

The Conestoga College Institute of Technology  
and Advanced Learning

# **FINANCIAL STATEMENTS**

**March 31, 2016**

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**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY  
AND ADVANCED LEARNING**  
INDEX OF CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES  
Year Ended March 31, 2016

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May 26, 2016

## **Independent Auditor's Report**

### **To the Board of Governors of The Conestoga College Institute of Technology and Advanced Learning**

We have audited the accompanying consolidated financial statements of The Conestoga College Institute of Technology and Advanced Learning and its subsidiary, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of revenue and expenditure, cash flows, changes in fund balances, and remeasurement gains and losses for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Conestoga College Institute of Technology and Advanced Learning and its subsidiary as at March 31, 2016 and the results of their operations, their remeasurement gains and losses, change in their fund balances and their cash flow for the year then ended in accordance with Canadian public sector accounting standards.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licenced Public Accountants**

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING**

Statement 1

Consolidated Statement of Financial Position

March 31, 2016, with comparative figures for 2015

	Operating Fund (Statement 2)	Restricted Fund (Statement 2)	Endowment Fund (Statement 2)	Total March 31 2016	Total March 31 2015
<b>ASSETS</b>					
Current Assets:					
Cash and short term deposits	\$ 14,262,465	\$ 1,444,695	\$ 86,624	\$ 15,793,784	\$ 32,220,019
Investment		423,415	1,909,230	2,332,645	2,146,571
Grants receivable	3,774,955			3,774,955	2,585,096
Accounts receivable	6,473,087	12,098		6,485,185	8,280,656
Inventory	668,000			668,000	606,358
Prepaid expense	775,202			775,202	678,375
	25,953,709	1,880,208	1,995,854	29,829,771	46,517,075
Long term investment			2,330,464	2,330,464	-
Long term pledges receivable (Note 4)	18,326,620			18,326,620	5,361,939
Capital assets (Note 8)	187,488,475			187,488,475	176,532,711
	<u>\$ 231,768,804</u>	<u>\$ 1,880,208</u>	<u>\$ 4,326,318</u>	<u>\$ 237,975,330</u>	<u>\$ 228,411,725</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 14,978,837			\$ 14,978,837	\$ 14,817,452
Vacation pay accrual	10,569,697			10,569,697	10,092,330
Deferred revenue	19,158,258			19,158,258	21,521,214
Current portion of long term debt (Note 5)	1,663,100			1,663,100	1,591,974
Deferred contributions (Note 6)		\$ 1,284,440		1,284,440	1,108,115
	46,369,892	1,284,440		47,654,332	49,131,085
Long term debt (Note 5)	11,554,087			11,554,087	13,217,188
Deferred capital contributions (Note 7)	135,076,953			135,076,953	126,390,703
Post-employment benefits and compensated absences (Note 9)	6,575,000			6,575,000	6,737,000
	<u>199,575,932</u>	<u>1,284,440</u>		<u>200,860,372</u>	<u>195,475,976</u>
<b>FUND BALANCES(DEFICITS)</b>					
Unrestricted:					
Operations	10,189,373			10,189,373	9,783,519
Vacation	(10,569,697)			(10,569,697)	(10,092,330)
Post-employment benefits and compensated absences	(6,575,000)			(6,575,000)	(6,737,000)
	(6,955,324)			(6,955,324)	(7,045,811)
Investment in capital assets (Note 8)	39,194,335			39,194,335	35,332,846
Externally restricted fund balances		391,341	\$ 4,326,318	4,717,659	4,440,280
	<u>32,239,011</u>	<u>391,341</u>	<u>4,326,318</u>	<u>36,956,670</u>	<u>32,727,315</u>
Accumulated Remeasurement Gains(Loss)(Note 3)	(46,139)	204,427		158,288	208,434
	<u>\$ 231,768,804</u>	<u>\$ 1,880,208</u>	<u>\$ 4,326,318</u>	<u>\$ 237,975,330</u>	<u>\$ 228,411,725</u>
Commitments (Note 10)					

See accompanying notes to financial statements.

