

Financial Statements of

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

Year ended March 31, 2021

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

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Year ended March 31, 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Sault College of Applied Arts and Technologies (the "College"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains for the year then ended
- and notes and schedule to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2021, and its results of operations 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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 the 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.

Auditors' 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 auditors' 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 the 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 controls.

- 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.



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- 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 auditors' 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 auditors' 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
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

May 27, 2021

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2021, with comparative information for 2020

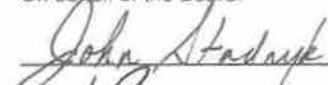
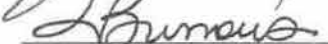
	2021	2020
Assets		
Current assets:		
Cash	\$ 33,146,064	\$ 26,105,613
Temporary investments (note 3)	42,546,705	33,892,726
Accounts receivable (note 2)	2,760,557	2,186,253
Grants and reimbursements receivable	4,403,170	4,857,166
Current portion of loan receivable (note 4)	191,523	185,286
Inventory	23,832	5,569
Prepaid expenses	615,381	622,437
	<u>83,687,232</u>	<u>67,855,050</u>
Loan receivable (note 4)	1,783,426	1,974,949
Capital assets (note 5)	72,386,538	76,826,075
	<u>\$ 157,857,196</u>	<u>\$ 146,656,074</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,348,210	\$ 8,880,209
Accrued vacation pay	3,774,424	4,137,920
Deferred tuition fees	3,994,587	3,222,229
Deferred contributions for expenses of future periods (note 6)	32,809,689	21,958,142
Payable to Government Agency	302,885	382,232
Current portion of long-term debt (note 7)	445,670	431,663
	<u>49,675,465</u>	<u>39,012,395</u>
Long-term debt (note 7)	5,428,632	5,874,302
Deferred capital contributions (note 8)	62,077,323	65,189,264
Post-employment benefits and compensated absences (note 9)	1,780,000	1,784,000
	<u>118,961,420</u>	<u>111,859,961</u>
Net assets:		
Unrestricted	21,652,732	19,252,863
Invested in capital assets (note 11)	11,890,305	11,244,179
Internally restricted (note 12)	147,040	151,542
Restricted for student purposes and endowments	4,378,272	3,550,753
	<u>38,068,349</u>	<u>34,199,337</u>
Accumulated rereasurement gains	827,427	596,776
	<u>38,895,776</u>	<u>34,796,113</u>
Commitments and contingencies (note 14)		
	<u>\$ 157,857,196</u>	<u>\$ 146,656,074</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, 2021, with comparative information for 2020

	2021	2020
Revenue (Schedule):		
Grants and reimbursements	\$ 36,961,201	\$ 37,836,013
Tuition fees	27,973,573	24,762,088
Ancillary operations	1,319,769	3,870,269
Other	5,292,090	5,669,507
Restricted for student purposes	1,901,914	1,796,925
Amortization of deferred capital contributions (note 8)	5,951,127	5,843,375
	<u>79,399,674</u>	<u>79,778,177</u>
Expenses:		
Salaries and benefits	43,313,080	45,734,484
Instructional supplies	1,218,644	2,087,462
Contracted services	13,224,469	7,648,613
Utilities, maintenance and taxes	3,554,278	3,752,884
Interest and bank charges	549,090	502,992
Travel and professional development	206,887	1,144,275
Training subsidies and allowances	727,362	1,088,406
Supplies and other expenses	1,928,912	2,475,390
Restricted for student purposes	199,238	416,625
Scholarships and bursaries	2,354,884	1,413,847
Amortization of capital assets	8,253,817	8,111,792
	<u>75,530,662</u>	<u>74,376,770</u>
Excess of revenue over expenses	\$ 3,869,012	\$ 5,401,407

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Net Assets

Year ended March 31, 2021, with comparative information for 2020

	Unrestricted	Capital Assets	Invested in Internally Restricted	Restricted for Student Purposes and Endowments	2021 Total	2020 Total
Balance, beginning of year,	\$ 19,252,863	11,244,179	151,542	3,550,753	\$ 34,199,337	\$ 28,797,930
Excess (deficiency) of revenue over expenses	5,348,685	(2,302,690)	(4,502)	827,519	3,869,012	5,401,407
Invested in capital assets (note 11)	(2,948,816)	2,948,816	-	-	-	-
Balance, end of year	\$ 21,652,732	11,890,305	147,040	4,378,272	\$ 38,068,349	\$ 34,199,337

