

Consolidated Financial Statements of

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

Year ended March 31, 2020

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

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Year ended March 31, 2020

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KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
Fax (705) 675-7586

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of The Cambrian College of Applied Arts and Technology (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of statement of changes in net assets (deficit) for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- and the notes and schedules to the consolidated 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 consolidated financial position of the Entity as at March 31, 2020, and its consolidated results of operations and its consolidated 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 responsibility 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 Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.



Responsibility 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 the 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 Entity'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 Entity or to cease operations or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 risk 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, internal omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Entity'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 Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 11, 2020

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 50,345,708	45,181,946
Short-term investments (note 3)	1,065,753	1,792,026
Accounts receivable (note 15(a))	7,528,788	5,283,271
Grants receivable	2,599,889	2,267,189
Prepayments and inventories	1,401,884	1,482,642
Current portion of Student Centre receivable (note 2)	139,852	132,524
	<u>63,081,874</u>	<u>56,139,598</u>
Restricted investments (note 3)	8,173,553	8,066,037
Student Centre receivable (note 2)	1,642,717	1,782,569
Student Centre interest rate swaps	396,278	348,365
Capital assets (note 4)	75,932,815	71,775,366
	<u>\$ 149,227,237</u>	<u>138,111,935</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 13,185,325	12,165,444
Deferred contributions (note 6)	22,433,414	19,759,565
Current portion of employment-related obligations (note 7)	3,733,392	3,450,832
Current portion of long-term debt (note 8)	1,365,555	1,532,138
	<u>40,717,686</u>	<u>36,907,979</u>
Employment-related obligations (note 7)	2,189,000	2,413,000
Long-term debt (note 8)	10,698,942	12,065,080
Deferred capital contributions (note 9)	45,232,808	44,943,683
Interest rate swaps (note 8)	517,947	504,717
	<u>99,356,383</u>	<u>96,834,459</u>
Net assets:		
Unrestricted	4,573,678	4,591,905
Capital (note 10)	20,587,511	16,878,545
Internally restricted (note 11)	15,710,465	10,217,901
Endowment (note 11)	8,173,553	8,066,037
	<u>49,045,207</u>	<u>39,754,388</u>
Accumulated remeasurement gains	825,647	1,523,088
	<u>49,870,854</u>	<u>41,277,476</u>
Commitments and contingencies (note 13)		
Effect of COVID (note 17)		
	<u>\$ 149,227,237</u>	<u>138,111,935</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:


 _____ Chair, Board of Governors

 _____ President

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue (Schedule):		
Grants and reimbursements	\$ 38,077,045	43,070,412
Tuition fees	38,406,959	33,237,150
Business development	5,827,351	5,930,598
International programs and other	18,744,952	16,452,570
Restricted	760,721	683,345
Investment income	988,000	739,807
Amortization of deferred capital contributions (note 9)	2,436,430	2,342,785
	105,241,458	102,456,667
Expenses (Schedule):		
Academic	42,385,389	41,214,177
Administration	16,238,473	15,202,501
Special projects	7,517,841	7,771,359
Physical resources	8,049,479	9,214,322
Student services	7,945,732	8,063,056
Business development	3,946,110	4,077,257
International activities	4,907,617	4,484,675
Amortization of capital assets	4,132,725	3,994,996
Scholarships, bursaries and other	876,229	933,117
Provision for employment-related obligations	58,560	132,648
	96,058,155	95,088,108
Excess of revenue over expenses	\$ 9,183,303	7,368,559

See accompanying notes to consolidated financial statements.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets (Deficit)

Year ended March 31, 2020, with comparative information for 2019

	2020								2019
	Operating	Unrestricted			Capital (note 10)	Internally Restricted	Endowed (note 11)	Total	Total
		Employment related	Interest Rate Swaps	Total Unrestricted					
Net assets (deficit), beginning of year	\$ 11,524,815	(5,863,833)	(1,069,077)	4,591,905	16,878,545	10,217,901	8,066,037	39,754,388	31,666,404
Excess (deficiency) of revenue over expenses	10,981,506	-	-	10,981,506	(1,696,295)	(101,908)	-	9,183,303	7,368,559
Endowments received	-	-	-	-	-	-	107,516	107,516	719,425
Net change in investment in capital assets	(1,399,733)	-	-	(1,399,733)	5,405,261	(4,005,528)	-	-	-
Appropriation	(9,600,000)	-	-	(9,600,000)	-	9,600,000	-	-	-
Net assets (deficit), end of the year	\$ 11,506,588	(5,863,833)	(1,069,077)	4,573,678	20,587,511	15,710,465	8,173,553	49,045,207	39,754,388