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING**

Statement 2

Consolidated Statement of Revenue and Expenditure and Change in Fund Balances

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

	Operating Fund	Restricted Fund	Endowment Fund	Total 2016	Total 2015
Revenue:					
Grants	\$84,640,237			\$84,640,237	\$80,496,125
Student tuition	64,445,951			64,445,951	58,495,032
Contracted services	9,862,973			9,862,973	8,699,657
Ancillary operations	15,472,815			15,472,815	15,185,436
Other	19,414,709			19,414,709	17,768,919
Restricted funds		\$ 1,117,368		1,117,368	784,462
Amortization of deferred capital contributions (Note 7)	6,437,844			6,437,844	6,836,231
<b>Total revenue</b>	<b>200,274,529</b>	<b>1,117,368</b>		<b>201,391,897</b>	<b>188,265,862</b>
Expenditure:					
Salaries and benefits	134,785,738			134,785,738	126,555,104
Non salary expenses	46,852,106			46,852,106	43,438,910
Amortization of capital assets	11,712,871			11,712,871	11,260,282
Scholarships, bursaries and work-study	2,971,838	1,087,510		4,059,348	4,486,026
<b>Total expenditure</b>	<b>196,322,553</b>	<b>1,087,510</b>		<b>197,410,063</b>	<b>185,740,322</b>
<b>Excess of revenue over expenditure</b>	<b>3,951,976</b>	<b>29,858</b>		<b>3,981,834</b>	<b>2,525,540</b>
Fund balances, beginning	28,287,035	361,483	\$4,078,797	32,727,315	30,168,894
Endowment contributions			247,521	247,521	32,881
<b>Fund balances, ending</b>	<b>\$32,239,011</b>	<b>\$391,341</b>	<b>\$4,326,318</b>	<b>\$36,956,670</b>	<b>\$32,727,315</b>

See accompanying notes to financial statements.

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING**

Statement 3

Consolidated Statement of Cash Flows

Year Ended March 31, 2016, with comparative figures for 2015

	Operating Fund	Restricted Fund	Endowment Fund	Total 2016	Total 2015
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>					
<b>Operating</b>					
Excess of revenue over expenditure(expenditure over revenue) - Restricted Fund		\$ 29,858		\$ 29,858	\$ (4,944)
Excess of revenue over expenditure - Operating Fund	\$ 3,951,976			3,951,976	2,530,484
Items not involving cash:					
Realized gain recognized as income on endowment fund investment		(100,167)		(100,167)	(71,402)
Amortization of capital assets	11,712,871			11,712,871	11,260,282
Amortization of deferred capital contributions	(6,437,844)			(6,437,844)	(6,836,231)
	9,227,003	(70,309)	-	9,156,694	6,878,189
Accrual for post-employment benefits and compensated absences	(162,000)			(162,000)	(148,000)
Changes in non-cash working capital items:					
Grants Receivable	(1,189,859)			(1,189,859)	(354,150)
Accounts Receivable	1,799,886	(4,414)		1,795,472	2,050,468
Inventory	(61,642)			(61,642)	187,121
Prepaid Expenses	(96,827)			(96,827)	68,453
Accounts Payable	161,385			161,385	1,604,385
Vacation accrual	477,367			477,367	417,314
Deferred Revenue	(2,362,956)			(2,362,956)	(780,299)
	7,792,357	(74,723)	-	7,717,634	9,923,481
<b>Financing</b>					
Deferred Contribution		176,325		176,325	197,957
Endowment contributions			\$ 247,521	247,521	32,881
Change in fair value of interest rate swaps					
Accumulated remeasurement gain(losses) interest rate swap	71,935			71,935	72,650
Repayment of long term debt (Note 5)	(1,591,975)			(1,591,975)	(1,524,020)
	(1,520,040)	176,325	247,521	(1,096,194)	(1,220,532)
<b>Capital</b>					
Deferred capital contributions	15,124,094			15,124,094	7,506,031
Disposal of capital assets	47,583			47,583	-
Purchase of capital assets:					
College operating funds	(7,556,391)			(7,556,391)	(7,354,866)
Government grants	(1,346,521)			(1,346,521)	(2,266,911)
Other restricted amounts	(13,813,306)			(13,813,306)	(5,239,120)
	(7,544,541)	-	-	(7,544,541)	(7,354,866)
<b>Investing</b>					
Net change in long term receivable	(12,964,681)			(12,964,681)	(3,679,236)
Purchase of investments			(2,538,453)	(2,538,453)	(97,636)
<b>Net cash inflow/(outflow)</b>	<u>(14,236,905)</u>	<u>101,602</u>	<u>(2,290,932)</u>	<u>(16,426,235)</u>	<u>(2,428,789)</u>
Cash and short term deposits, beginning of year	<u>28,499,370</u>	<u>1,343,093</u>	<u>2,377,556</u>	<u>32,220,019</u>	<u>34,648,808</u>
<b>Cash and short term deposits, end of year</b>	<u>\$ 14,262,465</u>	<u>\$ 1,444,695</u>	<u>\$ 86,624</u>	<u>\$ 15,793,784</u>	<u>\$ 32,220,019</u>

See accompanying notes to financial statements.

