

Financial Statements of

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

Year ended March 31, 2017

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

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Year ended March 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Governors of The Sault College of Applied Arts and Technology

We have audited the accompanying financial statements of The Sault College of Applied Arts and Technology, which comprise the statement of financial position as at March 31, 2017, the statements of operations, changes in net assets, cash flows and remeasurement gains and losses for the year then ended, 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 The Sault College of Applied Arts and Technology as at March 31, 2017, its results of operations, changes in net assets, cash flows and remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 15, 2017

Sault Ste. Marie, Canada

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 17,238,434	\$ 5,611,443
Temporary investments (note 3)	8,291,207	10,187,732
Accounts receivable (note 2)	1,854,671	1,181,758
Grants and reimbursements receivable	3,308,810	3,506,167
Current portion of loan receivable (note 4)	167,769	162,306
Current portion of pledges receivable (note 7)	121,151	164,729
Inventory	5,408	5,988
Prepaid expenses	647,953	347,528
	<u>31,635,403</u>	<u>21,167,651</u>
Loan receivable (note 4)	2,512,904	2,680,673
Capital assets (note 5)	64,630,163	60,832,580
Pledges receivable (note 7)	237	14,008
	<u>\$ 98,778,707</u>	<u>\$ 84,694,912</u>

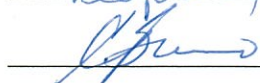
Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,498,032	\$ 5,174,152
Accrued vacation pay	3,478,129	3,493,423
Deferred tuition fees	1,058,591	1,119,733
Deferred contributions for expenses of future periods (note 6)	1,676,123	1,703,554
Payable to the Ministry of Advanced Education and Skills Development	59,927	34,731
Current portion of long-term debt (note 8)	567,632	554,850
	<u>12,338,434</u>	<u>12,080,443</u>
Long-term debt (note 8)	3,335,138	3,902,770
Deferred capital contributions (note 9)	64,838,963	50,621,266
Post-employment benefits and compensated absences (note 10)	1,883,000	2,020,000
	<u>82,395,535</u>	<u>68,624,479</u>
Net assets:		
Unrestricted	1,581,665	3,332,870
Invested in capital assets (note 12)	10,410,629	8,099,078
Internally restricted (note 13)	159,674	160,056
Restricted for student purposes and endowments	4,522,165	4,486,683
	<u>16,674,133</u>	<u>16,078,687</u>
Accumulated remeasurement gains (losses)	(290,961)	(8,254)
	<u>16,383,172</u>	<u>16,070,433</u>
Commitments and contingencies (note 15)		
	<u>\$ 98,778,707</u>	<u>\$ 84,694,912</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Chair

 Treasurer

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

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

	2017	2016
Revenue (Schedule):		
Grants and reimbursements	\$ 37,193,843	\$ 38,639,017
Tuition fees	10,751,857	9,634,891
Ancillary operations	1,204,378	1,353,528
Other	3,473,007	3,486,154
Restricted for student purposes	2,018,239	1,386,518
Gain on sale of capital assets	-	3,920
Amortization of deferred capital contributions (note 9)	2,995,499	2,920,062
	<u>57,636,823</u>	<u>57,424,090</u>
Expenses:		
Salaries and benefits	37,643,435	38,917,783
Instructional supplies	1,676,574	1,774,372
Contracted services	4,155,933	4,161,975
Utilities, maintenance and taxes	3,058,213	2,597,352
Interest and bank charges	231,285	248,597
Travel and professional development	462,182	649,765
Training subsidies and allowances	1,614,661	1,865,809
Supplies and other expenses	2,177,441	2,363,996
Restricted for student purposes	201,628	125,970
Scholarships and bursaries	1,651,910	931,782
Amortization of capital assets	4,168,115	4,111,533
	<u>57,041,377</u>	<u>57,748,934</u>
Excess (deficiency) of revenue over expenses	\$ 595,446	\$ (324,844)

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

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

	Unrestricted	Capital Assets	Invested in Internally Restricted	Restricted for Student and Purposes Endowments	2017 Total	2016 Total
Balance, beginning of year	\$ 3,332,870	8,099,078	160,056	4,486,683	\$ 16,078,687	\$ 16,403,531
Excess (deficiency) of revenue over expenses	1,603,743	(1,172,616)	(382)	164,701	595,446	(324,844)
Invested in capital assets (note 12)	(3,354,948)	3,484,167	-	(129,219)	-	-
Balance, end of year	\$ 1,581,665	10,410,629	159,674	4,522,165	\$ 16,674,133	\$ 16,078,687

