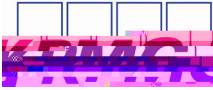


Financial Statements of

**BCFH<9FB'7C@@9 ; 9'C:'  
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Year ended March 31, 2019



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

## **OPINION**

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

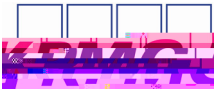
### ***Opinion***

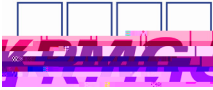
We have audited the financial statements of The Northern College of Applied Arts and Technology (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and changes in net assets for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and the notes to the financial statements, including a summary of significant accounting policies

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- 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.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 11, 2019

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
<b>Assets</b>		
Current assets:		
Cash	\$ 54,005,383	\$ 34,517,752
Accounts receivable	1,484,256	1,800,610
Grants receivable	3,637,855	1,383,094
Inventories and prepaid expenses	183,606	92,508
Investments (note 2)	6,322,292	6,060,848
	65,633,392	43,854,812
Capital assets (note 2)	47,426,467	37,245,790
	\$ 113,059,859	\$ 81,100,602
<b>Liabilities and Net Assets (Deficit)</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 23,614,787	\$ 15,625,445
Vacation and leave payable (note 5)	2,159,218	2,032,633
Deferred contributions (note 7)	9,655,996	5,686,071
	35,430,001	23,344,149
Employee future benefit (note 5)	1,313,000	1,346,000
	36,743,001	24,690,149



# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Statement of Remeasurement Gains and Losses

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Accumulated remeasurement gains at beginning of year	\$ 146,613	264,002
Realized gains attributable to: Equity investments	(15,572)	(33,154)
Unrealized gains (losses) attributable to: Equity investments	102,676	(84,235)
Net remeasurement gains (losses) for the year	87,104	(117,389)
Accumulated remeasurement gains at end of year	\$ 233,717	146,613

See accompanying notes to financial statements.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 14,843,608	\$ 10,711,619
Adjustments for:		
Amortization of deferred capital contributions	(1,774,310)	(1,408,567)
Amortization of capital assets	2,353,311	1,858,583
Net remeasurement gain (losses) for the year	87,104	(117,389)
Decrease in employee future benefits	(33,000)	(29,000)
	15,476,713	11,015,246
Changes in non-cash working capital (note 13)	6,086,422	8,302,725
	21,563,135	19,317,971
Financing activities:		
Endowment contributions	390,560	72,344
Deferred contributions	3,969,925	3,401,086
	4,360,485	3,473,430
Capital activities:		
Purchase of capital assets	(12,533,988)	(11,314,290)
Deferred capital contributions	6,359,443	5,420,020
	(6,174,545)	(5,894,270)
Investing activities:		
Proceeds on disposition of investments	397,540	1,070,830
Purchase of investments	(658,984)	(1,218,874)
	(261,444)	(148,044)
Net increase in cash	19,487,631	16,749,087
Cash, beginning of year	34,517,752	17,768,665
Cash, end of year	\$ 54,005,383	\$ 34,517,752

See accompanying notes to financial statements.





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Notes to Financial Statements

Year ended March 31, 2019

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Notes to Financial Statements

Year ended March 31, 2019

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(f) Use of estimates:

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying value of capital assets, valuation allowances for accounts receivables; 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.

(g) Student organizations:

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

(h) Financial instruments:

All financial instruments are initially recorded on the 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. 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

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Notes to Financial Statements

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Notes to Financial Statements

Year ended March 31, 2019

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	2019	2018
Vacation and leave payable	\$ 2,159,218	\$ 2,032,633
Non-pension post-employment obligations	\$ 317,000	\$ 299,000
Sick leave benefits - vesting	94,000	139,000
- non-vesting	902,000	908,000
	\$ 1,313,000	\$ 1,346,000

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The accrual for vacation and leave payable represents the liability for earned but unpaid vacation entitlements and paid leaves.