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING**  
 Consolidated Statement of Changes in Fund Balances

Statement 4

Year Ended March 31, 2016, with comparative figures for 2015

	Operations	Vacation	Post-employment benefits and compensated absences	Total	Investment in Capital Assets	Operating Fund Total	Restricted Fund	Endowment Fund	Total 2016	Total 2015
Balances March 31, 2015	\$9,783,519	(\$10,092,330)	(\$6,737,000)	(\$7,045,811)	\$35,332,846	\$28,287,035	\$361,483	\$4,078,797	\$32,727,315	\$30,168,894
Excess of revenue over expenditure (expenditure over revenue)	9,227,003			9,227,003	(5,275,027)	3,951,976	29,858		3,981,834	2,525,540
Vacation Pay	477,367	(477,367)		-						
Post employment benefits and compensated absences	(162,000)		162,000	-						
Capital asset additions financed with College funds	(7,556,391)			(7,556,391)	7,556,391					
Repayment of long term debt	(1,591,975)			(1,591,975)	1,591,975					
Proceeds on disposal of capital assets	11,850			11,850	(11,850)					
Accumulated Remeasurement Gains(Loss)										
Endowment contributions								247,521	247,521	32,881
Fund balances (deficits), end of year	<u>\$ 10,189,373</u>	<u>\$ (10,569,697)</u>	<u>\$ (6,575,000)</u>	<u>\$ (6,955,324)</u>	<u>\$ 39,194,335</u>	<u>\$ 32,239,011</u>	<u>\$ 391,341</u>	<u>\$ 4,326,318</u>	<u>\$ 36,956,670</u>	<u>\$ 32,727,315</u>

See accompanying notes to financial statements.



**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING**

Statement 5

## Consolidated Statement of Remeasurement Gains and Losses

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

	Operating Fund	Endowment Fund	Total 2016	Total 2015
Accumulated remeasurement gains(losses) at beginning of year	\$ (118,074)	\$ 326,508	\$ 208,434	\$ (29,283)
Adjustment due to reclassification of fair value of interest rate swap				
Unrealized gains attributable to interest rate swap	71,935		71,935	72,650
Unrealized gains attributable to endowment fund short term investment		(122,081)	(122,081)	165,067
Accumulated remeasurement gains(losses) at end of year	<u>\$ (46,139)</u>	<u>\$ 204,427</u>	<u>\$ 158,288</u>	<u>\$ 208,434</u>

See accompanying notes to financial statements.

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 1

Year Ended March 31, 2016

The Conestoga College Institute of Technology and Advanced Learning (“Conestoga”) was established under the Ontario Colleges of Applied Arts and Technology Act as a corporation. Conestoga is a Crown agency. Its principal activity is to provide quality education, training, and related services.

Conestoga is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

## 1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURE

The Consolidated Financial Statements of Conestoga have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board (“PSAB for Government NPOs”).

### (a) BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of Conestoga and its wholly-owned subsidiary, Conestoga College Communications Corp., a not-for-profit corporation that is licensed by the Canadian Radio-Television and Telecommunications Commission to operate a radio station.

### (b) BASIS OF PRESENTATION

In order to ensure observance of limitations and restrictions placed on the use of resources available to Conestoga, the accounts are presented as follows:

- i) The Operating Fund is used to account for all revenues, expenditures and capital assets related to the operations of Conestoga.
- ii) The Restricted Fund is used to account for funds received for specific purposes. These include student bursaries, scholarships, loans and joint employment stability funds.
- iii) The Endowment Fund is used to account for the principal amount of funds held in trust from which only the income earned is expendable.

### (c) REVENUE RECOGNITION

Conestoga follows the deferral method of accounting for contributions which include donations and government grants.

Tuition fees are recorded in the fiscal year in which the semester commences. Fees received for semesters commencing in a subsequent fiscal period are recorded as deferred revenue.

