

Financial Statements of

**NORTHERN COLLEGE OF  
APPLIED ARTS AND TECHNOLOGY**

Year ended March 31, 2016



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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, 2016, 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, 2016, 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 14, 2016  
Sudbury, Canada

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Current Assets:		
Cash	\$ 3,962,967	\$ 2,163,985
Accounts receivable	602,092	1,287,625
Grants receivable	2,023,373	2,446,401
Inventories and prepaid expenses	121,119	144,876
Investments (note 2)	5,448,189	5,464,440
	<u>12,157,740</u>	<u>11,507,327</u>
Capital assets (note 3)	26,643,125	27,590,632
	<u>\$ 38,800,865</u>	<u>\$ 39,097,959</u>
<b>Liabilities and Net Assets (Deficit)</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 3,001,287	\$ 2,842,121
Vacation and leave payable (note 5)	1,884,833	1,884,158
Deferred contributions (note 7)	1,618,974	1,462,566
	<u>6,505,094</u>	<u>6,188,845</u>
Employee future benefit (note 5)	1,407,000	1,463,000
Deferred capital contributions (note 8)	21,048,774	22,088,120
	<u>28,960,868</u>	<u>29,739,965</u>
Net assets (deficit):		
Unrestricted:		
Operating	1,408,412	1,395,726
Employment-related	(3,291,833)	(3,347,158)
Capital (note 9)	5,594,351	5,502,512
Restricted and endowment (schedule)	6,239,296	5,657,552
	<u>9,950,226</u>	<u>9,208,632</u>
Accumulated rereasurement gains (losses)	(110,229)	149,362
	<u>9,839,997</u>	<u>9,357,994</u>
Commitments (note 12)		
Contingency (note 14)		
Guarantees (note 15)		
	<u>\$ 38,800,865</u>	<u>\$ 39,097,959</u>

See accompanying notes to financial statements.

On behalf of the Board:

George Kemp

Chair, Board of Governors

Fred Gibbons

President

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations and Changes in Net Assets (Deficit)

Year ended March 31, 2016, with comparative information for 2015

	Unrestricted		Equity in capital assets	Restricted and Endowment	2016 Total	2015 Total
	Operating (Schedules)	Employment- related				
<b>Revenue:</b>						
Grants and reimbursements	\$ 25,929,350	-	-	-	25,929,350	27,426,368
Tuition fees	5,114,869	-	-	-	5,114,869	5,047,267
Ancillary sales and services	2,865,403	-	-	-	2,865,403	2,849,333
Other	4,407,212	-	-	-	4,407,212	3,847,122
Amortization of deferred capital contributions (note 8)	-	-	1,604,152	-	1,604,152	1,997,637
Restricted	-	-	-	458,412	458,412	437,168
Investment income	73,309	-	-	195,653	268,962	163,370
	38,390,143	-	1,604,152	654,065	40,648,360	41,768,265
<b>Expenses:</b>						
Academic	20,824,888	-	-	-	20,824,888	21,275,981
Administration	4,438,071	-	-	-	4,438,071	4,785,912
Student services	3,894,087	-	-	-	3,894,087	3,832,650
Plant and property	2,236,220	-	-	-	2,236,220	2,785,597
Community services	555,193	-	-	-	555,193	510,310
Employment training programs	3,433,187	-	-	-	3,433,187	3,585,491
Ancillary	2,399,087	-	-	-	2,399,087	2,353,269
Amortization of capital assets	-	-	2,131,845	-	2,131,845	2,514,850
Restricted	-	-	-	453,714	453,714	434,394
Employee future benefits and vacation	-	(55,325)	-	-	(55,325)	(210,425)
	37,780,733	(55,325)	2,131,845	453,714	40,310,967	41,868,029
Excess (deficiency) of revenue over expenses	609,410	55,325	(527,693)	200,351	337,393	(99,764)
Net assets (deficit), beginning of year	1,395,726	(3,347,158)	5,502,512	5,657,552	9,208,632	9,270,196
Endowment contributions	-	-	-	404,201	404,201	38,200
Transfer of capital assets (note 9)	(546,724)	-	619,532	(72,808)	-	-
Transfer to restricted funds	(50,000)	-	-	50,000	-	-
<b>Net assets (deficit), end of year</b>	<b>\$ 1,408,412</b>	<b>(3,291,833)</b>	<b>5,594,351</b>	<b>6,239,296</b>	<b>9,950,226</b>	<b>9,208,632</b>

See accompanying notes to financial statements.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Statement of Remeasurement Gains and Losses