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Vesting Sick Leave:

The College has provided for vesting sick leave benefits during the year. Eligible employees, after 10 years of service, were 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-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 independent actuaries on behalf of the College System as a whole.

The following tables outline the components of the College's sick leave benefit entitlements:

	2019	2018
Non-vesting sick leave:		
Accrued benefit obligation	\$ 606,000	\$ 918,000
Unamortized actuarial gain (loss)	296,000	(10,000)
Total sick leave benefit entitlement liability	\$ 902,000	\$ 908,000

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Notes to Financial Statements

Year ended March 31, 2019

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The unamortized actuarial loss is amortized over the expected average remaining service life as listed below:

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Accumulated sick leave benefit plan entitlements	Academic – 10.8 years
	Support – 11.4 years
Employee future benefits	11.4 years

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The significant actuarial assumptions adopted in estimating the College's accrued benefit liability are as follows:

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	2019	2018
Discount rate	2.2%	2.6%
Salary escalation	2.0%	2.0%

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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, 2019.

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Notes to Financial Statements

Year ended March 31, 2019

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Notes to Financial Statements

Year ended March 31, 2019

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a) The equity in capital assets is calculated as follows:

	2019	2018
Capital assets	\$ 47,426,467	\$ 37,245,790
Amounts financed by:		
Unamortized deferred capital contributions	(37,370,941)	(31,401,984)
	<b>\$ 10,055,526</b>	<b>\$ 5,843,806</b>

b) Transfer for capital assets:

	2019	2018
Purchase of capital assets	\$ 12,533,988	\$ 11,314,290
Amounts funded by deferred capital contributions	(7,743,267)	(10,538,468)
	<b>\$ 4,790,721</b>	<b>\$ 775,822</b>

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Contributions made by the College during the year amounted to \$2,524,698 (2018 - \$2,347,687).

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 eligible employees of the participating members of the CAAT. 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.

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, 2019 indicated a funding reserve of \$2.6 billion.

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Notes to Financial Statements

Year ended March 31, 2019

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The following information outlines expendable funds available for awards 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 and other endowments.

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For the year ended March 31

	Balance, Beginning of Year	Investment Income, net of expenses	Bursaries awarded	Balance, End of Year
OSOTF I (Bursaries awarded – 275; 2018 - 199)	\$ 148,688	541,519	(123,816)	566,391
OSOTF II (Bursaries awarded – 36; 2018 - 51)	54,115	116,611	(31,113)	139,613
OTSS (Bursaries awarded – 43; 2018 – 36)	115,635	198,663	(31,336)	282,962
Other (Bursaries awarded – 10; 2018 – 5)	52,179	188,749	(13,300)	227,628
	\$ 370,617	1,045,542	(199,565)	1,216,594

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(a) The College has a five year lease with the Attorney General for a section of its Kirkland Lake campus for a courthouse at \$155,952 per year. The lease expires November 2023.

(b) The College has entered into agreements to lease certain premises and equipment.

The total annual minimum lease payments to maturity are approximately as follows:

2020	\$ 441,519
2021	331,344
2022	229,574
2023	443,714
2024	53,764
	\$ 1,499,915

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Notes to Financial Statements

Year ended March 31, 2019

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	2019	2018
Decrease (increase) in accounts receivable	\$ 316,354	\$ (757,672)
Decrease (increase) in grants receivable	(2,254,760)	612,359
Decrease (increase) in inventories and prepaid expenses	(91,098)	31,638
Increase in accounts payable and accrued liabilities	7,989,341	8,318,462
Increase in vacation and leave payable	126,585	97,938
	\$ 6,086,422	\$ 8,302,725

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Notes to Financial Statements

Year ended March 31, 2019

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# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