Contracted services and ancillary revenues including parking and bookstore are recognized when products are delivered or services are provided to the student or client, the sales prices are fixed and determinable, and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 2

Year Ended March 31, 2016

Endowment contributions are recognized as direct increases in the Endowment Fund balance.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

## (d) USE OF ESTIMATES

The preparation of the consolidated financial statements, in conformity with Public Sector Accounting Board requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

## (e) RETIREMENT AND POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES

Conestoga provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, vesting sick leave and non-vesting sick leave. Conestoga has adopted the following policies with respect to accounting for these employee benefits.

(i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustment to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.

(ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.

(iii) The cost of vesting and non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.

(iv) The discount used in the determination of the above-mentioned liabilities is equal to Conestoga's internal rate of borrowing.

## (f) VALUATION OF INVENTORY

Inventory is valued at the lower of cost and net realizable value. Cost is determined based on average cost.

## (g) LONG TERM PLEDGES RECEIVABLE

Long term pledges receivable includes corporate pledges for major capital projects as well as the agreed portion of the student capital development fee which will go towards the partial funding of the Student Life Centre and Recreation Centre building assets. Pledges receivable are recognized if the amount to be received is reasonably estimated and the ultimate collection is reasonably assured.

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 3

Year Ended March 31, 2016

## (h) CAPITAL ASSETS

Capital assets are initially recorded at cost. Capital assets which are donated are recorded at their fair market value at the date of acquisition. Capital assets purchased through debt financing are recorded as an asset and liability. The liability is reduced as the debt is repaid. Conestoga records amortization on its capital assets at the following straight line rates: Site Improvements–10% Buildings–2.5%; Furniture and Equipment–20%; Information Technology- 33%; Other Assets- 20%. Disposals of capital assets are recorded in the accounts by removing the original acquisition cost and accumulated amortization. Any gain or loss on disposal is recorded in the Consolidated Statement of Revenue and Expenditure and Change in Fund Balances. Construction in Process costs are capitalized and amortization is not recognized until construction is complete and the assets are ready for productive use at which time they are transferred to their appropriate asset class.

## (i) PENSION COSTS

Employees of Conestoga are members of the Colleges of Applied Arts and Technology Pension Plan (the “Plan”), which is a multi-employer jointly-sponsored defined benefit plan for eligible employees public colleges and related employers in Ontario. 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.

## (i) VACATION PAY ACCRUAL

Vacation pay is accrued, as entitlement is earned.

## (j) FINANCIAL INSTRUMENTS

Conestoga classifies its financial instruments as either fair value or amortized cost. Conestoga’s accounting policy for each category is as follows:

### Fair value

This category includes derivatives, cash, short term deposits and investments. They are initially recognized at cost and subsequently carried at fair value. 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 related to financial instruments in the fair value category are expensed as incurred.

### Amortized cost

This category includes grants receivable, accounts receivable, long-term receivable, accounts payable and accrued liabilities, bank loans and term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Impairments on balances carried at amortized cost are recognized when there is a significant adverse change in the expected timing or amount of future cash flows. The balance is then written down to the highest of the present value of cash flows expected from holding the asset and the value of any associated collateral. The impairment is recognized on the statement of revenue and expenditure.

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 4

Year Ended March 31, 2016

## 2. FINANCIAL INSTRUMENTS CLASSIFICATION

The following table provides cost and fair value information of financial instruments by category for 2016. The maximum exposure to credit risk would be the carrying value as shown below.

	Fair Value	Amortized Cost	Total
<b>Assets:</b>			
Cash and short term deposits	\$15,793,784		\$15,793,784
Investment	4,663,109		4,663,109
Grants receivable		\$3,774,955	3,774,955
Accounts receivable		6,485,185	6,485,185
<b>Liabilities:</b>			
Long term pledges receivable		18,326,620	18,326,620
Accounts payable and accrued liabilities		14,932,698	14,932,698
Long term debt		13,217,187	13,217,187
Interest rate swap	46,139		46,139

Investments include an investment pooling arrangement and a non-redeemable 36 month GIC with a Canadian financial institution.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

-Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

-Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (ie derived from prices); and

-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 (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Cash and short term deposits	\$15,793,784			\$15,793,784
Investment	2,330,464	\$2,332,645		4,663,109
Interest rate swap liability			\$(46,139)	(46,139)
<b>Total</b>	<b>\$18,124,248</b>	<b>\$2,332,645</b>	<b>\$(46,139)</b>	<b>\$20,410,754</b>

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 5

Year Ended March 31, 2016

## 3. FINANCIAL INSTRUMENTS RISK MANAGEMENT

### CREDIT RISK

Accounts receivable and certain long-term pledge receivable are ultimately due from students. Credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population. Students with funds owing to Conestoga are not able to receive marks, a T2202a tax form or register for the next term. Continuing education students are required to pay in advance before they can be registered in a course.