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Accumulated remeasurement gains at beginning of year	\$ 149,362	-
Realized (gains) losses attributable to: Equity investments	(13,098)	-
Unrealized gains (losses) attributable to: Equity investments	(246,493)	149,362
Net remeasurement gains (losses) for the year	(259,591)	149,362
<b>Accumulated remeasurement gains (losses) at end of year</b>	<b>\$ (110,229)</b>	<b>149,362</b>

See accompanying notes to financial statements.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 337,393	\$ (99,764)
Adjustments for:		
Amortization of deferred capital contributions (note 8)	(1,604,152)	(1,997,637)
Amortization of capital assets	2,131,845	2,514,850
Decrease in employee future benefits	(56,000)	(59,000)
	809,086	358,449
Changes in non-cash working capital (note 13)	1,292,158	(637,219)
	2,101,244	(278,770)
Financing activities:		
Endowment contributions	404,201	38,200
Deferred contributions	156,408	274,742
	560,609	312,942
Capital activities:		
Purchase of capital assets	(1,184,338)	(273,629)
Deferred capital contributions	564,806	182,130
	(619,532)	(91,499)
Investing activities:		
Proceeds on disposition of investments	703,812	5,480,706
Purchase of investments	(947,151)	(5,753,818)
	(243,339)	(273,112)
<b>Net increase (decrease) in cash</b>	1,798,982	(330,439)
Cash, beginning of year	2,163,985	2,494,424
<b>Cash, end of year</b>	\$ 3,962,967	\$ 2,163,985

See accompanying notes to financial statements.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2016

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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, 2016

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## 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:

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

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### (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, 2016

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## 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, 2016

## 2. Investments:

	Fair Value Hierarchy	2016	2015
Bonds	Level 1	\$ 3,780,197	\$ 4,003,084
Canadian and foreign equities	Level 1	1,667,992	1,461,356
		\$ 5,448,189	\$ 5,464,440

## 3. Capital assets:

	Cost	Accumulated Amortization	2016 Net Book value	2015 Net Book Value
Land	\$ 369,570	–	369,570	369,570
Buildings	49,248,940	25,026,825	24,222,115	25,124,702
Site improvements and betterments	954,045	343,050	610,995	–
Leasehold improvements	866,897	866,897	–	54,160
Furniture and equipment	21,241,376	19,800,931	1,440,445	2,042,200
	\$ 72,680,828	46,037,703	26,643,125	27,590,632

## 4. Accounts payable and accrued liabilities:

	2016	2015
Trade and other	\$ 2,060,026	\$ 2,026,597
Payroll related liabilities	941,261	815,524
	\$ 3,001,287	\$ 2,842,121

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2016

## 5. Employment related obligations:

	2016	2015
Vacation and leave payable	\$ 1,884,833	\$ 1,884,158
Non-pension post-employment obligations	\$ 343,000	\$ 354,000
Sick leave benefits - vesting	148,000	166,000
- non-vesting	916,000	943,000
	\$ 1,407,000	\$ 1,463,000

### 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:

	2016	2015
Non-vesting sick leave:		
Accrued benefit obligation	\$ 942,000	\$ 977,000
Unamortized actuarial loss	(26,000)	(34,000)
Total sick leave benefit entitlement liability	\$ 916,000	\$ 943,000

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2016

## 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 – 12.1 years Support – 11 years
Employee future benefits	12.8 years

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

	2016	2015
Discount rate	1.7%	1.6%
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, 2014.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2016

## 5. Employment related obligations (continued):

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

	2016	2015
Liability for employee future benefits	\$ 407,000	\$ 418,000
Fair value of plan asset	64,000	64,000
Funded status	\$ 343,000	\$ 354,000

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligation include a discount rate of 1.7% (2015 – 1.6%). 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	9% (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, 2016 (2015 - \$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, 2016

## 7. Deferred contributions:

Details of the continuity of these funds are as follows:

	2016	2015
Balance, beginning of year	\$ 1,462,566	\$ 1,187,824
Additional contributions received	1,416,585	1,130,952
Amounts taken into revenue	(1,260,177)	(856,210)
Balance, end of year	\$ 1,618,974	\$ 1,462,566

## 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:

	2016	2015
Balance, beginning of year	\$ 22,088,120	\$ 23,903,627
Additional contributions received	564,806	182,130
Amounts amortized into revenue	(1,604,152)	(1,997,637)
Balance, end of year	\$ 21,048,774	\$ 22,088,120

