

Financial Statements of

**NORTHERN COLLEGE OF
APPLIED ARTS AND TECHNOLOGY**

Year ended March 31, 2018



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

INDEPENDENT AUDITORS' REPORT

To the Governors of 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, 2018, 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, 2018, 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

Sudbury, Canada
June 12, 2018

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 34,517,752	\$ 17,768,665
Accounts receivable	1,800,610	1,042,938
Grants receivable	1,383,094	1,995,453
Inventories and prepaid expenses	92,508	124,146
Investments (note 2)	6,060,848	5,912,804
	<u>43,854,812</u>	<u>26,844,006</u>
Capital assets (note 3)	37,245,790	27,790,084
	<u>\$ 81,100,602</u>	<u>\$ 54,634,090</u>
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 15,625,445	\$ 7,306,984
Vacation and leave payable (note 5)	2,032,633	1,934,695
Deferred contributions (note 7)	5,686,071	2,284,985
	<u>23,344,149</u>	<u>11,526,664</u>
Employee future benefit (note 5)	1,346,000	1,375,000
Deferred capital contributions (note 8)	32,785,808	28,774,355
	<u>57,475,957</u>	<u>41,676,019</u>
Net assets (deficit):		
Unrestricted:		
Operating	1,676,836	1,420,373
Employment-related	(3,378,633)	(3,309,695)
Capital (note 9)	5,843,806	5,518,000
Restricted and endowment (schedule)	19,336,023	9,065,391
	<u>23,478,032</u>	<u>12,694,069</u>
Accumulated rereasurement gains	146,613	264,002
	<u>23,624,645</u>	<u>12,958,071</u>
Commitments (note 12)		
Contingency (note 14)		
Guarantees (note 15)		
	<u>\$ 81,100,602</u>	<u>\$ 54,634,090</u>

See accompanying notes to financial statements.

On behalf of the Board:


 Alan Spacek 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, 2018, with comparative information for 2017

	Unrestricted		Equity in capital assets	Restricted and Endowment	2018 Total	2017 Total
	Operating (Schedules)	Employment- related				
Revenue:						
Grants	\$ 28,392,781	-	-	-	28,392,781	26,964,037
Tuition fees	5,162,705	-	-	-	5,162,705	4,939,759
Ancillary	2,628,789	-	-	-	2,628,789	2,712,798
International programs and other	15,331,068	-	-	-	15,331,068	8,548,390
Amortization of deferred capital contributions (note 8)	-	-	1,408,567	-	1,408,567	1,280,654
Restricted	-	-	-	344,533	344,533	389,671
Investment income	432,645	-	-	245,278	677,923	171,446
	51,947,988	-	1,408,567	589,811	53,946,366	45,006,755
Expenses:						
Academic	22,222,597	-	-	-	22,222,597	22,201,883
Administration	5,285,055	-	-	-	5,285,055	4,586,250
Student services	4,550,439	-	-	-	4,550,439	4,184,775
Plant and property	2,436,000	-	-	-	2,436,000	2,328,971
Community services	582,867	-	-	-	582,867	574,828
Employment training programs	3,447,490	-	-	-	3,447,490	3,722,880
Ancillary	2,484,597	-	-	-	2,484,597	2,559,793
Amortization of capital assets	-	-	1,858,583	-	1,858,583	1,754,304
Restricted	-	-	-	298,181	298,181	382,067
Employee future benefits and vacation	-	68,938	-	-	68,938	17,862
	41,009,045	68,938	1,858,583	298,181	43,234,747	42,313,613
Excess (deficiency) of revenue over expenses	10,938,943	(68,938)	(450,016)	291,630	10,711,619	2,693,142
Net assets (deficit), beginning of year	1,420,373	(3,309,695)	5,518,000	9,065,391	12,694,069	9,950,226
Endowment contributions	-	-	-	72,344	72,344	50,701
Transfer of capital assets (note 9)	(775,822)	-	775,822	-	-	-
Transfer to restricted funds	(9,906,658)	-	-	9,906,658	-	-
Net assets (deficit), end of year	\$ 1,676,836	(3,378,633)	5,843,806	19,336,023	23,478,032	12,694,069