	Total	Current	Past Due 31-60 days	Past Due 61-90 days	Past Due Over 90
Government receivables	\$3,774,955	\$3,774,955			
Student receivables	2,811,243	759,036	\$955,823	\$702,810	\$393,574
Other receivables	22,357,398	22,357,398			
Less: bad debt allowance	(356,836)				(356,836)
Net receivables	<u>\$28,586,760</u>	<u>\$26,891,389</u>	<u>\$955,823</u>	<u>\$702,810</u>	<u>\$36,738</u>

Conestoga estimates its aggregate exposure to credit risk as the sum of its reported balances owing from third parties recorded on the Consolidated Statement of Financial Position.

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.

### INTEREST RATE RISK

Conestoga entered into an interest rate swap contract as part of its risk management strategy to minimize exposure to interest rate fluctuations related to the financing of the student life building. The interest rate swap contract involves an exchange of floating rate and fixed rate interest payments between Conestoga and a financial institution. The swap transactions are completely independent from and have no direct effect on the relationship between Conestoga and its lender. The notional amount of the interest rate swap contract outstanding at March 31, 2016 is detailed in Note 5 at 5.34%

At March 31, 2016, the fair value of the interest rate swap was \$46,139 (2015-\$118,074) in favour of the financial institution. The change in fair value of the interest rate swap is recorded in the Consolidated Statement of Remeasurement Gain and Losses.

### CURRENCY RISK

Conestoga does not have any material transactions or financial instruments denominated in foreign currencies.

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.

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 6

Year Ended March 31, 2016

## LIQUIDITY RISK

Liquidity risk arises through an excess of financial obligations over available financial assets at any point in time. Conestoga's objective in managing liquidity risk is to maintain sufficient readily available resources in order to meet its financial obligations as they fall due. Management monitors rolling forecasts of Conestoga's liquidity reserve (comprises undrawn borrowing facility, cash and cash equivalents) on the basis of expected cash flow. Conestoga currently settles its financial obligations out of cash and cash equivalents. The following table sets out the contractual maturities at the fiscal year end (representing undiscounted contractual cash-flows of financial liabilities).

	Up to 1 year	1-5 years	>5 years
Accounts payable	\$14,978,837		
Term debt	1,663,100	\$4,236,193	\$7,317,894

Derivative financial liabilities which relate to the Student Life Building Loan matures as described in Note 5.

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.

## 4. LONG TERM PLEDGES RECEIVABLE

Long term pledges receivable includes corporate pledges of \$56,000 (2015-\$141,000) for major capital projects, as well as the student capital development fees which will go towards the Student Life Centre and Recreation Centre building assets of \$18,270,620 (2015-\$5,220,939).

## 5. LONG TERM DEBT

	<u>2016</u>	<u>2015</u>
Ontario government Residence Loan bearing interest at 3.511%. Repayable in May and November each year in a blended payment of \$634,494.36. Due May 4, 2027.	\$11,922,041	\$12,750,567
Student Life Building Loan, bearing interest at 5.34%, repayable in blended monthly payments of \$71,239, due on September 1, 2017.	<u>1,295,146</u>	<u>2,058,595</u>
	13,217,187	14,809,162
Less: Current Portion	<u>1,663,100</u>	<u>1,591,974</u>
	<u>\$11,554,087</u>	<u>\$13,217,188</u>

The blended monthly payment of \$71,239 on the 5.34% mortgage is a result of Conestoga having entered into an interest rate swap agreement to convert floating rate debt to fixed rate debt until stated due date.

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The Consolidated Statement of Revenue and Expenditure and Change in Fund Balances includes interest expense related to long term debt in the amount of \$516,694(2015-\$585,228).

The estimated principal portion of long term debt payments in the next 5 years is as follows.

2016	\$1,663,100
2017	1,378,171
2018	919,715
2019	952,289
Thereafter	8,303,912

The long term debt is secured by a first collateral mortgage on the Doon campus.