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 3,869,012	\$ 5,401,407
Adjustments for:		
Amortization of deferred capital contributions	(5,951,127)	(5,843,375)
Amortization of capital assets	8,253,817	8,111,792
Net remeasurement gains for the year	230,651	113,890
	<u>6,402,353</u>	<u>7,783,714</u>
Changes in non-cash working capital:		
Accounts receivable	(574,304)	1,107,974
Grants and reimbursement receivable	453,996	2,553,491
Inventory	(18,263)	323
Prepaid expenses	7,056	(211,295)
Accounts payable and accrued liabilities	(532,000)	1,244,072
Accrual for vacation pay	(363,496)	308,740
Payable to Government Agency	(79,347)	334,144
Deferred tuition fees	772,358	1,188,225
Deferred contributions related to expenses of future periods	10,851,547	9,966,242
Accrual for employee future benefits	(4,000)	(96,000)
	<u>16,915,900</u>	<u>24,179,630</u>
Financing activities:		
Receipt of loan receivable	185,286	179,253
Repayment of long-term debt	(431,663)	(832,341)
	<u>(246,377)</u>	<u>(653,088)</u>
Capital activities:		
Purchase of capital assets	(3,814,279)	(5,193,534)
Receipt of deferred capital contributions	2,839,186	2,428,842
	<u>(975,093)</u>	<u>(2,764,692)</u>
Net increase in cash and temporary investments	15,694,430	20,761,850
Cash and temporary investments, beginning of year	59,998,339	39,236,489
Cash and temporary investments, end of year	<u>\$ 75,692,769</u>	<u>\$ 59,998,339</u>

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Accumulated remeasurement gains, beginning of year	\$ 596,776	\$ 482,886
Unrealized gains attributable to:		
Temporary investments	200,663	110,997
Realized gain reclassified to the statement of operations:		
Temporary investments:		
Designated fair value	29,988	2,893
Net remeasurement gains for the year	230,651	113,890
Accumulated remeasurement gains, end of year	\$ 827,427	\$ 596,776

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

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 Financial Statements

Year ended March 31, 2021

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 31, 2017 for the health and dental, January 1, 2017 for the vesting sick leave and August 31, 2016 for 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 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 Financial Statements

Year ended March 31, 2021

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 or loss 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 Financial Statements

Year ended March 31, 2021

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:

	2021	2020
Accounts receivable	\$ 3,247,979	\$ 2,524,470
Less allowance for doubtful accounts	(487,422)	(338,217)
	\$ 2,760,557	\$ 2,186,253

3. Temporary investments:

	Level	2021	2020
Assets at designated fair value			
Fixed income	1	\$ 39,587,696	\$ 33,169,322
Cash		2,959,009	723,404
		\$ 42,546,705	\$ 33,892,726

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2021. There were also no transfers in or out of Level 3.

Fixed income investments have interest rates from 0.5% to 10.75% (2020 - 1.60% to 6.50%) and mature between 2021 and 2048.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

4. Loan receivable:

	2021	2020
Health and Wellness building – Sault College Student Union receivable	\$ 1,974,949	\$ 2,160,235
Current portion of long-term receivable	(191,523)	(185,286)
	<u>\$ 1,783,426</u>	<u>\$ 1,974,949</u>

Aggregate maturities of long-term receivable for each of the five years subsequent to March 31, 2021, are as follows; 2022 - \$191,523, 2023 - \$197,969, 2024 - \$204,632, 2025 - \$211,520 and 2026 - \$218,639

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:

2021	Cost	Accumulated amortization	Net book value
Land	\$ 1,020,817	\$ –	\$ 1,020,817
Buildings	83,752,520	41,064,479	42,688,041
Site improvements	35,895,110	14,323,122	21,571,988
Equipment	17,433,793	14,858,578	2,575,215
Vehicles	525,108	467,567	57,541
Furniture and fixtures	2,542,657	1,967,332	575,325
Computer equipment	22,727,855	20,175,709	2,552,146
Aircraft	4,714,398	3,368,933	1,345,465
	<u>\$ 168,612,258</u>	<u>\$ 96,225,720</u>	<u>\$ 72,386,538</u>