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Accumulated remeasurement gains, beginning of year	\$ 1,523,088	1,138,592
Unrealized gains (losses) attributable to:		
Fixed income	23,102	51,330
Equity Instruments	(803,515)	306,699
Derivative - interest rate swap	34,683	53,879
Realized (gains) losses attributable to:		
Fixed income	(2,616)	(19,387)
Equity Instruments	50,905	(8,025)
Net remeasurement gains (losses) for the year	(697,441)	384,496
Accumulated remeasurement gains, end of year	\$ 825,647	1,523,088

See accompanying notes to consolidated financial statements.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 9,183,303	7,368,559
Adjustments for:		
Realized gain on investments	258,437	85,381
Amortization of deferred capital contributions	(2,436,430)	(2,342,785)
Amortization of capital assets	4,132,725	3,994,996
Provision for employment-related obligations	58,560	132,648
	11,196,595	9,238,799
Changes in non-cash working capital (note 14)	1,196,271	12,784,462
	12,392,866	22,023,261
Financing activities:		
Repayment of long-term debt	(1,532,721)	(1,594,212)
Endowment contributions	107,516	719,425
	(1,425,205)	(874,787)
Investing activities:		
Purchase of investments	(4,110,009)	(2,699,785)
Proceeds on sale of investments	3,738,205	2,379,510
Decrease in Student Centre receivable	132,524	125,822
	(239,280)	(194,453)
Capital activities:		
Purchase of capital assets	(8,290,174)	(8,414,191)
Net capital contributions received	2,725,555	4,349,533
	(5,564,619)	(4,064,658)
Increase in cash	5,163,762	16,889,363
Cash, beginning of year	45,181,946	28,292,583
Cash, end of year	\$ 50,345,708	45,181,946

See accompanying notes to consolidated financial statements.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

The Cambrian College of Applied Arts and Technology (the “College”) is an Ontario College established as a Community College under The Department of Education Act of the Province of Ontario. The College is a registered charity and is exempt from income taxes under the Income Tax Act.

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the unrestricted fund, capital fund and internally restricted and endowed funds and include the activities of The Cambrian College of Applied Arts and Technology and Cambrian College Foundation.

The consolidated 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.

(b) Revenue recognition:

i) Contributions are accounted for under the deferral method of accounting as follows:

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 are accrued.

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 other than endowment 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 at rates corresponding to those of the related capital assets.

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

ii) Tuition fees are recognized as revenue over the teaching days which occur during the fiscal year.

iii) Business development including residence, parking and other sundry revenues are recognized when products are delivered on services provided to the student or client, the sales price is fixed and determinable, and collection is reasonably assured.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

(c) Capital assets:

Capital asset purchases are recorded at cost. Property and equipment which are donated are recorded at their fair market value at the date of acquisition. When a capital asset no longer contributes to the College's ability to provide services, it is written down to its residual value. Amortization of capital assets is recorded on the straight-line basis at the following annual rates:

Buildings	2.5%
Parking lots	10%
Equipment	10% - 20%

(d) Employment future benefits:

Vacation entitlements are accrued for as entitlements are earned (note 7).

The College is liable to pay an employee's accumulated sick leave in the event of sickness or injury. The College is liable to pay 50% of an employee's eligible accumulated sick leave credit on termination or retirement.

For the post-employment benefits (continuation of life, medical and dental during LTD), these benefits are accounted for on a terminal basis, in comparison to the non-pension post-retirement benefit which is accounted for on an accrual basis. This means that the liability for the post-employment benefit is accrued only when a LTD claim occurs. For these benefits, the full change in the liability is being recognized immediately as an expense in the year.

The College is an employer member of the Colleges of Applied Arts and Technology Pension Plan, which is a multi-employer defined benefit pension plan. The College has adopted defined contribution account principles for this Plan because insufficient information is available to apply defined benefit accounting principles (note 12).

(e) Use of estimates:

The preparation of consolidated 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 dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Items subject to such estimates and assumptions include the carrying value of capital assets, valuation allowances for receivables; valuation of derivative financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

(f) Financial instruments:

All financial instruments are initially recorded on the consolidated statement of financial position at fair value.