## 6. DEFERRED CONTRIBUTIONS

Deferred contributions reported in the Restricted Fund relate to donations received for student bursaries and interest earned on related endowed and unspent funds. Changes in the deferred contributions balance in the Restricted Fund are as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$1,108,115	\$910,158
Add donations and grant received during year	642,154	565,305
Add interest earned on endowed and unspent funds	184,554	142,692
Less amounts recognized as revenue in the year	<u>(650,383)</u>	<u>(510,040)</u>
Ending Balance	<u>\$1,284,440</u>	<u>\$1,108,115</u>

## 7. DEFERRED CAPITAL CONTRIBUTIONS

Contributions restricted for the purpose of capital purchases are deferred and then amortized over the life of the asset at the corresponding rate to amortization as disclosed in Note 1 (i).

The sources of deferred capital contributions are as follows:

	<u>Ministry Funded Grants</u>	<u>Other</u>	<u>2016</u>	<u>2015</u>
Opening Balance	\$108,746,893	\$17,643,810	126,390,703	\$125,720,903
Deferred	1,346,520	13,777,574	15,124,094	7,506,031
Amortization	<u>(5,376,926)</u>	<u>(1,060,918)</u>	<u>(6,437,844)</u>	<u>(6,836,231)</u>
Ending Balance	<u>\$104,716,487</u>	<u>\$30,360,466</u>	<u>\$135,076,953</u>	<u>\$126,390,703</u>



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Year Ended March 31, 2016

**8. CAPITAL ASSETS**

(a) Capital assets consist of the following

	Capital Costs	Accumulated Amortization	2016 Net Book Value
Land	\$20,157,501		\$20,157,501
Site Improvements	5,591,040	4,725,447	865,593
Buildings	195,898,184	57,947,704	137,950,480
Furniture and Equipment	31,028,935	22,791,719	8,237,216
Information Technology	22,685,132	20,074,079	2,611,053
Construction in Process	17,492,757		17,492,757
Other Assets	<u>1,290,957</u>	<u>1,117,082</u>	<u>173,875</u>
	<u>\$294,144,506</u>	<u>\$106,656,031</u>	<u>\$187,488,475</u>

  

	Capital Costs	Accumulated Amortization	2015 Net Book Value
Land	\$20,157,501		\$20,157,501
Site Improvements	5,183,402	\$4,502,503	680,899
Buildings	193,620,315	53,249,063	140,371,252
Furniture and Equipment	29,447,834	21,323,814	8,124,020
Information Technology	20,830,719	18,374,519	2,456,200
Construction in Process	4,532,059		4,532,059
Other Assets	<u>1,234,345</u>	<u>1,023,565</u>	<u>210,780</u>
	<u>\$275,006,175</u>	<u>\$98,473,464</u>	<u>\$176,532,711</u>

(b) Investment in Capital Assets

The net book value of capital assets is financed by:	<u>2016</u>	<u>2015</u>
Capital assets	\$187,488,475	\$176,532,711
Deferred capital contributions	(135,076,953)	(126,390,703)
Long term debt	<u>(13,217,187)</u>	<u>(14,809,162)</u>
Investment in capital assets ending balance	<u>\$39,194,335</u>	<u>\$35,332,846</u>

  

	<u>2016</u>	<u>2015</u>
Excess of expenditure over revenue		
Amortization of deferred capital contributions	\$6,437,844	\$6,836,231
Amortization of capital assets	<u>(11,712,871)</u>	<u>(11,260,282)</u>
Excess of expenditure over revenue for the year	<u>(\$5,275,027)</u>	<u>(\$4,424,051)</u>

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Year Ended March 31, 2016

**9. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY**

The following tables outline the components of Conestoga's post-employment benefits and compensated absences liabilities and the related expenses.