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

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

	2017	2016
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 595,446	\$ (324,844)
Adjustments for:		
Amortization of deferred capital contributions	(2,995,499)	(2,920,062)
Amortization of capital assets	4,168,115	4,111,533
Gain on sale of capital assets	-	(3,920)
Realized loss on investments	(282,707)	(182,472)
	1,485,355	680,235
Changes in non-cash working capital:		
Accounts receivable	(672,914)	159,451
Grants and reimbursement receivable	197,357	(8,030)
Inventory	580	(471)
Prepaid expenses	(300,425)	(4,944)
Accounts payable and accrued liabilities	323,880	(81,375)
Accrual for vacation pay	(15,294)	(108,400)
Payable to Ministry of Advanced Education and Skills Development	25,196	(166,878)
Deferred tuition fees	(61,142)	262,501
Deferred contributions related to expenses of future periods	(27,431)	(166,997)
Accrual for employee future benefits	(137,000)	(97,000)
	818,162	468,092
Financing activities:		
Receipt of pledges receivable	57,349	138,615
Receipt of loan receivable	162,306	157,021
Repayment of long-term debt	(554,850)	(542,380)
	(335,195)	(246,744)
Capital activities:		
Purchase of capital assets	(7,965,698)	(3,062,084)
Receipt of deferred capital contributions	17,213,197	1,586,835
Proceeds on disposal of capital assets	-	3,920
	9,247,499	(1,471,329)
Net increase (decrease) in cash and temporary investments	9,730,466	(1,249,981)
Cash and temporary investments, beginning of year	15,799,175	17,049,156
Cash and temporary investments, end of year	\$ 25,529,641	\$ 15,799,175

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains and Losses

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

	2017	2016
Accumulated remeasurement gains (losses), beginning of year	\$ (8,254)	\$ 174,218
Unrealized gains (losses) attributable to:		
Temporary investments	(290,961)	(8,254)
Realized gains (losses), reclassified to the statement of operations:		
Temporary investments:		
Designated fair value	8,254	(174,218)
Net remeasurement losses for the year	(282,707)	(182,472)
Accumulated remeasurement gains (losses), end of year	\$ (290,961)	\$ (8,254)

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

The Sault College of Applied Arts and Technology (the "College") is a provincial community college offering educational programs and upgrading to the accessing communities. The College is considered a Non-profit Schedule III Agency of the Ontario provincial government. 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:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

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

Operating grants are recorded as revenue in the period to which they relate. Grant amounts relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Grants approved but not received at the end of an accounting period are accrued.

Tuition fees and contract training revenues is recognized on the basis of teaching days incurred during the fiscal year.

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

Externally restricted contributions are recognized as revenue in the period 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 rates corresponding to those of the related capital assets.

Contributions for student purposes and the interest thereon are recognized as direct increases in net assets restricted for student purposes.

Sales and services revenue is recognized at the point of sale.

(b) Inventory:

Inventory is valued at the lower of cost and net realizable value.

(c) Vacation pay:

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

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

Construction in progress is recorded as a capital asset but not amortized until construction is put into service.

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated to be as follows:

	Years
Buildings	40
Site improvements	10
Equipment	5
Major equipment	10
Vehicles	5
Furniture and fixtures	5
Computer equipment	5
Aircraft	10

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

The College is a member of the Colleges of Applied Arts and Technology Pension Plan, which is a multi-employer, defined benefit plan.

The College also provides defined retirement and other post-employment benefits and compensated absences to certain employee groups. These benefits include health and dental, vesting sick leave and non-vesting sick leave. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method pro-rated on service. The most recent actuarial valuation of the benefit plans for funding purposes was as of January 1, 2014. 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 discounts 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.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(e) Retirement and post-employment benefits and compensated absences (continued):

- (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 used in the determinations of the above-mentioned liabilities is equal to the College's internal rate of borrowing.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs 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 gain is 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.

Long-term debt is recorded at cost.

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.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the collection of pledges receivable, the carrying amount of capital assets, and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Accounts receivable:

	2017	2016
Student tuition fees	\$ 610,712	\$ 499,473
Federal other	579,187	257,402
Other	1,011,607	746,428
	2,201,506	1,503,303
Less allowance for doubtful accounts	346,835	321,545
	\$ 1,854,671	\$ 1,181,758

3. Temporary investments:

	Level	2017	2016
Assets at designated fair value			
Government bonds	2	\$ 1,980,352	\$ 1,768,959
Equity instruments, quoted in an active market			
Shares	1	5,626,460	5,733,964
Mutual funds	1	–	1,974,697
Cash		684,395	710,112
		\$ 8,291,207	\$10,187,732