All investments held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

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

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the consolidated statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the consolidated statement of operations.

Financial instruments are classified into fair value hierarchy Levels 1, 2 or 3 for the purposes of describing the basis of the inputs used to determine the fair market value of those amounts recorded a fair value, as described below:

Level 1	Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Fair value measurements are those derived from market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly
Level 3	Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

(g) Student organizations:

These consolidated financial statements do not reflect the assets, liabilities and results of operations of the various student organizations at the College.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

2. Student Centre receivable:

The Students' Associations have approved annual payments to reimburse the College for the related debt repayment on the Student Centre (note 8). Payments are consistent with the related debt. The current portion of the amount receivable is \$139,852 (2019 - \$132,524).

Under the existing terms and rates, principal due in each of the next five years and thereafter is approximately as follows:

2021	\$ 139,852
2022	147,016
2023	154,845
2024	163,092
2025	171,778
Thereafter	1,005,986
	\$ 1,782,569

3. Investments:

	2020	2019
Short-term investments	\$ 1,065,753	1,792,026
Restricted investments	8,173,553	8,066,037
	\$ 9,239,306	9,858,063

	Fair Value Hierarchy	2020	2019
Equities	Level 1	\$ 4,625,273	4,908,016
Mutual funds	Level 2	4,099,128	4,388,706
Fixed income	Level 2	514,905	561,341
		\$ 9,239,306	9,858,063

Equities have been separated from mutual funds to reflect their fair value hierarchy. Unrealized gains (losses) are reflected in the consolidated statement of remeasurement gains and losses.

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

4. Capital assets:

2020	Cost	Accumulated Amortization	Net book Value
Land	\$ 159,066	–	159,066
Buildings	128,191,685	61,758,312	66,433,373
Parking lots	2,973,745	662,529	2,311,216
Equipment	14,258,329	7,229,169	7,029,160
	\$ 145,582,825	69,650,010	75,932,815

2019	Cost	Accumulated Amortization	Net book Value
Land	\$ 159,066	–	159,066
Buildings	123,804,103	59,023,437	64,780,666
Parking lots	2,460,014	823,863	1,636,151
Equipment	12,718,637	7,519,154	5,199,483
	\$ 139,141,820	67,366,454	71,775,366

5. Accounts payable and accrued liabilities:

	2020	2019
Accounts payable and accrued liabilities	\$ 8,445,991	8,950,070
Accrued salaries, wages and benefits	4,739,334	3,215,374
	\$ 13,185,325	12,165,444

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

6. Deferred contributions:

Details of the continuity of these funds are as follows:

	2020	2019
Balance, beginning of year	\$ 19,759,565	11,436,232
Additional contributions received	22,089,862	19,513,116
Amounts taken to revenue	(19,416,013)	(11,189,783)
Balance, end of year	\$ 22,433,414	19,759,565

7. Employee future benefits:

	2020	2019
Current portion:		
Vacation	\$ 3,532,620	3,279,686
Maternity top-up	200,772	171,146
	3,733,392	3,450,832
Non-pension post-employment benefits	571,000	585,000
Sick leave benefits - vested	-	217,000
- non-vested	1,618,000	1,611,000
	2,189,000	2,413,000
	\$ 5,922,392	5,863,832

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

7. Employee future benefits (continued):

Vacation

The accrual for vacation represents the liability for earned but unpaid vacation entitlements.

Employee Future Benefits

Vested Sick Leave:

The College has provided for vested 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 independent actuaries on behalf of the College System as a whole.

Non-Vested 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 independent actuaries on behalf of the College System as a whole.

Other employee future benefits:

The College maintains defined benefit and defined contribution plans providing other retirement and employee future benefits to most of its employees.

The costs of other post-employment benefits (including medical benefits, dental care, life insurance, and certain compensated absences) related to the employees' current service is charged to income annually. The cost is computed on an actuarial basis using the projected benefit method estimating the usage frequency and cost of services covered and management's best estimates of investment yields, salary escalation, and other factors. Plan assets are valued at fair value for purposes of calculating the expected return on plan assets.

The fair values of plan assets and accrued benefit obligations were determined by independent actuaries on behalf of the College System as a whole as at January 1, 2017.