	<b><u>2016</u></b>			
	Post- employment Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$1,526,000	\$4,399,000	\$439,000	\$6,364,000
Value of plan assets	(278,000)			(287,000)
Unamortized actuarial gains(losses)	73,000	564,000	(148,000)	489,000
<b>Total liability</b>	<b>\$1,321,000</b>	<b>\$4,963,000</b>	<b>\$291,000</b>	<b>\$6,575,000</b>

	<b><u>2015</u></b>			
	Post- employment Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$1,477,000	\$4,505,000	\$503,000	\$6,485,000
Value of plan assets	(263,000)			(263,000)
Unamortized actuarial gain(losses)	81,000	618,000	(184,000)	515,000
<b>Total liability</b>	<b>\$1,295,000</b>	<b>\$5,123,000</b>	<b>\$319,000</b>	<b>\$6,737,000</b>

	<b><u>2016</u></b>			
	Post- employment Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	\$46,000	\$290,000	\$19,000	\$355,000
Interest on accrued benefit obligation	2,000	73,000	8,000	83,000
Amortized actuarial gain(losses)	(8,000)	(94,000)	34,000	(68,000)
<b>Total expense</b>	<b>\$40,000</b>	<b>\$269,000</b>	<b>\$61,000</b>	<b>\$370,000</b>

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Year Ended March 31, 2016

	<u>2015</u>			
	Post- employment Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	\$131,000	\$256,000	\$17,000	\$404,000
Interest on accrued benefit obligation	5,000	116,000	14,000	135,000
Amortized actuarial losses	(10,000)	(126,000)	30,000	(106,000)
Total expense	<u>\$126,000</u>	<u>\$246,000</u>	<u>\$61,000</u>	<u>\$433,000</u>

The above exclude pension contributions to the Colleges of Applied Arts and Technology pension plan, a multi-employer plan, described below.

***Retirement Benefits***

*CAAT Pension Plan*

A majority of Conestoga's employees are members of the Colleges of applied Arts and Technology Pension Plan (the "Plan") which is a multi-employer jointly-sponsored defined benefit plan for eligible employees public colleges and related employers in Ontario. Conestoga 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. Conestoga does not recognize any share of the Plan's pension surplus or deficit. The most recent actuarial valuation filed with pension regulators as at January 1, 2016 indicated an actuarial surplus of \$1,179 million. Conestoga made contributions to the Plan and its associated retirement compensation arrangement of \$11,263,692 (\$10,790,258 in 2015), which has been included in the Consolidated Statement of Revenue and Expenditure.

***Post- Employment Benefits***

Conestoga extends post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. Conestoga recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

The major actuarial assumptions employed for the valuations are as follows:

a) Discount rate

The present value as at March 31, 2016 of the future benefits was determined using a discount rate of 1.70 % (2015-1.60%)

b) Drug Costs

Drug costs were assume to increase at 9.0% per annum in 2015 and 2016, grading down to 4.0% per annum in 2034.

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

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Year Ended March 31, 2016

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4% per annum in 2016 (2015-4.0%)

Medical premium were assumed to increase 7.15% per annum in 2016(2015-7.3%), grading down to 4.0% per annum in 2034.

d) Dental costs

Dental costs were assumed to increase at 4% per annum in 2016 (2015-4.0%).

### **Compensated Absences**

#### *Non-Vesting Sick Leave*

Conestoga 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 an actuarial valuation study commissioned by the College Employer Council.

#### *Vesting Sick Leave*

Conestoga has provided for vesting sick leave benefits during the year. Eligible employees after 10 years of service are entitled to receive 50% of their accumulated sick leave credits 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 an actuarial valuation study commissioned by the College Employer Council.

The assumptions used in the valuation of vesting and non-vesting sick leave are the College's best estimated of expected rates of:

	2016	2015
Wage and salary escalation	0.00% - 1.80%	0.00% - 1.75%
Discount rate	1.70%	1.60%

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 8.5% and 0 to 44.3 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

# THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Notes to the Consolidated Financial Statements, page 12

Year Ended March 31, 2016

## 10. COMMITMENTS

Conestoga has entered into various agreements to lease premises and equipment. The equipment leases have built-in options whereby Conestoga is able to purchase the equipment at the end of the lease, or to return the equipment to the lessor. The minimum payments required to the maturity dates of existing leases are as follows:

	<u>Premises</u>	<u>Equipment</u>	<u>Total</u>
2017	551,343	28,152	579,495
2018	381,545	28,152	409,697
2019		11,097	11,097
2020		1,479	1,479

The college has entered into an agreement for the renovation of the Student Athletic Centre to be completed in 2016/17. The total construction costs are expected to be approximately \$21.5 million of which \$17.5 million was expended by March 31, 2016.

## 11. UNION EMPLOYMENT STABILITY FUNDS

These funds included in the Unaudited Schedule 3, Analysis of Restricted Fund Balance required under the terms of the collective agreements for academic and support staff, are to be used to enhance employment stability. Under the agreements Conestoga makes annual contributions on a per capita basis. Disbursements must be authorized by a joint Union/College Committee.

