

Financial Statements of

**NORTHERN COLLEGE OF
APPLIED ARTS AND TECHNOLOGY**

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Governors of Northern College of Applied Arts and Technology

We have audited the accompanying financial statements of Northern College of Applied Arts and Technology, which comprise the statement of financial position as at March 31, 2017, the statements of operations and changes in net assets (deficit), remeasurement gains and losses and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern College of Applied Arts and Technology as at March 31, 2017, its results of operations, its remeasurement gains and losses, its changes in net assets (deficit) and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 13, 2017
Sudbury, Canada

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 17,768,665	\$ 3,962,967
Accounts receivable	1,042,938	602,092
Grants receivable	1,995,453	2,023,373
Inventories and prepaid expenses	124,146	121,119
Investments (note 2)	5,912,804	5,448,189
	<u>26,844,006</u>	<u>12,157,740</u>
Capital assets (note 3)	27,790,084	26,643,125
	<u>\$ 54,634,090</u>	<u>\$ 38,800,865</u>
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 7,306,984	\$ 3,001,287
Vacation and leave payable (note 5)	1,934,695	1,884,833
Deferred contributions (note 7)	2,284,985	1,618,974
	<u>11,526,664</u>	<u>6,505,094</u>
Employee future benefit (note 5)	1,375,000	1,407,000
Deferred capital contributions (note 8)	28,774,355	21,048,774
	<u>41,676,019</u>	<u>28,960,868</u>
Net assets (deficit):		
Unrestricted:		
Operating	1,420,373	1,408,412
Employment-related	(3,309,695)	(3,291,833)
Capital (note 9)	5,518,000	5,594,351
Restricted and endowment (schedule)	9,065,391	6,239,296
	<u>12,694,069</u>	<u>9,950,226</u>
Accumulated rereasurement gains (losses)	264,002	(110,229)
	<u>12,958,071</u>	<u>9,839,997</u>
Commitments (note 12)		
Contingency (note 14)		
Guarantees (note 15)		
	<u>\$ 54,634,090</u>	<u>\$ 38,800,865</u>

See accompanying notes to financial statements.

On behalf of the Board:



George Kemp

Chair, Board of Governors



Fred Gibbons

President, Chief Executive Officer

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations and Changes in Net Assets (Deficit)

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

	Unrestricted		Equity in capital assets	Restricted and Endowment (Schedule)	2017 Total	2016 Total
	Operating (Schedules)	Employment- related				
Revenue:						
Grants	\$ 26,964,037	-	-	-	26,964,037	26,191,424
Tuition fees	4,939,759	-	-	-	4,939,759	5,038,819
Ancillary	2,712,798	-	-	-	2,712,798	2,865,403
Other	8,548,390	-	-	-	8,548,390	4,221,188
Amortization of deferred capital contributions (note 8)	-	-	1,280,654	-	1,280,654	1,604,152
Restricted	-	-	-	389,671	389,671	458,412
Investment income	3,656	-	-	167,790	171,446	268,962
	43,168,640	-	1,280,654	557,461	45,006,755	40,648,360
Expenses:						
Academic	22,201,883	-	-	-	22,201,883	20,824,888
Administration	4,586,250	-	-	-	4,586,250	4,438,071
Student services	4,184,775	-	-	-	4,184,775	3,894,087
Plant and property	2,328,971	-	-	-	2,328,971	2,236,220
Community services	574,828	-	-	-	574,828	555,193
Employment training programs	3,722,880	-	-	-	3,722,880	3,433,187
Ancillary	2,559,793	-	-	-	2,559,793	2,399,087
Amortization of capital assets	-	-	1,754,304	-	1,754,304	2,131,845
Restricted	-	-	-	382,067	382,067	453,714
Employee future benefits and vacation	-	17,862	-	-	17,862	(55,325)
	40,159,380	17,862	1,754,304	382,067	42,313,613	40,310,967
Excess (deficiency) of revenue over expenses	3,009,260	(17,862)	(473,650)	175,394	2,693,142	337,393
Net assets (deficit), beginning of year	1,408,412	(3,291,833)	5,594,351	6,239,296	9,950,226	9,208,632
Endowment contributions	-	-	-	50,701	50,701	404,201
Transfer of capital assets (note 9)	(397,299)	-	397,299	-	-	-
Transfer to restricted funds	(2,600,000)	-	-	2,600,000	-	-
Net assets (deficit), end of year	\$ 1,420,373	(3,309,695)	5,518,000	9,065,391	12,694,069	9,950,226