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains and Losses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Accumulated remeasurement gains (losses) at beginning of year	\$ 264,002	(110,229)
Realized (gains) losses attributable to:		
Equity investments	(33,154)	60,525
Unrealized gains (losses) attributable to:		
Equity investments	(84,235)	313,706
Net remeasurement gains (losses) for the year	(117,389)	374,231
Accumulated remeasurement gains at end of year	\$ 146,613	264,002

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	\$ 10,711,619	\$ 2,693,142
Adjustments for:		
Amortization of deferred capital contributions	(1,408,567)	(1,280,654)
Amortization of capital assets	1,858,583	1,754,304
Decrease in employee future benefits	(29,000)	(32,000)
	11,132,635	3,134,792
Changes in non-cash working capital (note 13)	8,302,725	3,939,606
	19,435,360	7,074,398
Financing activities:		
Endowment contributions	72,344	50,701
Deferred contributions	3,401,086	666,011
	3,473,430	716,712
Capital activities:		
Purchase of capital assets	(11,314,290)	(2,901,263)
Deferred capital contributions	5,420,020	9,006,235
	(5,894,270)	6,104,972
Investing activities:		
Proceeds on disposition of investments	1,070,830	1,555,682
Purchase of investments	(1,336,263)	(1,646,066)
	(265,433)	(90,384)
Net increase in cash	16,749,087	13,805,698
Cash, beginning of year	17,768,665	3,962,967
Cash, end of year	\$ 34,517,752	\$ 17,768,665

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2018

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, 2018

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, 2018

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, 2018

2. Investments:

	Fair Value Hierarchy	2018	2017
Bonds	Level 1	\$ 3,977,976	\$ 3,708,422
Canadian and foreign equities	Level 1	2,082,872	2,204,382
		\$ 6,060,848	\$ 5,912,804

3. Capital assets:

	Cost	Accumulated Amortization	2018 Net Book value	2017 Net Book Value
Land	\$ 369,570	–	369,570	369,570
Buildings	49,248,940	26,819,961	22,428,979	23,321,083
Site improvements and betterments	2,424,390	480,198	1,944,192	1,282,266
Leasehold improvements	866,897	866,897	–	–
Furniture and equipment	24,340,908	21,483,536	2,857,372	2,444,435
Construction in progress	9,645,677	–	9,645,677	372,730
	\$ 86,896,382	49,650,592	37,245,790	27,790,084

4. Accounts payable and accrued liabilities:

	2018	2017
Trade and other	\$ 15,134,036	\$ 6,891,978
Payroll related liabilities	491,409	415,006
	\$ 15,625,445	\$ 7,306,984

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2018

5. Employment related obligations:

	2018	2017
Vacation and leave payable	\$ 2,032,633	\$ 1,934,695
Non-pension post-employment obligations	\$ 299,000	\$ 334,000
Sick leave benefits - vesting	139,000	123,000
- non-vesting	908,000	918,000
	\$ 1,346,000	\$ 1,375,000

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:

	2018	2017
Non-vesting sick leave:		
Accrued benefit obligation	\$ 918,000	\$ 916,000
Unamortized actuarial gain (loss)	(10,000)	2,000
Total sick leave benefit entitlement liability	\$ 908,000	\$ 918,000

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2018

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:

	2018	2017
Discount rate	2.6%	2.0%
Salary escalation	2.0%	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, 2018.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2018

5. Employment related obligations (continued):

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

	2018	2017
Liability for employee future benefits	\$ 373,000	\$ 382,000
Fair value of plan asset	(74,000)	(48,000)
Funded status	\$ 299,000	\$ 334,000

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligation include a discount rate of 2.6% (2017 – 2.0%). 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	8.0% (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, 2018 (2017 - \$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, 2018

7. Deferred contributions:

Details of the continuity of these funds are as follows:

	2018	2017
Balance, beginning of year	\$ 2,284,985	1,618,974
Additional contributions received	4,013,421	1,293,419
Amounts taken into revenue	(612,335)	(627,408)
Balance, end of year	\$ 5,686,071	2,284,985

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:

	2018	2017
Balance, beginning of year	\$ 28,774,355	21,048,774
Additional contributions received	5,420,020	9,006,235
Amounts amortized into revenue	(1,408,567)	(1,280,654)
Balance, end of year	\$ 32,785,808	28,774,355