	March 31, 2018	dditions, transfers and Investment Income	Bursaries and other disbursements	Balance, March 31, 2019
Leaders of Tomorrow	\$ 24,709	95,473	6,000	114,182
Endowment income	345,908	950,069	193,565	1,102,412
Expendable funds	370,617	1,045,542	199,565	1,216,594
J.H. Drysdale Award	80,402	15,431	2,000	93,833
Other	2,053,282	825,682	140,770	2,738,194
Ancillary	388,700	4,195,775	58,948	4,525,527
Capital projects and operational initiatives	11,328,644	4,550,000	-	15,878,644
	<b>\$ 14,221,645</b>	<b>10,632,430</b>	<b>401,283</b>	<b>\$ 24,452,792</b>

## Endowment Funds

	Balance, March 31, 2018	Additions	Transfers	Balance, March 31, 2019
OSOTF I	\$ 2,748,800	-	-	\$ 2,748,800
OSOTF II	592,475	-	-	592,475
OTSS	1,009,362	60	-	1,009,422
Other	763,741	390,500	-	1,154,241
	<b>\$ 5,114,378</b>	<b>390,560</b>	<b>-</b>	<b>\$ 5,504,938</b>
Total restricted and endowment funds	<b>\$ 19,336,023</b>	<b>11,022,990</b>	<b>401,283</b>	<b>\$ 29,957,730</b>

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Schedule of Operating Fund Revenues

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
<b>Grants:</b>		
Post secondary:		
General operating grant	\$ 6,414,101	\$ 6,823,798
International student recovery	(391,500)	(76,125)
Special support grants	9,651,536	9,831,627
Second Career / WSIB grants	370,317	524,315
Grant for municipal taxation	69,675	68,700
Premise rental grant	113,818	290,790
	<u>16,227,947</u>	<u>17,463,105</u>
Employment and literacy:		
Apprenticeship	1,065,909	620,423
Literacy and Basic Skills	2,601,048	2,642,083
Employment programs	4,062,154	4,088,077
	<u>7,729,111</u>	<u>7,350,583</u>
Special purpose grants:		
Indigenous projects	566,656	566,656
Capital support grants	71,982	865,825
Accessibility grants	293,992	320,916
Daycare	644,032	671,165
OSAP bursaries	199,653	181,810
Other	1,245,401	1,476,407
	<u>3,021,716</u>	<u>4,082,779</u>
	<u>\$ 26,978,774</u>	<u>\$ 28,896,467</u>
<b>International programs and other:</b>		
Daycare fees	\$ 73,356	\$ 57,831
Rents	199,992	199,992
Contract training	2,487,533	2,687,228
International programs	14,102,961	10,953,762
Other fees	809,432	701,995
Miscellaneous	128,038	226,574
	<u>\$ 17,801,312</u>	<u>\$ 14,827,382</u>



# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Schedule of Operating Expenses by Cost Object

Year ended March 31, 2019, with comparative information for 2018

	Academic	Administration	Student Services	Plant and Property	Community Services	Employment Training Programs	Total 2019	Total 2018
Academic salaries	\$ 12,084,009	-	1,500	-	-	-	\$ 12,085,509	

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Schedule of Ancillary Revenue and Expenses

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
<b>Bookstore Operations</b>		
Revenue	\$ 70,056	\$ 94,315
Operating expense	17,979	29,591
Excess of revenue over expense	\$ 52,077	\$ 64,724

### Student Residence Operations

Revenue:		
Rent	\$ 253,093	\$ 318,002
Service charges	36,837	52,424
	289,930	370,426
Expense:		
Operating	470,391	489,660
Deficiency of revenue over expense	\$ (180,461)	\$ (119,234)

### Parking Grounds Operations

Revenue	\$ 135,404	\$ 162,269
Operating expense	184,366	154,163
Excess (deficiency) of revenue over expense	\$ (48,962)	\$ 8,106

### Ancillary Facilities Operations

Revenue	\$ 1,982,508	\$ 2,001,779
Operating expense	1,799,818	1,811,183
Excess of revenue over expense	\$ 182,690	\$ 190,596