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains and Losses

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

	2017	2016
Accumulated remeasurement gains (losses) at beginning of year	\$ (110,229)	149,362
Realized (gains) losses attributable to:		
Equity investments	60,525	(13,098)
Unrealized gains (losses) attributable to:		
Equity investments	313,706	(246,493)
Net remeasurement gains (losses) for the year	374,231	(259,591)
Accumulated remeasurement gains (losses) at end of year	\$ 264,002	(110,229)

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

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

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 2,693,142	\$ 337,393
Adjustments for:		
Amortization of deferred capital contributions	(1,280,654)	(1,604,152)
Amortization of capital assets	1,754,304	2,131,845
Decrease in employee future benefits	(32,000)	(56,000)
	3,134,792	809,086
Changes in non-cash working capital (note 13)	3,939,606	1,292,158
	7,074,398	2,101,244
Financing activities:		
Endowment contributions	50,701	404,201
Deferred contributions	666,011	156,408
	716,712	560,609
Capital activities:		
Purchase of capital assets	(2,901,263)	(1,184,338)
Deferred capital contributions	9,006,235	564,806
	6,104,972	(619,532)
Investing activities:		
Proceeds on disposition of investments	1,555,682	703,812
Purchase of investments	(1,646,066)	(947,151)
	(90,384)	(243,339)
Net increase in cash	13,805,698	1,798,982
Cash, beginning of year	3,962,967	2,163,985
Cash, end of year	\$ 17,768,665	\$ 3,962,967

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

Northern 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 financial statements reflect the assets, liabilities, revenues and expenses of the unrestricted, capital and restricted and endowed funds of the College.

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.

(b) Revenue recognition:

The College accounts for contributions 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 on a straight-line basis at rates corresponding to those of the related capital assets.

Contributions received for endowment are reported as an increase in the endowment fund balance.

Tuition fees are recognized as revenue based on the number of teaching days within the period.

(c) Investments:

The investments are recorded at market value.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(d) Capital assets:

Capital asset purchases are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution when the fair value is reasonably determinable. Otherwise, contributed capital assets are recorded at a nominal value. Repairs and maintenance costs are charged to expenditures. Betterments, which extend the estimated life of a capital asset, are capitalized. 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 over the following periods:

Buildings	40 years
Site improvements and betterments	20 years
Leasehold improvements	over the term of the lease
Furniture and equipment	5 years

Construction in progress is not amortized until the assets are put in use.

(e) Employment-related obligations:

Vacation entitlements are accrued for as entitlements are earned (note 5).

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 eligible employee's vested 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 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 10).

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(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 subsequently at fair value are expensed as incurred.

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, 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

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

2. Investments:

	Fair Value Hierarchy	2017	2016
Bonds	Level 1	\$ 3,708,422	\$ 3,780,197
Canadian and foreign equities	Level 1	2,204,382	1,667,992
		\$ 5,912,804	\$ 5,448,189

3. Capital assets:

	Cost	Accumulated Amortization	2017 Net Book value	2016 Net Book Value
Land	\$ 369,570	–	369,570	369,570
Buildings	49,248,940	25,927,857	23,321,083	24,222,115
Site improvements and betterments	1,675,511	393,245	1,282,266	610,995
Leasehold improvements	866,897	866,897	–	–
Furniture and equipment	23,048,446	20,604,011	2,444,435	1,440,445
Construction in progress	372,730	–	372,730	–
	\$ 75,582,094	47,792,010	27,790,084	26,643,125

4. Accounts payable and accrued liabilities:

	2017	2016
Trade and other	\$ 6,891,978	\$ 2,060,026
Payroll related liabilities	415,006	941,261
	\$ 7,306,984	\$ 3,001,287

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

5. Employment related obligations:

	2017	2016
Vacation and leave payable	\$ 1,934,695	\$ 1,884,833
Non-pension post-employment obligations	\$ 334,000	\$ 343,000
Sick leave benefits - vesting	123,000	148,000
- non-vesting	918,000	916,000
	\$ 1,375,000	\$ 1,407,000

