914	7,109,962

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
ANALYSIS OF ANCILLARY EXPENDITURES
FOR THE YEAR ENDED March 31, 2016, with comparative figures for 2015 **Schedule 2**

	2016 $	2015 $
Salaries and benefits	1,534,969	1,583,479
Cost of sales	4,288,411	4,400,319
Contracted services and professional fees	1,620,080	1,693,213
Supplies and other expenses	1,215,813	1,163,657
Utilities, maintenance and taxes	1,521,614	1,758,672
	10,180,887	10,599,340

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
ANALYSIS OF ONTARIO STUDENT OPPORTUNITY TRUST FUND (OSOTF I)
FOR THE YEAR ENDED March 31, 2016, with comparative figures for 2015 **Schedule 3**

	2016 (Book Value) $	2015 (Book Value) $
Endowment Fund Balance		
Fund Balance, beginning and end of year	5,520,998	5,520,998
Expendable Funds Available for Awards		
Balance, beginning of year	761,056	608,449
Investment income, net of related expenses	191,049	225,169
Awards issued (2016-#284; 2015-#103)	(198,358)	(72,562)
Balance, end of year	753,747	761,056

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2016 were $5,520,998 and $932,274 respectively.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
ANALYSIS OF ONTARIO STUDENT OPPORTUNITY TRUST FUND (OSOTF II)
FOR THE YEAR ENDED March 31, 2016, with comparative figures for 2015

	2016 (Book Value) $	2015 (Book Value) $
Endowment Fund Balance		
Fund Balance, beginning and end of year	62,330	62,330
Expendable Funds Available for Awards		
Balance, beginning of year	16,722	14,006
Investment income, net of related expenses	2,370	2,716
Balance, end of year	19,092	16,722

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2016 were $62,330 and $21,295 respectively.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
ANALYSIS OF ONTARIO TRUST FOR STUDENT SUPPORT (OTSS)
FOR THE YEAR ENDED March 31, 2016, with comparative figures for 2015

Schedule 4

	2016 (Book Value) $	2015 (Book Value) $
Endowment Fund Balance		
Fund Balance, beginning of year	7,310,255	6,987,092
Cash donations received	310,442	323,163
Fund Balance, end of year	7,620,697	7,310,255
Expendable Funds Available for Awards		
Balance, beginning of year	499,130	372,129
Investment income, net of related expenses	237,333	242,755
Cash donations received	7,745	8,284
Awards issued (2016-#181; 2015-#114)	(181,211)	(124,038)
Balance, end of year	562,997	499,130

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2016 were $7,620,697 and $708,350 respectively.