The accrued benefit obligations accrued at March 31, 2020 amounted to \$2,647,000 (2019 - \$2,187,000). The net unamortized actuarial loss is \$333,000 (2019 - \$39,000). Benefit plan interest and current service (costs) gain recorded in the year were \$123,000 (2019 - \$125,000) and the amortization of actuarial gain of \$218,000 (2019 - \$17,000). The benefits paid out in the year were \$146,000 (2019 - \$157,000).

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

7. Employee future benefits (continued):

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligation include a discount rate of 2.2% (2019 – 2.2%). The average retirement age in the College System is assumed to be 63 and the liability has been recalculated as a result of a separation of the benefit pool for retirees and those on long-term disability from active employees.

For measurement purpose, the annual rate of increase in the per capita cost of covered health care benefits was assumed as follows:

	Other benefit plans
Drug	8% (grading to 4% in 2040)
Hospital	4.0%
Other medical	4.0%
Dental	4.0%

8. Long-term debt:

	2020	2019
Ontario Financing Authority - Residence	\$ 6,922,222	7,451,941
- Chiller	–	236,649
Bankers acceptances - Residence	1,965,335	2,464,799
- Student Centre	1,782,569	1,915,093
NORCAT	1,394,371	1,528,736
	12,064,497	13,597,218
Less: current portion	1,365,555	(1,532,138)
	\$ 10,698,942	12,065,080

The College has entered into an unsecured loan agreement with the Ontario Financing Authority for the residence. The residence loan bears interest at a fixed rate of 5.26%, and is repayable in blended monthly payments of \$75,753 with the final payment due on December 31, 2029.

The banker's acceptances were advanced under variable rate credit facilities in the principal face amounts of \$2.276 million and \$2.690 million for the residence and \$2.580 million for the Student Centre. Interest rates are adjusted monthly and were 1.2% - 1.49% plus stamping fees at March 31, 2019. The facilities are secured by a general security agreement. The Students' Associations are responsible to reimburse the College for the debt repayments on the Student Centre (note 2).

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

8. Long-term debt (continued):

The College has entered into interest rate derivative agreements to manage the volatility of interest rates. The College converted floating rate debt for fixed rate debt at 5.2% to 5.74%. The fair value of the interest rate swaps of \$517,947 (2019 - \$504,717) has been determined using Level 3 of the fair value hierarchy.

The College has renegotiated the unsecured NORCAT balance with interest at 3.58%, payable in blended monthly payments of \$15,612 maturing October 2030.

Under the existing terms and rates, principal due in each of the next five years and thereafter is approximately as follows:

2021	\$	1,365,555
2022		1,439,156
2023		1,512,959
2024		1,262,415
2025		1,021,639
Thereafter		5,462,773
	\$	12,064,497

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent balances of donations and grants received for capital asset acquisitions. Details of the continuity of these funds are as follows:

	2020	2019
Balance, beginning of year	\$ 44,943,683	42,936,935
Additional contributions received, net	2,963,429	4,474,015
Amounts amortized to revenue	(2,436,430)	(2,342,785)
Transfer to other funds	(237,874)	(124,482)
Balance, end of year	\$ 45,232,808	44,943,683

The balance of unamortized and unspent funds consists of the following:

	2020	2019
Unamortized deferred contributions	\$ 45,062,912	43,214,696
Unspent contributions	169,896	1,728,987
	\$ 45,232,808	44,943,683

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements

Year ended March 31, 2020

10. Capital net assets:

Capital net assets are calculated as follows:

	2020	2019
Capital assets	\$ 75,932,815	71,775,366
Amounts financed by:		
Deferred capital contributions - unamortized	(45,062,912)	(43,214,696)
Long-term liabilities, net of student receivable	(10,282,392)	(11,682,125)
	\$ 20,587,511	16,878,545

11. Internally restricted and endowed net assets:

Details of internally restricted and endowed net assets are as follows:

	March 31, 2019 Balance, beginning of year	Additions/ Transfers	Disbursements/ Transfers	March 31, 2020 Balance, end of year
Infrastructure appropriation	\$ 7,927,037	9,600,000	4,005,528	13,521,509
Student activities fund	5,700	-	170	5,530
Conferences and projects	288,045	66,142	44,041	310,086
Restricted funds	1,997,119	757,078	880,916	1,873,281
	10,217,901	10,423,220	4,930,656	15,710,465
Endowment	8,066,037	107,516		8,173,553
	\$ 18,283,938	10,530,736	4,930,656	23,884,018