Vacation and leave payable

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

Employee Future Benefits

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:

	2017	2016
Non-vesting sick leave:		
Accrued benefit obligation	\$ 916,000	\$ 942,000
Unamortized actuarial gain (loss)	2,000	(26,000)
Total sick leave benefit entitlement liability	\$ 918,000	\$ 916,000

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

5. Employment related obligations (continued):

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

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

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

	2017	2016
Discount rate	2.0%	1.7%
Salary escalation	1.75%	1.75%

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.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

5. Employment related obligations (continued):

Information about the College's post-employment benefits is as follows:

	2017	2016
Liability for employee future benefits	\$ 382,000	\$ 407,000
Fair value of plan asset	48,000	64,000
Funded status	\$ 334,000	\$ 343,000

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligation include a discount rate of 2.0% (2016 – 1.7%). 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	8.25% (grading to 4.0% in 2034)
Hospital	4.0%
Other medical	4.0%
Dental	4.0%

6. Bank borrowing facilities:

The College's bank borrowing facilities provide for the following:

- i) \$1,000,000 operating line of credit bearing interest at prime less 0.5%
- ii) \$1,000,000 lease line of credit for equipment financing, with the interest rate determined at time the financing is drawn

There have been no amounts drawn on either line of credit noted above at March 31, 2017 (2016 - \$Nil). The bank borrowing facilities are secured by a general security agreement.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

7. Deferred contributions:

Details of the continuity of these funds are as follows:

	2017	2016
Balance, beginning of year	\$ 1,618,974	1,462,566
Additional contributions received	1,293,419	1,416,585
Amounts taken into revenue	(627,408)	(1,260,177)
Balance, end of year	\$ 2,284,985	1,618,974

8. Deferred capital contributions:

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

	2017	2016
Balance, beginning of year	\$ 21,048,774	22,088,120
Additional contributions received	9,006,235	564,806
Amounts amortized into revenue	(1,280,654)	(1,604,152)
Balance, end of year	\$ 28,774,355	21,048,774

The balance of the unamortized and unspent deferred capital contributions consists of the following:

	2017	2016
Unamortized deferred capital contributions	\$ 22,272,084	\$ 21,048,774
Unspent deferred capital contributions	6,502,271	-
	\$ 28,774,355	\$ 21,048,774

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

9. Capital fund:

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

	2017	2016
Capital assets	\$ 27,790,084	\$ 26,643,125
Amounts financed by:		
Unamortized deferred capital contributions	(22,272,084)	(21,048,774)
	<u>\$ 5,518,000</u>	<u>\$ 5,594,351</u>

b) Transfer for capital assets:

	2017	2016
Purchase of capital assets	\$ 2,901,263	\$ 1,184,338
Amounts funded by deferred capital contributions	(2,503,964)	(564,806)
	<u>\$ 397,299</u>	<u>\$ 619,532</u>

10. Pension plan:

Contributions made by the College during the year amounted to \$2,412,091 (2016 - \$2,360,150).

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, 2017 indicated a funding reserve of \$1.6 billion.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

11. Restricted funds:

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.

Schedule of changes in expendable funds available for awards

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 – 195; 2016 - 227)	\$ 109,049	86,587	80,060	115,576
OSOTF II (Bursaries awarded – 36; 2016 - 42)	36,492	18,763	12,057	43,198
OTSS (Bursaries awarded – 51; 2016 – 44)	69,391	32,697	15,205	86,883
Other (Bursaries awarded – 23; 2016 – Nil)	20,670	25,428	14,000	32,098
	\$ 235,602	163,475	121,322	277,755

12. Commitments:

(a) The College has a five year lease with the Attorney General for a section of its Kirkland Lake campus for a courthouse at \$147,003 per year. The lease expires November 2018.