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

	2018	2017
Unamortized deferred capital contributions	\$ 31,401,984	\$ 22,272,084
Unspent deferred capital contributions	1,383,824	6,502,271
	\$ 32,785,808	\$ 28,774,355

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2018

9. Capital fund:

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

	2018	2017
Capital assets	\$ 37,245,790	\$ 27,790,084
Amounts financed by:		
Unamortized deferred capital contributions	(31,401,984)	(22,272,084)
	\$ 5,843,806	\$ 5,518,000

b) Transfer for capital assets:

	2018	2017
Purchase of capital assets	\$ 11,314,290	\$ 2,901,263
Amounts funded by deferred capital contributions	(10,538,468)	(2,503,964)
	\$ 775,822	\$ 397,299

10. Pension plan:

Contributions made by the College during the year amounted to \$2,347,687 (2017 - \$2,412,091).

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, 2018 indicated a funding reserve of \$2.3 billion.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2018

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 – 199; 2017 - 195)	\$ 115,576	121,947	88,835	148,688
OSOTF II (Bursaries awarded – 18; 2017 - 36)	43,198	26,069	15,152	54,115
OTSS (Bursaries awarded – 36; 2017 – 51)	86,883	45,075	16,323	115,635
Other (Bursaries awarded – 5; 2017 – 23)	32,098	32,081	12,000	52,179
	\$ 277,755	225,172	132,310	370,617

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:

2019	\$ 535,906
2020	364,491
2021	274,878
2022	182,046
2023	126,401
	\$ 1,483,722

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2018

13. Changes in non-cash working capital:

	2018	2017
Increase in accounts receivable	\$ (757,672)	\$ (440,846)
Decrease in grants receivable	612,359	27,920
Decrease (increase) in inventories and prepaid expenses	31,638	(3,027)
Increase in accounts payable and accrued liabilities	8,318,462	4,305,697
Increase in vacation and leave payable	97,938	49,862
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	\$ 8,302,725	\$ 3,939,606

14. Contingency:

The College is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies, will be accounted for in the periods in which the matters are resolved.

15. Guarantees:

In 2015, Campus Development Corp. ("CDC") constructed a 64-bed residence on the College's Haileybury Campus. CDC has leased the property from the College for 90 years. The College has guaranteed 100% occupancy of the residence to CDC to 2035 at an annual cost of \$6,250 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, 2018

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 (2017 - \$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 \$1,800,610 are student receivables in the amount of \$622,352 of which are considered to be overdue. An amount of \$455,804 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, 2018

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 1.25% to 5.75% with maturities ranging from September 8, 2018 to June 2, 2026.

At March 31, 2018, 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 \$36,245.

(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, 2018

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.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Continuity of Restricted and Endowment Funds

Year ended March 31, 2018

Restricted Funds

	Balance, March 31, 2017	Additions, transfers and Investment Income	Bursaries and other disbursements	Balance, March 31, 2018
Leaders of Tomorrow	\$ 13,010	19,699	8,000	24,709
Endowment income	264,745	205,473	124,310	345,908
Expendable funds	277,755	225,172	132,310	370,617
J.H. Drysdale Award	78,013	3,389	1,000	80,402
Other	288,945	2,317,908	164,871	2,441,982
Capital projects and operational initiatives	3,378,644	7,950,000	-	11,328,644
	\$ 4,023,357	10,496,469	298,181	\$ 14,221,645

Endowment Funds

	Balance, March 31, 2017	Additions	Transfers	Balance, March 31, 2018
OSOTF I	\$ 2,748,800	-	-	\$ 2,748,800
OSOTF II	592,475	-	-	592,475
OTSS	1,006,257	3,105	-	1,009,362
Other	694,502	69,239		763,741
	\$ 5,042,034	72,344	-	\$ 5,114,378

Total restricted and endowment funds	\$ 9,065,391	10,568,813	298,181	\$ 19,336,023
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NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Fund Revenues