	March 31, 2018 Balance, beginning of year	Additions/ Transfers	Disbursements/ Transfers	March 31, 2019 Balance, end of year
Infrastructure appropriation	\$ 4,901,133	6,800,000	(3,774,096)	7,927,037
Student activities fund	13,942	1,500	(9,742)	5,700
Conferences and projects	275,190	126,930	(114,075)	288,045
Restricted funds	2,088,368	718,051	(809,300)	1,997,119
	7,278,633	7,646,481	(4,707,213)	10,217,901
Endowment	7,346,612	719,425	-	8,066,037
	\$ 14,625,245	8,365,906	(4,707,213)	18,283,938

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Notes to Consolidated Financial Statements

Year ended March 31, 2020

12. Pension plan:

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

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates related to full-time members. 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, 2020 indicated an actuarial surplus of \$2.9 billion. The College made contributions to the Plan and its associated retirement compensation arrangement of \$5,152,861 (2019 - \$5,005,025), which has been included in the consolidated statement of operations.

13. Commitments and contingencies:

- (a) The College has entered into agreements to lease equipment and premises. The total annual minimum lease payments to maturity are approximately as follows:

2021	\$	626,512
2022		276,880
2023		197,876
2024		191,462
	\$	1,292,729

- (b) The College is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.
- (c) The College has entered into a capital lease of equipment. The College is not required to make payments on this lease unless energy savings are realized.

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Notes to Consolidated Financial Statements

Year ended March 31, 2020

14. Changes in non-cash working capital:

	2020	2019
Cash provided by (used in):		
Decrease (increase) in accounts receivable	\$ (2,245,517)	727,656
Decrease in grants receivable	(332,700)	(820,502)
Decrease (increase) in prepayment and inventories	80,758	(254,708)
Increase in accounts payable and accrued liabilities	1,019,881	4,808,683
Increase in deferred contributions	2,673,849	8,323,333
	\$ 1,196,271	12,784,462

15. Financial instruments:

(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 this risk relating to its cash and accounts 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 2020 - \$300,000 (2019 - \$300,000).

The College's investment policy operates within the constraints of the investment guidelines issued by the Ministry of Colleges and Universities ("MCU") 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 A or better, or corporate investments having a rating of A (R-1) or better. Investments are outlined in note 3.

Included in accounts receivable are student receivables in the amount of \$735,551 of which 45% is over 90 days. An amount of \$418,879 has been provided for an impairment allowance.

Student receivables not impaired are collectible based on the College's assessment and past experience regarding collection rates.

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.

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Notes to Consolidated Financial Statements

Year ended March 31, 2020

15. Financial instruments (continued):

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

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

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

(c) 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 College levels when adverse changes in foreign currency College 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 used to measure the risk.

(d) 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, bank loans and term debt.

The College mitigates interest rate risk on its term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the term debt for a fixed rate (see note 8). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

A 1% fluctuation in interest rates would have an estimated impact on interest expense related to the College's bank loans of \$120,645 and a \$17,825 impact on interest income related to the College's long-term receivable.

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.

(e) 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.

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.

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Notes to Consolidated Financial Statements

Year ended March 31, 2020

15. Financial instruments (continued):

(f) 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.

Accounts payable are all current and the terms of the long-term debt are disclosed in note 8.

Derivative financial liabilities mature as described in note 8.

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. Comparative information:

Certain 2019 comparative information has been reclassified to conform with the presentation adopted in 2020.

17. Effect of COVID:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus, the “COVID-19 outbreak”. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As a result of this, on March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020, through to at least May 29, 2020. In addition, the Canadian government has imposed travel restrictions to Canada until further notice.

On March 16, the College closed its campuses and learning sites and they remain closed to the date of the auditor’s report. The plan for continuing education throughout the summer and fall semesters offered by the College will be through online curriculum which could have implications on number of course offerings, enrollment and ancillary revenues.