(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:

2018	\$ 564,677
2019	431,042
2020	274,215
2021	262,875
2022	19,447
	\$ 1,552,256

(c) The College is committed to the construction of a facility at the Porcupine campus. To date, funding of \$6.875 million has been received of which \$6.502 million is unspent as of March 31, 2017. The College is dependent upon additional grants and contributions for the construction of the facility.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

13. Changes in non-cash working capital:

	2017	2016
Decrease (increase) in accounts receivable	\$ (440,846)	\$ 685,533
Decrease in grants receivable	27,920	423,028
Decrease (increase) in inventories and prepaid expenses	(3,027)	23,757
Increase in accounts payable and accrued liabilities	4,305,697	159,165
Increase in vacation and leave payable	49,862	675
	<u>\$ 3,939,606</u>	<u>\$ 1,292,158</u>

14. Contingency:

As at March 31, 2017, certain legal actions are pending against the College. An estimate of the contingency cannot be made since the outcome of these matters is indeterminate. Should any loss result from the resolution of these matters, such loss would be charged to operations in the year of disposition.

15. Guarantees:

Campus Development Corp. ("CDC") has constructed a 64-bed residence on the College's Haileybury Campus. CDC leases the property from the College for 90 years. The College has guaranteed 100% occupancy of the residence to CDC for 20 years after the first complete year that it is ready for occupancy at \$6,250 annually per bed. This amount increases by the amount of the Consumer Price Index per year. Profit sharing with the College commences in the 26th year. At the termination of the lease, the residence is surrendered to the College.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

16. 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 \$300,000 (2016 - \$300,000).

The College's investment policy operates within the constraints of the investment guidelines issued by the Ministry of Advanced Education and Skills Development ("MAESD") 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.

Included in accounts receivable of \$1,042,938 are student receivables in the amount of \$418,199 of which 18% is considered to be overdue. An amount of \$309,556 has been provided for an impairment allowance on the total accounts receivable balance. 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.

(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 MAESD. 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.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

16. Financial instruments (continued):

(c) 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.

The College's corporate and government bonds have interest rates ranging from 2.1% to 4.5% with maturities ranging from September 8, 2018 to June 1, 2025.

At March 31, 2017, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of fixed income investments of \$34,289.

(d) 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.

(e) 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.

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.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2017

17. Capital disclosures:

The College considers its operating capital to consist of net assets invested in capital assets, internally restricted net assets and unrestricted net assets. The College's overall objective for its capital is to fund capital assets, future projects and ongoing operations. The College manages its capital by appropriating amounts to internally restricted net assets for anticipated future projects, contingencies and other capital requirements.

The College also considers its endowments, as part of its capital. The College's objective with regards to endowments is to grow the endowment principal and maximize investment income to increase funding for student aid.

The College may not incur a deficit without the approval of the Minister of Advanced Education and Skills Development of Ontario. The College would be required to eliminate any accumulated deficit within a prescribed period of time.

The College is not subject to any other externally imposed capital requirements and its approach to capital management remains unchanged from the prior year.

18. Comparative information:

Certain 2016 comparative figures have been reclassified to conform to the presentation adopted in 2017.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Continuity of Restricted and Endowment Funds

Year ended March 31, 2017

Restricted Funds

	Balance, March 31, 2016	Additions, transfers and Investment Income	Bursaries and other disbursements	Balance, March 31, 2017
J.H. Drysdale Award	\$ 77,131	2,382	1,500	78,013
Leaders of Tomorrow	15,659	7,351	10,000	13,010
Endowment income	219,943	156,124	111,322	264,745
Other	206,586	341,604	259,245	288,945
Capital	928,644	2,450,000	-	3,378,644
	\$ 1,447,963	2,957,461	382,067	\$ 4,023,357

Endowment Funds

	Balance, March 31, 2016	Additions	Transfers	Balance, March 31, 2017
OSOTF I	\$ 2,748,800	-	-	\$ 2,748,800
OSOTF II	592,475	-	-	592,475
OTSS	1,006,057	200	-	1,006,257
Other	444,001	50,501	200,000	694,502
	\$ 4,791,333	50,701	200,000	\$ 5,042,034

Total restricted and endowment funds	\$ 6,239,296	3,008,162	182,067	\$ 9,065,391
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NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Fund Revenues

