

Financial Statements of

**NORTHERN COLLEGE OF
APPLIED ARTS AND TECHNOLOGY**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the statement of financial position as at March 31, 2020
- the statement of operations and changes in net assets (deficit) for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and the notes and schedules to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.

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



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 18, 2020

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 119,424,385	\$ 54,005,383
Accounts receivable	2,209,363	1,484,256
Grants receivable	1,795,440	3,637,855
Inventories and prepaid expenses	328,048	183,606
Investments (note 2)	6,075,253	6,322,292
	129,832,489	65,633,392
Capital assets (note 3)	50,390,684	47,426,467
	<u>\$ 180,223,173</u>	<u>\$ 113,059,859</u>
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 62,807,809	\$ 23,614,787
Vacation and leave payable (note 5)	2,211,753	2,159,218
Deferred contributions (note 7)	20,115,126	9,655,996
	85,134,688	35,430,001
Employee future benefit (note 5)	1,248,000	1,313,000
Deferred capital contributions (note 8)	36,793,029	37,370,941
	123,175,717	74,113,942
Net assets (deficit):		
Unrestricted:		
Operating	4,433,225	2,171,162
Employment-related	(3,459,753)	(3,472,218)
Capital (note 9)	13,597,655	10,055,526
Restricted and endowment (schedule)	42,797,044	29,957,730
	57,368,171	38,712,200
Accumulated remeasurement gains (losses)	(320,715)	233,717
	57,047,456	38,945,917
Commitments (note 12)		
Contingency (note 14)		
Guarantees (note 15)		
Effect of COVID (note 18)		
	<u>\$ 180,223,173</u>	<u>\$ 113,059,859</u>

See accompanying notes to financial statements.

On behalf of the Board:

George Pirie

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, 2020, with comparative information for 2019

	Unrestricted		Equity in capital assets	Restricted and Endowment	2020 Total	2019 Total
	Operating	Employment- related				
	(Schedules)			(Schedule)		
Revenue:						
Grants	\$ 22,296,543	-	-	-	22,296,543	26,978,774
Tuition fees	14,179,232	-	-	-	14,179,232	10,968,718
Ancillary	2,585,334	-	-	-	2,585,334	2,477,898
International programs and other	23,984,284	-	-	-	23,984,284	17,801,312
Amortization of deferred capital contributions (note 8)	-	-	2,171,975	-	2,171,975	1,774,310
Restricted	-	-	-	1,609,272	1,609,272	901,171
Investment income	134	-	-	1,358,758	1,358,892	1,144,396
	63,045,527	-	2,171,975	2,968,030	68,185,532	62,046,579
Expenses:						
Academic	25,376,341	-	-	-	25,376,341	23,867,038
Administration	5,513,724	-	-	-	5,513,724	5,521,770
Student services	6,915,923	-	-	-	6,915,923	5,867,027
Plant and property	2,373,798	-	-	-	2,373,798	2,538,228
Community services	588,779	-	-	-	588,779	626,309
Employment training programs	2,884,084	-	-	-	2,884,084	3,461,866
Ancillary	2,335,755	-	-	-	2,335,755	2,472,554
Amortization of capital assets	-	-	3,003,838	-	3,003,838	2,353,311
Restricted	-	-	-	617,730	617,730	401,283
Employee future benefits and vacation	-	(12,465)	-	-	(12,465)	93,585
	45,988,404	(12,465)	3,003,838	617,730	49,597,507	47,202,971
Excess (deficiency) of revenue over expenses	17,057,123	12,465	(831,863)	2,350,300	18,588,025	14,843,608
Net assets (deficit), beginning of year	2,171,162	(3,472,218)	10,055,526	29,957,730	38,712,200	23,478,032
Endowment contributions	-	-	-	67,946	67,946	390,560
Transfer of capital assets (note 9)	(1,085,060)	-	4,373,992	(3,288,932)	-	-
Transfer to restricted funds	(13,710,000)	-	-	13,710,000	-	-
Net assets (deficit), end of year	\$ 4,433,225	(3,459,753)	13,597,655	42,797,044	57,368,171	38,712,200

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains and Losses

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

	2020	2019
Accumulated remeasurement gains at beginning of year	\$ 233,717	146,613
Realized losses attributable to: Equity investments	(86,286)	(15,572)
Unrealized gains (losses) attributable to: Equity investments	(468,146)	102,676
Net remeasurement gains (losses) for the year	(554,432)	87,104
Accumulated remeasurement gains (losses) at end of year	\$ (320,715)	233,717