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

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

THE CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule - Consolidated Analysis of Revenue Summary

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Grants and reimbursements:		
MCU		
Operating	\$ 20,068,930	23,406,241
Specific purpose	10,624,428	11,480,966
Other	5,780,312	6,635,317
Federal government - other	939,340	786,749
Ontario government grants - other	664,035	761,139
	<u>\$ 38,077,045</u>	<u>43,070,412</u>
Tuition fees:		
Full-time	\$ 36,397,611	31,265,081
Part-time	2,009,348	1,972,069
	<u>\$ 38,406,959</u>	<u>33,237,150</u>
Business Development:		
Residence	\$ 4,630,600	4,301,887
Parking	732,015	1,099,719
Hospitality/conference planning	257,575	301,118
Rentals	207,161	227,874
	<u>\$ 5,827,351</u>	<u>5,930,598</u>
International programs and other:		
Miscellaneous	\$ 3,142,096	2,344,014
Other tuition related fees	2,214,859	2,403,123
International programs	12,775,926	11,525,681
Contract training/Enterprise Centre	612,071	179,752
	<u>\$ 18,744,952</u>	<u>16,452,570</u>
Restricted:		
Donations	\$ 621,268	379,894
Investment income	73,311	180,021
Other	66,142	123,430
	<u>\$ 760,721</u>	<u>683,345</u>

CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule - Consolidated Operating Expense by Cost Object

Year ended March 31, 2020, with comparative information for 2019

	Academic	Administration	Special Projects	Physical Resources	Student Services	Business Development	International Activities	Total 2020	Total 2019
Academic salaries	\$ 26,585,861	15,000	939,547	-	207,653	-	-	\$ 27,748,063	\$ 27,246,684
Support salaries	3,907,572	3,280,142	2,543,185	1,566,357	3,644,251	200,853	187,929	15,330,289	14,104,399
Fringe benefits	6,396,453	1,768,331	960,773	485,211	1,261,712	106,058	152,562	11,131,099	10,518,338
Administration salaries	1,894,652	3,581,233	1,125,355	480,040	1,080,853	264,687	528,383	8,955,203	8,925,161
Contracted services	410,009	1,530,034	389,144	2,167,713	372,547	1,799,356	2,652,166	9,320,969	7,740,644
Utilities and services	4,900	-	6,813	1,001,934	-	362,667	-	1,376,314	2,315,666
Interest on long-term debt	-	51,543	-	2,557	-	515,157	-	569,258	620,355
Instructional supplies and development	1,301,541	220,450	88,268	-	179,944	-	-	1,790,204	2,668,775
Supplies and other	220,618	821,359	81,609	131,897	80,143	41,987	18,940	1,396,554	1,567,611
Promotion and public relations	40,859	583,793	116,226	-	211,186	13,405	44,350	1,009,819	1,113,337
Equipment maintenance	269,193	1,615,751	4,404	515,862	67,606	3,940	-	2,476,756	2,565,730
Information technology	26,799	631,711	9,173	4,792	1,770	-	-	674,245	729,762
Professional fees	94,035	632,613	1,216	4,077	49,911	223,146	282,448	1,287,446	1,352,967
Travel	111,106	82,540	251,069	4,277	151,931	302	278,197	879,423	879,170
Stipends and allowances	11,703	-	554,260	-	-	-	-	565,963	1,047,795
Rentals	7,620	-	227,723	-	-	23,424	-	258,766	271,074
Facilities maintenance	70,237	91,778	-	1,285,534	11,734	171,109	-	1,630,391	1,979,790
Clinical and field work	542,150	-	-	-	-	-	-	542,150	672,210
Bursaries	-	347,458	-	-	215,133	-	692,003	1,254,595	1,094,611
Professional development	91,429	133,543	21,167	29,676	33,981	22,700	6,147	338,643	369,328
Special events	130,643	179,366	155,393	1,615	320,921	11,371	57,846	857,154	815,871
Insurance	-	302,190	-	-	-	-	-	302,190	294,667
Municipal taxation	-	-	-	348,038	-	-	-	348,038	331,538
Cost of sales	110,301	-	-	-	-	168,826	-	279,127	152,949
Printing and duplicating	123,830	101,158	12,427	635	35,929	11,296	1,997	287,273	269,156
Telecommunications	19,483	169,677	22,325	19,263	15,221	3,093	3,532	252,594	243,359
Fees and memberships	14,395	98,802	7,764	-	3,305	2,736	1,118	128,119	136,400
	\$ 42,385,389	16,238,473	7,517,841	8,049,479	7,945,732	3,946,110	4,907,617	\$ 90,990,641	\$ 90,027,347