## 9. Capital fund:

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

	2016	2015
Capital assets	\$ 26,643,125	\$ 27,590,632
Amounts financed by:		
Unamortized deferred capital contributions	(21,048,774)	(22,088,120)
	\$ 5,594,351	\$ 5,502,512

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2016

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## 9. Capital fund (continued):

b) Transfer for capital assets:

	2016	2015
Purchase of capital assets	\$ 1,184,338	\$ 273,629
Amounts funded by deferred capital contributions	(564,806)	(182,130)
	<u>\$ 619,532</u>	<u>\$ 91,499</u>

## 10. Pension plan:

Contributions made by the College during the year amounted to \$2,360,150 (2015 - \$2,448,390).

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, 2016 indicated an actuarial surplus of \$1.2 billion.



# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2016

## 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 – 227; 2015 - 120)	\$ 63,951	112,175	(67,077)	109,049
OSOTF II (Bursaries awarded – 42; 2015-42)	26,217	24,177	(13,902)	36,492
OTSS (Bursaries awarded – 44; 2015 – 45)	45,234	42,891	(18,734)	69,391
Other	1,670	19,000	–	20,670
	\$ 137,072	198,243	(99,713)	235,602

## 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:

2017	\$ 399,143
2018	178,764
2019	153,300
2020	137,366
2021	134,527
	\$ 1,003,100

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2016

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## 13. Changes in non-cash working capital:

	2016	2015
Decrease (increase) in accounts receivable	\$ 685,533	\$ (47,391)
Decrease (increase) in grants receivable	423,028	(237,843)
Decrease in inventories and prepaid expenses	23,757	10,577
Increase (decrease) in accounts payable and accrued liabilities	159,165	(211,137)
Increase (decrease) in vacation and leave payable	675	(151,425)
	<u>\$ 1,292,158</u>	<u>\$ (637,219)</u>

## 14. Contingency:

As at March 31, 2016, 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 26<sup>th</sup> 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, 2016

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## 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 (2015 - \$300,000).

The College's investment policy operates within the constraints of the investment guidelines issued by the MTCU 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 \$602,092 are student receivables in the amount of \$594,613 of which 11% is considered to be overdue. An amount of \$369,302 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 MTCU. 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, 2016

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## 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 June 1, 2016 to June 1, 2025.

At March 31, 2016, 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 \$32,043.

### (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, 2016

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## **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 Training, Colleges and Universities 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 2015 comparative figures have been reclassified to conform to the presentation adopted in 2016.

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Continuity of Restricted and Endowment Funds

Year ended March 31, 2016

## Restricted Funds

		Balance, March 31, 2015	Additions and Investment Income	Bursaries and other disbursements		Balance, March 31, 2016
Board of Governors Entrance Scholarship	\$	2,807	-	2,807	\$	-
J.H. Drysdale Award		76,940	1,691	1,500		77,131
Other		205,228	423,860	422,502		206,586
Endowment		137,072	198,243	99,713		235,602
Capital		848,373	80,271	-		928,644
		<b>\$ 1,270,420</b>	<b>704,065</b>	<b>526,522</b>	<b>\$</b>	<b>1,447,963</b>

## Endowment Funds

		Balance, March 31, 2015	Additions	Transfers		Balance, March 31, 2016
OSOTF I	\$	2,748,800	-	-	\$	2,748,800
OSOTF II		592,475	-	-		592,475
OTSS		995,857	10,200	-		1,006,057
Other		50,000	394,001	-		444,001
		<b>\$ 4,387,132</b>	<b>404,201</b>	<b>-</b>	<b>\$</b>	<b>4,791,333</b>

<b>Total restricted and endowment funds</b>	<b>\$</b>	<b>5,657,552</b>	<b>1,108,266</b>	<b>526,522</b>	<b>\$</b>	<b>6,239,296</b>
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# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Schedule of Operating Fund Revenues