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

Government Bonds have interest rates from 1.35% to 9.375% (2016 - 1.90% to 9.375%) and mature between 2017 and 2048.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2017

4. Loan receivable: -

	2017	2016
Health and Wellness building – Sault College Student Union receivable	\$ 2,680,673	\$ 2,842,979
Current portion of long-term receivable	(167,769)	(162,306)
	<u>\$ 2,512,904</u>	<u>\$ 2,680,673</u>

Aggregate maturities of long-term receivable for each of the five years subsequent to March 31, 2017, are as follows: 2018 - \$167,769; 2019 - \$173,416; 2020 - \$179,253; 2021 - \$185,286; 2022 - \$191,523

The Sault College Student Union committed to a contribution totalling \$3,927,000 towards the construction of the College's Health and Wellness building. The loan has been guaranteed through the collections of the Student Building Trust Fund Ancillary fee. The terms of repayment are 15 years at an interest rate of 3.338%.

5. Capital assets:

2017	Cost	Accumulated amortization	Net book value
Land	\$ 1,020,817	\$ -	\$ 1,020,817
Buildings	83,752,520	33,485,708	50,266,812
Site improvements	9,004,103	3,667,234	5,336,869
Equipment	14,444,050	12,179,587	2,264,463
Vehicles	414,003	360,742	53,261
Furniture and fixtures	1,257,709	1,228,014	29,695
Computer equipment	14,369,538	13,312,767	1,056,771
Aircraft	3,206,869	2,949,793	257,076
Work-in-Progress	4,344,399	-	4,344,399
	<u>\$ 131,814,008</u>	<u>\$ 67,183,845</u>	<u>\$ 64,630,163</u>

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2017

5. Capital assets (continued):

2016	Cost	Accumulated amortization	Net book value
Land	\$ 1,020,817	\$ –	\$ 1,020,817
Buildings	83,752,520	31,540,282	52,212,238
Site improvements	6,299,378	2,860,125	3,439,253
Equipment	13,879,796	11,368,446	2,511,350
Vehicles	407,551	357,396	50,155
Furniture and fixtures	1,257,709	1,190,824	66,885
Computer equipment	14,334,693	13,123,823	1,210,870
Aircraft	3,650,422	3,329,410	321,012
	\$ 124,602,886	\$ 63,770,306	\$ 60,832,580

6. Deferred contributions for expenses of future periods:

Deferred contribution consists of the following:

	2017	2016
Balance, beginning of year	\$ 1,703,554	\$ 1,870,551
Additional contributions received	1,226,909	3,580,259
Amounts taken into revenue	(1,254,340)	(3,747,256)
Balance, end of year	\$ 1,676,123	\$ 1,703,554

7. Pledges receivable:

	2017	2016
Inspiring Growth Capital Campaign pledges	\$ 771,388	\$ 828,737
Allowance for doubtful account	(650,000)	(650,000)
Current portion of pledges receivable	(121,151)	(164,729)
Non-current portion of pledges receivable	\$ 237	\$ 14,008

All pledges received during the year or receivable at year end are recorded as deferred contribution related to capital assets.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2017

8. Long-term debt:

	2017	2016
3.338% term loan to Ontario Financing Authority, unsecured, payable \$127,931 semi-annually including interest, due October 31, 2029	\$ 2,680,673	\$ 2,842,979
1.856% term loan to Ontario Financing Authority, unsecured, payable \$210,349 semi-annually including interest, due October 31, 2019	1,222,097	1,614,641
	3,902,770	4,457,620
Current portion of long-term debt	(567,632)	(554,850)
	\$ 3,335,138	\$ 3,902,770

The scheduled principal amounts payable within the next five years and thereafter are as follows:

2018	\$ 567,632
2019	580,735
2020	594,167
2021	185,286
2022	191,523
Thereafter	1,783,427
	\$ 3,902,770

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2017

9. Deferred capital contributions:

The balance of unamortized and unspent capital contributions related to capital assets consists of the following:

	2017	2016
Unamortized capital contributions used to purchase assets	\$ 52,997,437	\$ 51,118,862
Unspent contributions	12,491,526	152,404
Allowance for doubtful accounts capital pledges	(650,000)	(650,000)
	\$ 64,838,963	\$ 50,621,266

Deferred capital contributions represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2017	2016
Balance, beginning of year	\$ 50,621,266	\$ 52,604,493
Additional contributions received	17,213,196	1,584,153
Inspiring Growth Capital Campaign	-	2,682
Less amounts amortized to revenue	(2,995,499)	(2,920,062)
Less allowance for doubtful account capital pledge	-	(650,000)
Balance, end of year	\$ 64,838,963	\$ 50,621,266