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

5. Capital assets (continued):

2020	Cost	Accumulated amortization	Net book value
Land	\$ 1,020,817	\$ –	\$ 1,020,817
Buildings	83,752,522	39,204,478	44,548,044
Site improvements	33,879,422	10,867,951	23,011,471
Equipment	17,094,562	14,228,225	2,866,337
Vehicles	479,504	439,613	39,891
Furniture and fixtures	2,535,455	1,710,343	825,112
Computer equipment	22,277,387	18,332,472	3,944,915
Aircraft	3,556,118	3,188,822	367,296
Work-in-progress	202,192	–	202,192
	\$ 164,797,979	\$ 87,971,904	\$ 76,826,075

6. Deferred contributions for expenses of future periods:

Deferred contribution consists of the following:

	2021	2020
Balance, beginning of year	\$ 21,958,142	\$ 11,991,900
Additional contributions received	34,897,452	22,452,873
Amounts taken into revenue	(24,045,905)	(12,486,631)
Balance, end of year	\$ 32,809,689	\$ 21,958,142

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

7. Long-term debt:

	2021	2020
3.338% term loan to Ontario Financing Authority, unsecured, payable \$127,931 semi-annually including interest, due October 31, 2029	\$ 1,974,950	\$ 2,160,236
3.420% term loan to Ontario Financing Authority, unsecured, payable \$192,934 semi-annually including interest, due April 18, 2033	3,899,352	4,145,729
	5,874,302	6,305,965
Current portion of long-term debt	(445,670)	(431,663)
	\$ 5,428,632	\$ 5,874,302

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

2022	\$ 445,670
2023	461,918
2024	477,647
2025	493,630
2026	510,466
Thereafter	3,484,971
	\$ 5,874,302

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

8. Deferred capital contributions:

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

	2021	2020
Unamortized capital contributions used to purchase assets	\$ 60,496,233	\$ 64,931,896
Unspent contributions	1,581,090	289,768
Allowance for doubtful accounts capital pledges	–	(32,400)
	<u>\$ 62,077,323</u>	<u>\$ 65,189,264</u>

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.

	2021	2020
Balance, beginning of year	\$ 65,189,264	\$ 68,636,197
Additional contributions received	2,839,186	2,428,842
Less amounts amortized to revenue	(5,951,127)	(5,843,375)
Less allowance for doubtful account capital pledge	–	(32,400)
Balance, end of year	<u>\$ 62,077,323</u>	<u>\$ 65,189,264</u>

9. Employee future benefits:

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

	2021	2020
Post-employment benefits	\$ 470,000	\$ 489,000
Non-vesting sick leave	1,296,000	1,252,000
Vesting sick leave	14,000	43,000
	<u>\$ 1,780,000</u>	<u>\$ 1,784,000</u>

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

9. Employee future benefits (continued):

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

	2021	2020
Accrued benefit obligation	\$ 1,988,000	\$ 2,066,000
Fair value of plan assets	(105,000)	(105,000)
Funded status – plan deficit	1,883,000	1,961,000
Unamortized actuarial loss	(103,000)	(177,000)
Employee future benefit liability	\$ 1,780,000	\$ 1,784,000
Current service cost	\$ 152,000	\$ 81,000
Interest on accrued benefit obligation	26,000	32,000
Experienced gains (losses)	(13,000)	–
Benefit payments	(195,000)	(179,000)
Amortization of actuarial losses (gains)	26,000	(30,000)
Employee future benefit recovery	\$ (4,000)	\$ (96,000)

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, 2021.

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

(i) Discount rate:

The present value as at March 31, 2021 of the future benefits was determined using a discount rate of 1.70% (2020 – 1.60%).

(ii) Drug costs:

Drug costs were assumed to increase at a rate of 6.42% for 2021 (2020 – 7.60%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2040.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

9. Employee future benefits (continued):

Post-employment benefits (continued):

(iii) Hospital and other medical:

Hospital and other medical costs were assumed to increase at 4.0% per annum in 2021 (2020 - 4.0%).

Medical premium increases were assumed to increase at 6.42% per annum in 2021 (2020 - 6.55%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2040.