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Grants and reimbursements:		
Post Secondary:		
General operating grant	\$ 6,884,541	\$ 7,217,400
Special support grants	8,697,063	8,964,570
Second Career / WSIB grants	604,613	714,537
Grant for municipal taxation	79,800	84,000
Premise rental grant	270,300	270,300
	<u>16,536,317</u>	<u>17,250,807</u>
Employment and literacy:		
Apprenticeship per diem grant	1,130,727	1,200,638
Literacy and Basic Skills	1,767,308	1,769,834
Employment programs	3,977,137	4,160,450
	<u>6,875,172</u>	<u>7,130,922</u>
Special Purpose Grants:		
Indigenous projects	576,656	725,092
Capital support grants	75,009	270,586
Accessibility grants	357,681	392,488
Daycare	474,875	524,055
OSAP bursaries	208,003	214,129
Other	825,637	918,289
	<u>2,517,861</u>	<u>3,044,639</u>
	<u>\$ 25,929,350</u>	<u>\$ 27,426,368</u>
Other revenue:		
Daycare fees	\$ 75,587	\$ 72,587
Rents	199,992	199,992
Excluded activity fees	2,128,971	1,968,532
International programs	800,178	214,656
Other fees	1,000,636	1,098,061
Miscellaneous	201,848	293,294
	<u>\$ 4,407,212</u>	<u>\$ 3,847,122</u>

# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Schedule of Operating Expenses by Cost Object

Year ended March 31, 2016, with comparative information for 2015

	Academic	Administration	Student Services	Plant and Property	Community Services	Employment Training Programs	Total 2016	Total 2015
Academic salaries	\$ 10,361,501	-	1,654	-	-	-	\$ 10,363,155	\$ 10,856,439
Administration salaries	862,486	1,312,633	204,928	79,691	-	207,243	2,666,981	2,816,044
Support salaries	2,572,030	1,159,225	1,898,136	587,894	397,738	1,568,569	8,183,592	8,050,780
Stipends and allowances	-	-	539,985	-	-	937,155	1,477,140	1,666,382
Fringe benefits	2,958,202	668,233	540,189	152,598	103,285	429,014	4,851,521	4,894,297
Instructional supplies	1,087,753	-	148,083	-	3,629	15,141	1,254,606	1,465,221
Field work	15,338	-	-	-	17,850	-	33,188	35,789
Staff employment	-	26,074	-	-	-	-	26,074	30,040
Professional development	1,129	35,357	-	-	1,215	2,965	40,666	67,740
Travel	221,548	90,484	93,203	186	-	24,137	429,558	470,581
Promotion and advertising	96,305	26,852	256,141	-	-	13,518	392,816	325,533
Equipment maintenance	25,377	4,476	-	10,803	-	2,180	42,836	34,973
Telecommunications	154,083	77,136	1,753	350	-	30,416	263,738	260,318
Office supplies	90,479	72,767	68,824	1,046	-	21,180	254,296	261,590
Janitorial	-	52,807	-	59,586	1,476	-	113,869	65,547
Facilities maintenance	-	-	-	62,344	-	-	62,344	535,670
Vehicle	-	-	-	4,802	-	-	4,802	4,535
Insurance	-	106,705	-	-	-	-	106,705	86,527
Interest	54,089	104,494	-	-	-	-	158,583	179,318
Professional fees	218,552	286,387	36,161	-	-	15,000	556,100	522,059
Contracted services	1,626,395	375,376	71,938	53,073	-	5,000	2,131,782	2,151,919
Utilities	-	-	-	1,135,497	-	-	1,135,497	1,176,753
Municipal taxation	-	-	-	88,350	-	-	88,350	90,300
Rentals	479,621	39,065	33,092	-	30,000	161,669	743,447	727,586
	\$ 20,824,888	4,438,071	3,894,087	2,236,220	555,193	3,433,187	35,381,646	36,775,941
Ancillary expense							2,399,087	2,353,269
<b>Total expenses</b>							\$ 37,780,733	\$ 39,129,210



# NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

## Schedule of Ancillary Revenue and Expenses

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
<b>Bookstore Operations</b>		
Revenue	\$ 120,556	\$ 103,088
Operating expense	35,802	28,331
<b>Excess of revenue over expense</b>	<b>\$ 84,754</b>	<b>\$ 74,757</b>
 <b>Student Residence Operations</b>		
Revenue:		
Rent	\$ 544,657	\$ 519,967
Service charges	63,256	59,197
	607,913	579,164
Expense:		
Operating	449,877	404,333
<b>Excess of revenue over expense</b>	<b>\$ 158,036</b>	<b>\$ 174,831</b>
 <b>Parking Grounds Operations</b>		
Revenue	\$ 147,347	\$ 130,803
Operating expense	128,657	122,718
<b>Excess of revenue over expense</b>	<b>\$ 18,690</b>	<b>\$ 8,085</b>
 <b>Ancillary Facilities Operations</b>		
Revenue	\$ 1,989,587	\$ 2,036,278
Operating expense	1,784,751	1,797,887
<b>Excess of revenue over expense</b>	<b>\$ 204,836</b>	<b>\$ 238,391</b>