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 18,588,025	\$ 14,843,608
Adjustments for:		
Amortization of deferred capital contributions	(2,171,975)	(1,774,310)
Amortization of capital assets	3,003,838	2,353,311
Net remeasurement gain (losses) for the year	(554,432)	87,104
Decrease in employee future benefits	(65,000)	(33,000)
	18,800,456	15,476,713
Changes in non-cash working capital (note 13)	40,218,423	6,086,422
	59,018,879	21,563,135
Financing activities:		
Endowment contributions	67,946	390,560
Deferred contributions	10,459,130	3,969,925
	10,527,076	4,360,485
Capital activities:		
Purchase of capital assets	(5,968,055)	(12,533,988)
Deferred capital contributions	1,594,063	6,359,443
	(4,373,992)	(6,174,545)
Investing activities:		
Proceeds on disposition of investments	857,355	397,540
Purchase of investments	(610,316)	(658,984)
	247,039	(261,444)
Net increase in cash	65,419,002	19,487,631
Cash, beginning of year	54,005,383	34,517,752
Cash, end of year	\$ 119,424,385	\$ 54,005,383

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2020

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) Cash and cash equivalents:

Cash and cash equivalents includes cash on hand, cash held with chartered banks and guaranteed investment certificates with a maturity date of 90 days or less from the date of purchase.

(d) Investments:

The investments are recorded at market value.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

(e) 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.

(f) 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, 2020

1. Significant accounting policies (continued):

(g) 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.

(h) Student organizations:

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

(i) 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, 2020

2. Investments:

	Fair Value Hierarchy	2020	2019
Bonds	Level 1	\$ 3,958,130	\$ 4,132,220
Canadian and foreign equities	Level 1	2,117,123	2,190,072
		\$ 6,075,253	\$ 6,322,292

3. Capital assets:

	Cost	Accumulated Amortization	2020 Net Book value	2019 Net Book Value
Land	\$ 369,570	—	369,570	369,570
Buildings	66,507,870	29,228,056	37,279,814	38,564,586
Site improvements and betterments	9,733,599	1,010,031	8,723,568	4,485,710
Leasehold improvements	866,897	866,897	—	—
Furniture and equipment	27,920,457	23,902,725	4,017,732	4,006,601
	\$ 105,398,393	55,007,709	50,390,684	47,426,467

4. Accounts payable and accrued liabilities:

	2020	2019
Trade and other	\$ 62,297,838	\$ 23,406,755
Payroll related liabilities	509,971	208,032
	\$ 62,807,809	\$ 23,614,787

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2020

5. Employment related obligations:

	2020	2019
Vacation and leave payable	\$ 2,211,753	\$ 2,159,218
Non-pension post-employment obligations	\$ 306,000	\$ 317,000
Sick leave benefits - vesting	44,000	94,000
- non-vesting	898,000	902,000
	\$ 1,248,000	\$ 1,313,000

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:

	2020	2019
Non-vesting sick leave:		
Accrued benefit obligation	\$ 902,000	\$ 606,000
Unamortized actuarial gain (loss)	(4,000)	296,000
Total sick leave benefit entitlement liability	\$ 898,000	\$ 902,000

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2020

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:

	2020	2019
Discount rate	2.2%	2.2%
Salary escalation	2.0%	2.0%

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, 2020.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2020

5. Employment related obligations (continued):

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

	2020	2019
Liability for employee future benefits	\$ 385,000	\$ 381,000
Fair value of plan asset	(79,000)	(64,000)
Funded status	\$ 306,000	\$ 317,000

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

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

	Other benefit plans
Drug	8.0% (grading to 4% in 2040)
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, 2020 (2019 - \$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, 2020

7. Deferred contributions:

Details of the continuity of these funds are as follows:

	2020	2019
Balance, beginning of year	\$ 9,655,996	\$ 5,686,071
Additional contributions received	19,465,879	7,374,921
Amounts taken into revenue	(9,006,749)	(3,404,996)
Balance, end of year	\$ 20,115,126	\$ 9,655,996

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:

	2020	2019
Balance, beginning of year	\$ 37,370,941	\$ 32,785,808
Additional contributions received	1,594,063	6,359,443
Amounts amortized into revenue	(2,171,975)	(1,774,310)
Balance, end of year	\$ 36,793,029	\$ 37,370,941

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2020

9. Capital fund:

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

	2020	2019
Capital assets	\$ 50,390,684	\$ 47,426,467
Amounts financed by:		
Unamortized deferred capital contributions	(36,793,029)	(37,370,941)
	\$ 13,597,655	\$ 10,055,526

b) Transfer for capital assets:

	2020	2019
Purchase of capital assets	\$ 5,968,055	\$ 12,533,988
Amounts funded by deferred capital contributions	(1,594,063)	(7,743,267)
	\$ 4,373,992	\$ 4,790,721

10. Pension plan:

Contributions made by the College during the year amounted to \$2,596,271 (2019 - \$2,524,698).