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Grants:		
Post Secondary:		
General operating grant	\$ 6,823,798	\$ 6,913,266
International student recovery	(579,811)	(112,903)
Special support grants	9,831,627	8,905,219
Second Career / WSIB grants	524,315	592,998
Grant for municipal taxation	68,700	77,850
Premise rental grant	290,790	290,790
	16,959,419	16,667,220
Employment and literacy:		
Apprenticeship	620,423	1,567,554
Literacy and Basic Skills	2,642,083	1,928,442
Employment programs	4,088,077	4,291,053
	7,350,583	7,787,049
Special Purpose Grants:		
Indigenous projects	566,656	566,656
Capital support grants	865,825	115,280
Accessibility grants	320,916	333,876
Daycare	671,165	510,516
OSAP bursaries	181,810	197,352
Other	1,476,407	786,088
	4,082,779	2,509,768
	\$ 28,392,781	\$ 26,964,037
Other revenue:		
Daycare fees	\$ 57,831	\$ 74,176
Rents	199,992	199,992
Contract training	2,687,228	3,283,290
International programs	11,457,448	4,067,101
Other fees	701,995	743,889
Miscellaneous	226,574	179,942
	\$ 15,331,068	\$ 8,548,390

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Expenses by Cost Object

Year ended March 31, 2018, with comparative information for 2017

	Academic	Administration	Student Services	Plant and Property	Community Services	Employment Training Programs	Total 2018	Total 2017
Academic salaries	\$ 10,229,384	-	2,651	-	-	-	\$ 10,232,035	\$ 10,516,273
Administration salaries	823,229	1,520,435	205,590	85,712	-	212,599	2,847,565	2,779,974
Support salaries	2,621,505	1,340,759	2,301,790	617,320	422,982	1,590,763	8,895,119	8,497,474
Stipends and allowances	-	-	340,796	-	-	852,434	1,193,230	1,603,124
Fringe benefits	2,877,834	707,538	624,388	170,920	98,714	435,837	4,915,231	4,916,152
Instructional supplies	1,998,407	-	185,845	-	2,133	33,681	2,220,066	1,782,007
Field work	14,109	-	-	-	21,871	-	35,980	35,758
Staff employment	-	98,898	-	-	-	-	98,898	43,533
Professional development	2,092	57,473	19,116	-	7,348	2,754	88,783	45,866
Travel	397,445	91,582	120,535	4,508	-	25,286	639,356	431,722
Promotion and advertising	102,306	33,897	448,955	-	-	29,355	614,513	609,544
Equipment maintenance	25,590	468	-	21,122	-	-	47,180	59,149
Telecommunications	150,991	63,548	326	-	-	29,306	244,171	247,159
Office supplies	86,624	98,403	77,720	4,171	-	21,293	288,211	264,755
Janitorial	-	50,674	-	24,522	319	-	75,515	129,214
Facilities maintenance	-	-	-	243,827	-	-	243,827	209,074
Vehicle	-	-	-	4,135	-	-	4,135	3,152
Insurance	4,500	134,715	-	-	-	-	139,215	105,589
Bank charges and bad debts	109,500	200,334	17,935	-	-	-	327,769	81,466
Professional fees	366,892	429,194	59,892	4,653	2,000	22,656	885,287	520,875
Contracted services	1,877,542	421,719	120,740	55,156	-	-	2,475,157	2,774,382
Utilities	-	-	-	1,128,929	-	-	1,128,929	1,021,715
Municipal taxation	-	-	-	71,025	-	-	71,025	87,900
Rentals	534,647	35,418	24,160	-	27,500	191,526	813,251	833,730
	\$ 22,222,597	5,285,055	4,550,439	2,436,000	582,867	3,447,490	38,524,448	37,599,587
Ancillary expense							2,484,597	2,559,793
Total expenses							\$ 41,009,045	\$ 40,159,380

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Ancillary Revenue and Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Bookstore Operations		
Revenue	\$ 94,315	\$ 90,579
Operating expense	29,591	33,264
Excess of revenue over expense	\$ 64,724	\$ 57,315

Student Residence Operations

Revenue:		
Rent	\$ 318,002	\$ 383,596
Service charges	52,424	65,007
	370,426	448,603
Expense:		
Operating	489,660	522,900
Deficiency of revenue over expense	\$ (119,234)	\$ (74,297)

Parking Grounds Operations

Revenue	\$ 162,269	\$ 161,568
Operating expense	154,163	129,926
Excess of revenue over expense	\$ 8,106	\$ 31,642

Ancillary Facilities Operations

Revenue	\$ 2,001,778	\$ 2,012,048
Operating expense	1,811,182	1,873,704
Excess of revenue over expense	\$ 190,596	\$ 138,344