10. Employee future benefits:

The employee benefit and other liabilities, reported on the statement of financial position, are made up of the following:

	2017	2016
Post-employment benefits	\$ 524,000	\$ 556,000
Non-vesting sick leave	1,290,000	1,288,000
Vesting sick leave	69,000	176,000
	\$ 1,883,000	\$ 2,020,000

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2017

10. Employee future benefits (continued):

Information about the College's benefit plans is as follows:

	2017	2016
Accrued benefit obligation	\$ 3,516,000	\$ 2,180,000
Fair value of plan assets	(63,000)	(87,000)
Funded status – plan deficit	3,453,000	2,093,000
Unamortized actuarial gain (loss)	(1,570,000)	(73,000)
Employee future benefit liability	\$ 1,883,000	\$ 2,020,000
Current service cost	\$ 213,000	\$ 92,000
Interest on accrued benefit obligation	60,000	29,000
Experienced gains (losses)	(59,000)	1,000
Benefit payments	(537,000)	(216,000)
Amortization of actuarial losses (gains)	186,000	(3,000)
Employee future benefit expense (recovery)	\$ (137,000)	\$ (97,000)

The unamortized actuarial loss is amortized over the expected average remaining service life.

Post-employment benefits

The College extends the opportunity to acquire 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 on behalf of the Ontario College systems as a whole as at March 31, 2017.

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

(i) Discount rate:

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

(ii) Drug costs:

Drug costs were assumed to increase at a rate of 8.25% for 2017 (2016 – 8.50%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034.

(iii) Hospital and other medical:

Hospital and other medical costs were assumed to increase at 4.0% per annum in 2017 (2016 - 4.0%).

Medical premium increases were assumed to increase at 6.98% per annum in 2017 (2016 - 7.150%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034.

(iv) Dental costs:

Dental costs were assumed to increase at 4.0% per annum in 2017 (2016 – 4.0%).

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2017

10. Employee future benefits (continued):

Compensated Absences

(i) Vesting Sick Leave:

The College has provided for vesting sick leave benefits during the year. Eligible employees, after 10 years of service, are entitled to receive 50% of their accumulated sick leave credit on termination or retirement to a maximum of 6 months' salary. The program to accumulate sick leave credits ceased for employees hired after March 31, 1991. The related benefit liability was determined by an actuarial valuation study on behalf of the Ontario College systems as a whole as at March 31, 2017.

(ii) 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 on behalf of the Ontario College systems as a whole as at March 31, 2017.

11. Pension Plan:

Substantially all of the employees of the College are members of the Colleges of Applied Arts and Technology ("CAAT") Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all employees of the participating members of the CAAT. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the highest five consecutive years prior to retirement, termination or death. The College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long-term viability of the Plan.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

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 asset and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2017 indicated an actuarial surplus of \$1.6 billion.

Under these arrangements, the College makes contributions equal to those of the employees. Contributions made by the College during the year amounted to approximately \$3,286,735 (2016 - \$3,396,179).

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

Year ended March 31, 2017

12. Investment in capital assets:

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

	2017	2016
Capital assets	\$ 64,630,163	\$ 60,832,580
Amounts financed by:		
Unamortized capital contributions used to purchase assets	(52,997,437)	(51,118,862)
Long-term debt (net of student receivable)	(1,222,097)	(1,614,641)
	\$ 10,410,629	\$ 8,099,077

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

	2017	2016
Excess of revenues over expenses:		
Amortization of deferred capital contributions	\$ 2,995,499	\$ 2,920,062
Amortization of capital assets	(4,168,115)	(4,111,533)
	\$ (1,172,616)	\$ (1,191,471)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 7,965,698	\$ 3,062,084
Repayment of long-term debt (net of student receivable)	392,544	385,359
Amounts funded by:		
Deferred capital contributions	(4,874,075)	(1,838,445)
Deferred capital campaign contributions	-	(2,682)
	\$ 3,484,167	\$ 1,606,316

13. Internally restricted net assets:

By resolution of the Board of Governors, accumulated appropriations from unrestricted net assets balance at March 31, 2017 have been made to the Joint Employment Stability Reserve Fund in the amount of \$159,674 (2016 - \$160,056).

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Notes to the Financial Statements

Year ended March 31, 2017

14. Externally restricted net assets:

Externally restricted net assets include restricted donations received by the College where the endowment 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 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.

Investment income on externally restricted 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.