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, 2020 indicated an actuarial surplus of \$2.9 billion.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2020

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 – 294; 2019 - 275)	\$ 566,391	612,982	(166,878)	1,012,495
OSOTF II (Bursaries awarded – 112; 2019 - 36)	139,613	132,122	(37,087)	234,648
OTSS (Bursaries awarded – 67; 2019 – 43)	282,962	225,101	(42,825)	465,238
Other (Bursaries awarded – 19; 2019 – 10)	227,628	257,564	(34,300)	450,892
	\$ 1,216,594	1,227,769	(281,090)	2,163,273

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 \$155,952 per year. The lease expires November 2023.

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

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

2021	\$ 431,861
2022	373,632
2023	271,247
2024	332,414
2025	49,200
	\$ 1,458,354

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2020

13. Changes in non-cash working capital:

	2020	2019
Decrease (increase) in accounts receivable	\$ (725,107)	\$ 316,354
Decrease (increase) in grants receivable	1,842,415	(2,254,760)
Increase in inventories and prepaid expenses	(144,442)	(91,098)
Increase in accounts payable and accrued liabilities	39,193,022	7,989,341
Increase in vacation and leave payable	52,535	126,585
	\$ 40,218,423	\$ 6,086,422

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.

Various College funding sources require the ability to assess revenue and expenditures for eligibility subsequent to year-end. Management believes that they have accounted for all revenues and expenditures appropriately. Any repayment of funds would be accounted for in the period of resolution.

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, 2020

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 (2019 - \$300,000).

The College's investment policy operates within the constraints of the investment guidelines issued by the Ministry of Colleges and Universities ("MCU") and puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis. The guidelines permit the College's funds to be invested in bonds issued by the Government of Canada, a Canadian province or a Canadian municipality having a rating of A or better, or corporate investments having a rating of A (R-1) or better.

Included in accounts receivable of \$2,209,363 are student receivables in the amount of \$383,170. An amount of \$129,921 has been provided for an impairment allowance on the student accounts receivable balances.

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

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

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2020

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 December 18, 2020 to June 15, 2027.

At March 31, 2020, 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 \$36,042.

(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, 2020

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 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. Effect of COVID:

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

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

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

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

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Continuity of Restricted and Endowment Funds

Year ended March 31, 2020

Restricted Funds

	Balance, March 31, 2019	Additions, transfers and Investment Income	Bursaries and other disbursements	Balance, March 31, 2020
Leaders of Tomorrow	\$ 114,182	112,297	23,500	202,979
Endowment income	1,102,412	1,115,472	257,590	1,960,294
Expendable funds	1,216,594	1,227,769	281,090	2,163,273
J.H. Drysdale Award	93,833	20,590	1,500	112,923
Other	2,738,194	1,557,671	335,172	3,960,693
Ancillary	4,525,527	3,512,000	1,335,062	6,702,465
Capital projects and operational initiatives	15,878,644	10,360,000	1,953,838	24,284,806
	\$ 24,452,792	16,678,030	3,906,662	\$ 37,224,160

Endowment Funds

	Balance, March 31, 2019	Additions	Transfers	Balance, March 31, 2020
OSOTF I	\$ 2,748,800	4,000	-	\$ 2,752,800
OSOTF II	592,475	-	-	592,475
OTSS	1,009,422	11,200	-	1,020,622
Other	1,154,241	52,746	-	1,206,987
	\$ 5,504,938	67,946	-	\$ 5,572,884
Total restricted and endowment funds	\$ 29,957,730	16,745,976	3,906,662	\$ 42,797,044