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

	2017	2016
Grants:		
Post Secondary:		
General operating grant	\$ 6,800,363	\$ 6,884,541
Special support grants	8,905,219	8,630,403
Second Career / WSIB grants	592,998	604,613
Grant for municipal taxation	77,850	79,800
Premise rental grant	290,790	270,300
	16,667,220	16,469,657
Employment and literacy:		
Apprenticeship	1,567,554	1,130,727
Literacy and Basic Skills	1,928,442	1,767,308
Employment programs	4,291,053	3,977,137
	7,787,049	6,875,172
Special Purpose Grants:		
Indigenous projects	566,656	576,656
Capital support grants	115,280	75,009
Accessibility grants	333,876	357,681
Daycare	510,516	474,875
OSAP bursaries	197,352	208,003
Other	786,088	1,154,371
	2,509,768	2,846,595
	\$ 26,964,037	\$ 26,191,424
Other revenue:		
Daycare fees	\$ 74,176	\$ 75,587
Rents	199,992	199,992
Contract training	3,283,290	2,128,971
International programs	4,067,101	800,178
Other fees	743,889	822,612
Miscellaneous	179,942	193,848
	\$ 8,548,390	\$ 4,221,188

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Expenses by Cost Object

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

	Academic	Administration	Student Services	Plant and Property	Community Services	Employment Training Programs	Total 2017	Total 2016
Academic salaries	\$ 10,513,867	-	2,406	-	-	-	\$ 10,516,273	\$ 10,363,155
Administration salaries	868,313	1,387,734	212,920	84,760	-	226,247	2,779,974	2,666,981
Support salaries	2,578,184	1,182,782	2,020,037	622,465	417,741	1,676,265	8,497,474	8,183,592
Stipends and allowances	-	-	529,859	-	-	1,073,265	1,603,124	1,477,140
Fringe benefits	2,964,907	673,420	562,873	166,992	101,390	446,570	4,916,152	4,851,521
Instructional supplies	1,652,007	-	112,234	-	3,928	13,838	1,782,007	1,254,606
Field work	15,356	-	-	-	20,402	-	35,758	33,188
Staff employment	-	43,533	-	-	-	-	43,533	26,074
Professional development	4,774	37,871	-	-	-	3,221	45,866	40,666
Travel	239,422	77,414	88,274	782	100	25,730	431,722	429,558
Promotion and advertising	128,149	40,361	427,908	-	-	13,126	609,544	392,816
Equipment maintenance	37,847	2,535	-	18,767	-	-	59,149	42,836
Telecommunications	147,702	69,621	412	43	-	29,381	247,159	263,738
Office supplies	87,902	90,267	63,175	1,115	-	22,296	264,755	254,296
Janitorial	-	77,070	-	50,877	1,267	-	129,214	113,869
Facilities maintenance	-	-	-	209,074	-	-	209,074	210,434
Vehicle	-	-	-	3,152	-	-	3,152	4,802
Insurance	-	105,589	-	-	-	-	105,589	106,705
Interest	(431)	81,897	-	-	-	-	81,466	158,583
Professional fees	166,822	289,292	46,461	-	-	18,300	520,875	556,100
Contracted services	2,230,002	386,728	96,323	61,329	-	-	2,774,382	2,131,782
Utilities	-	-	-	1,021,715	-	-	1,021,715	987,407
Municipal taxation	-	-	-	87,900	-	-	87,900	88,350
Rentals	567,060	40,136	21,893	-	30,000	174,641	833,730	743,447
	\$ 22,201,883	4,586,250	4,184,775	2,328,971	574,828	3,722,880	37,599,587	35,381,646
Ancillary expense							2,559,793	2,399,087
Total expenses							\$ 40,159,380	\$ 37,780,733

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Ancillary Revenue and Expenses

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

	2017	2016
Bookstore Operations		
Revenue	\$ 90,579	\$ 120,556
Operating expense	33,264	35,802
Excess of revenue over expense	\$ 57,315	\$ 84,754

Student Residence Operations

Revenue:		
Rent	\$ 383,596	\$ 544,657
Service charges	65,007	63,256
	448,603	607,913
Expense:		
Operating	522,900	449,877
Excess (deficiency) of revenue over expense	\$ (74,297)	\$ 158,036

Parking Grounds Operations

Revenue	\$ 161,568	\$ 147,347
Operating expense	129,926	128,657
Excess of revenue over expense	\$ 31,642	\$ 18,690

Ancillary Facilities Operations

Revenue	\$ 2,012,048	\$ 1,989,587
Operating expense	1,873,704	1,784,751
Excess of revenue over expense	\$ 138,344	\$ 204,836