(iv) Dental costs:

Dental costs were assumed to increase at 4.0% per annum in 2021 (2020 - 4.0%).

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, 2021.

(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, 2021.

10. 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 jointly-sponsored 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. Since the plan is a multi-employer plan the College's contribution 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.

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.

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Year ended March 31, 2021

10. Pension plan (continued):

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, 2021 indicated an actuarial surplus of \$3.3 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 \$3,500,522 (2020 - \$3,529,808).

11. Investment in capital assets:

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

	2021	2020
Capital assets	\$ 72,386,538	\$ 76,826,075
Amounts financed by:		
Unamortized capital contributions used to purchase assets	(60,496,233)	(64,931,896)
Write-off of uncollectible pledge	–	(650,000)
	\$ 11,890,305	\$ 11,244,179

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

	2021	2020
Excess of revenues over expenses:		
Amortization of deferred capital contributions	\$ 5,951,127	\$ 5,843,375
Amortization of capital assets	(8,253,817)	(8,111,792)
	\$ (2,302,690)	\$ (2,268,417)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 3,814,279	\$ 5,193,534
Repayment of long-term debt (net of student receivable)	–	414,915
Amounts funded by:		
Deferred capital contributions	(865,463)	(2,644,996)
	\$ 2,948,816	\$ 2,963,453

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Year ended March 31, 2021

12. Internally restricted net assets:

By resolution of the Board of Governors, accumulated appropriations from unrestricted net assets balance at March 31, 2021 have been made to the Joint Employment Stability Reserve Fund in the amount of \$147,040 (2020 - \$151,542).

13. 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.

14. Commitments and contingencies:

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.

15. 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, 2021 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, 2021 is \$487,422 (2020 - \$338,217).

As at March 31, 2021, \$142,973 (2020 - \$78,613) of trade accounts receivable were past due greater than 90 days, but not impaired.

There have been no significant changes to the credit risk exposure from 2020.

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Notes to Financial Statements

Year ended March 31, 2021

15. Risk management (continued):

(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 2020.

(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 2020.

(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 2020.

(d) Other risk:

The College's main source of revenue is tuition and government operating grants. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The College halted all in-person activity and closed its facilities to staff and students and moved to online education format in March 2020 based on recommendations from Public Health Ontario.

In response to the adverse impact the pandemic has caused to the College's 2020-2021 revenue streams and corresponding cash flow, the College has undertaken certain cost saving measures.

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Year ended March 31, 2021

15. Risk management (continued):

(d) Other risk (continued):

As the impacts of COVID-19 continue, there could be further impact on the College, its students and funding sources. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the College is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time. The duration of COVID-19, including the potential of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time.

16. 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	2021 Total	2020 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	2021 Total	2020 Total
Balance, beginning of year	\$ 509,169	\$ 76,095	\$ 707,050	\$ 1,292,314	\$ 1,059,501
Investment income net, of expenses	16,121	18,395	113,564	148,080	408,112
Bursaries awarded	(55,550)	(11,000)	(83,200)	(149,750)	(175,299)
Balance, end of year	\$ 469,740	\$ 83,490	\$ 737,414	\$ 1,290,644	\$ 1,292,314
Bursaries awarded #	55	9	106	170	259

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Schedule of Revenue

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Grants and reimbursements:		
Operating grant:		
General purpose	\$ 11,520,130	\$ 16,134,812
Special purpose	18,937,086	13,852,754
Apprentice training	1,093,300	1,409,319
Ontario training strategies	5,164,364	5,650,420
Other	246,321	788,708
	<u>36,961,201</u>	<u>37,836,013</u>
Tuition fees:		
Full-time post-secondary	27,108,843	23,575,206
Other	864,730	1,186,882
	<u>27,973,573</u>	<u>24,762,088</u>
Ancillary operations	1,319,769	3,870,269
Other:		
Contract educational services	561,369	490,547
Sale of course products and services	103,980	208,236
Investment Income	1,004,864	923,167
Recoveries	2,489,332	1,439,224
Miscellaneous	1,132,545	2,608,333
	<u>5,292,090</u>	<u>5,669,507</u>
Restricted for student purposes	1,901,914	1,796,925
Amortization of deferred contributions	5,951,127	5,843,375
	<u>\$ 79,399,674</u>	<u>\$ 79,778,177</u>