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Fund Revenues

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

	2020	2019
Grants:		
Post secondary:		
General operating grant	\$ 4,193,921	\$ 6,414,101
International student recovery	(578,250)	(391,500)
Special support grants	8,530,165	9,651,536
Second Career / WSIB grants	235,744	370,317
Grant for municipal taxation	57,600	69,675
Premise rental grant	151,679	113,818
	12,590,859	16,227,947
Employment and literacy:		
Apprenticeship	1,089,292	1,065,909
Literacy and Basic Skills	2,404,658	2,601,048
Employment programs	3,142,740	4,062,154
	6,636,690	7,729,111
Special purpose grants:		
Indigenous projects	566,656	566,656
Capital support grants	19,889	71,982
Accessibility grants	275,832	293,992
Daycare	632,389	644,032
OSAP bursaries	146,459	199,653
Other	1,427,769	1,245,401
	3,068,994	3,021,716
	\$ 22,296,543	\$ 26,978,774
International programs and other:		
Daycare fees	\$ 109,451	\$ 73,356
Rents	199,992	199,992
Contract training	1,575,835	2,487,533
International programs	20,770,528	14,102,961
Other fees	950,956	809,432
Miscellaneous	377,522	128,038
	\$ 23,984,284	\$ 17,801,312

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Expenses by Cost Object

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

	Academic	Administration	Student Services	Plant and Property	Community Services	Employment Training Programs	Total 2020	Total 2019
Academic salaries	\$ 12,853,721	-	173,486	-	-	-	\$ 13,027,207	\$ 12,085,509
Administration salaries	1,148,473	1,856,235	290,678	86,634	-	178,505	3,560,525	3,166,222
Support salaries	3,134,658	1,234,313	2,640,525	701,914	428,672	1,399,894	9,539,976	9,345,982
Stipends and allowances	-	-	226,753	-	-	581,850	808,603	1,090,062
Fringe benefits	3,448,465	751,085	734,900	178,176	94,488	439,143	5,646,257	5,370,804
Instructional supplies	1,930,027	21,786	170,737	-	6,925	11,150	2,140,625	1,884,441
Field work	13,194	-	-	-	20,946	-	34,140	39,572
Staff employment	-	65,072	-	-	-	-	65,072	70,778
Professional development	2,747	55,896	13,371	-	-	6,110	78,124	98,147
Travel	243,947	94,842	152,143	8,728	-	13,697	513,357	534,752
Promotion and advertising	47,280	48,929	1,156,261	-	-	18,540	1,271,010	760,783
Equipment maintenance	25,279	29,476	-	33,921	-	-	88,676	29,344
Telecommunications	172,046	59,810	-	-	-	28,541	260,397	198,361
Office supplies	84,628	116,680	108,361	6,579	-	24,321	340,569	329,933
Janitorial	-	111,615	-	27,394	1,003	-	140,012	114,078
Facilities maintenance	-	-	-	239,114	4,745	-	243,859	304,607
Vehicle	-	-	-	1,003	-	-	1,003	2,090
Insurance	-	198,603	-	-	-	-	198,603	212,701
Bank charges and bad debts	52,156	(89,355)	91,089	-	-	-	53,890	478,141
Professional fees	26,137	471,707	135,906	31,584	2,000	-	667,334	484,271
Contracted services	1,695,589	456,124	990,740	95,436	-	514	3,238,403	3,408,328
Utilities	18,804	-	-	887,490	-	-	906,294	1,010,625
Municipal taxation	-	-	-	75,825	-	-	75,825	87,600
Rentals	479,190	30,906	30,973	-	30,000	181,819	752,888	775,107
	\$ 25,376,341	5,513,724	6,915,923	2,373,798	588,779	2,884,084	43,652,649	41,882,238
Ancillary expense							2,335,755	2,472,554
Total expenses							\$ 45,988,404	\$ 44,354,792

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Ancillary Revenue and Expenses

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

	2020	2019
Bookstore Operations		
Revenue	\$ 83,208	\$ 70,056
Operating expense	15,742	17,979
Excess of revenue over expense	\$ 67,466	\$ 52,077
Student Residence Operations		
Revenue:		
Rent	\$ 295,250	\$ 253,093
Service charges	36,194	36,837
	331,444	289,930
Expense:		
Operating	469,770	470,391
Deficiency of revenue over expense	\$ (138,326)	\$ (180,461)
Parking Grounds Operations		
Revenue	\$ 122,715	\$ 135,404
Operating expense	133,093	184,366
Deficiency of revenue over expense	\$ (10,378)	\$ (48,962)
Ancillary Facilities Operations		
Revenue	\$ 2,047,967	\$ 1,982,508
Operating expense	1,717,150	1,799,818
Excess of revenue over expense	\$ 330,817	\$ 182,690