15. Commitments and contingencies:

- (a) The College has entered into an agreement for renovations and construction to create the Institute for Environment Education and Entrepreneurship (IE3) on campus. Demolition work started in January 2017 and the expected completion date for the project is August 2018. The expected cost is \$18.2 million, funded by the following: \$15.6 million from Strategic Investment Fund of the Ontario and Federal governments and \$2.6 million from other sources. Project costs of \$1,082,715 incurred to March 31, 2017 have been capitalized as Work in Progress.
- (b) The College has embarked on a project for the implementation of a College-partnered and integrated ERP system. The project start date was November 2016 and the expected implementation of all systems is January 2018. The expected cost of the project is \$10.5 million. Project costs of \$3,261,684 have been capitalized as Work-in-Progress.
- (c) The College is involved with pending litigation and claims which arise in the normal course of operations. In the opinion of the administration, a liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the College. Losses, if any, arising from these matters will be accounted for in the year in which they are resolved.

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Year ended March 31, 2017

16. Financial instrument risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The College is exposed to credit risk with respect to the accounts receivable, cash and temporary investments.

The College assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the College at March 31, 2017 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the income statement. The balance of the allowance for doubtful accounts at March 31, 2017 is \$346,835 (2016 - \$321,545).

As at March 31, 2017, \$43,198 (2016 - \$187,392) of trade accounts receivable were past due greater than 90 days, but not impaired.

The maximum exposure to credit risk is outlined in note 2.

There have been no significant changes to the credit risk exposure from 2016.

(b) Liquidity risk:

Liquidity risk is the risk that the College will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The College manages its liquidity risk by monitoring its operating requirements. The College prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2016.

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Notes to the Financial Statements

Year ended March 31, 2017

16. Financial instrument risk management (continued):

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the College's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(i) Foreign exchange risk:

The College is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the College makes purchases denominated in U.S. dollars. The College does not currently enter into forward contracts to mitigate this risk. The College does not have any material transactions during the year or financial instruments denominated in foreign currencies at year end.

There have been no significant changes to the foreign exchange risk exposure from 2016.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the College to cash flow interest rate risk. The College is exposed to this risk through to its interest bearing investments.

The College's investments, including bonds and debentures, are disclosed in note 3.

There has been no change to the interest rate risk exposure from 2016.

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Notes to the Financial Statements

Year ended March 31, 2017

17. Endowment funds:

The following information outlines the activity of the Ontario Student Opportunity Trust Fund 1 (OSOTF I), the Ontario Student Opportunity Trust Fund II (OSOTF II) and Ontario Trust for Student Support Fund (OTSS) matching program. These amounts are reflected in the net assets restricted for student purposes.

Schedule of changes in Endowment Fund balances
Year ended March 31

	OSOTF I	OSOTF II	OTSS	2017 Total	2016 Total
Balance, beginning and end of year	\$ 664,172	\$ 331,340	\$ 2,346,515	\$ 3,342,027	\$ 3,342,027

Schedule of changes in expendable funds available for awards
Year ended March 31

	OSOTF I	OSOTF II	OTSS	2017 Total	2016 Total
Balance, beginning of year	\$ 271,948	\$ 13,641	\$ (197,247)	\$ 88,342	\$ 182,418
Investment income (loss), net of expenses	79,693	16,426	192,672	288,791	(38,632)
Bursaries awarded	(40,632)	(11,000)	-	(51,632)	(55,444)
Balance, end of year	\$ 311,009	\$ 19,067	\$ (4,575)	\$ 325,501	\$ 88,342
Bursaries awarded #	104	10	-	124	135

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Schedule of Revenue

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

	2017	2016
Grants and reimbursements:		
Operating grants	\$ 14,212,958	\$ 14,212,957
Special purpose grants	14,607,407	15,628,034
Apprentice training	1,343,035	1,355,052
Ontario training strategies	4,507,692	4,618,457
Other	2,522,751	2,824,517
	<u>37,193,843</u>	<u>38,639,017</u>
Tuition fees:		
Full-time post-secondary	7,544,900	7,064,587
Other	3,206,957	2,570,304
	<u>10,751,857</u>	<u>9,634,891</u>
Ancillary operations	1,204,378	1,353,528
Miscellaneous:		
Contract educational services	459,723	470,571
Sale of course products and services	253,430	399,922
Other	2,759,854	2,615,661
	<u>3,473,007</u>	<u>3,486,154</u>
Restricted for student purposes	2,018,239	1,386,518
Gain on sale of capital assets	–	3,920
Amortization of deferred capital contributions	2,995,499	2,920,062
	<u>\$ 57,636,823</u>	<u>\$ 57,424,090</u>