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY  
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Unaudited Schedule 1

Analysis of Operating Fund Revenue

Year Ended March 31, 2016, with comparative figures for 2015

	<u>2016</u>	<u>2015</u>
Grants and government contracts:		
Operating - basic	\$36,889,599	\$36,686,851
Operating - enrolment growth	19,357,618	15,347,200
Operating - second career	1,850,910	1,931,775
Operating - performance	905,636	913,481
Operating - supplementary	1,736,362	1,485,317
Operating - premise rental	208,956	206,006
Operating - per capita tax	702,675	702,075
Apprentice Related	7,239,175	7,894,985
Employment Services	4,578,665	4,139,148
Literacy Basic Skills	2,124,512	2,068,212
Disability Services	1,535,057	1,593,493
Special Bursaries	191,199	290,792
Other Ontario	3,057,244	2,665,783
Municipal Grants	496,523	333,796
Federal Grants	3,766,106	4,237,211
	<u>84,640,237</u>	<u>80,496,125</u>
Tuition:		
Full time post secondary programs	53,539,265	46,046,256
Part-time courses and seminars	6,767,519	7,332,631
Full fee recovery programs	544,150	784,376
Apprentice	931,635	1,060,184
Student assistance program	2,663,382	3,271,585
	<u>64,445,951</u>	<u>58,495,032</u>
Contracted Services	<u>9,862,973</u>	<u>8,699,657</u>
Ancillary Operations	<u>15,472,815</u>	<u>15,185,436</u>
Other:		
Day Care revenue	1,311,780	1,099,268
Miscellaneous student fees	14,211,357	12,679,451
Miscellaneous revenue	3,891,572	3,990,200
	<u>19,414,709</u>	<u>17,768,919</u>
Amortization of deferred capital contributions:		
Grant	5,376,927	5,776,271
Other	1,060,917	1,059,960
	<u>6,437,844</u>	<u>6,836,231</u>
	<u>\$200,274,529</u>	<u>\$187,481,400</u>

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY  
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Unaudited Schedule 2

Analysis of Operating Fund Expenditure

Year Ended March 31, 2016, with comparative figures for 2015

	<u>2016</u>	<u>2015</u>
Salaries and Benefits		
Academic	\$53,879,267	\$52,539,143
Support	33,063,834	30,283,545
Administrative	18,942,827	17,457,930
Part Time Academic	21,022,053	19,202,477
Part Time Support	<u>7,877,757</u>	<u>7,072,009</u>
	134,785,738	126,555,104
Non Salary Expenses		
Student Related Expenses	12,766,859	12,511,857
Staff Related Expenses	4,384,001	3,919,072
Plant Related Expenses	10,609,454	10,253,482
Professional and Contract Fees	8,968,568	7,502,372
Other Expenses	6,903,292	6,381,410
Specifically Reimbursed Expenses	<u>3,219,932</u>	<u>2,870,717</u>
	46,852,106	43,438,910
Amortization of Capital Assets	11,712,871	11,260,282
Scholarships, Bursaries and Work-study	<u>2,971,838</u>	<u>3,696,620</u>
	<u>\$196,322,553</u>	<u>\$184,950,916</u>

**THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY  
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Unaudited Schedule 3

Analysis of Restricted Fund Balance

Year Ended March 31, 2016 with comparative figures for 2015

	Student Bursary/ Scholarship/ Loan	Union Employment Stability (Note 11)	Total 2016	Total 2015
Balance at beginning of year				
Available for student loans	\$ 39,358		\$ 39,358	\$ 38,967
Available for Employment Stability Activities		\$ 322,125	\$ 322,125	\$ 327,460
	<u>39,358</u>	<u>322,125</u>	<u>361,483</u>	<u>366,427</u>
Increase in fund balance arising from:				
Deferred contributions recognized as revenue				
Donation income	889,675		889,675	598,186
Investment income	184,905	3,707	188,612	147,282
College contribution		39,081	39,081	38,994
	<u>1,074,580</u>	<u>42,788</u>	<u>1,117,368</u>	<u>784,462</u>
Decrease in fund balance arising from:				
Deferred contributions	423,846		423,846	230,839
Bursaries and scholarships activities	650,383		650,383	510,040
Stability Fund activities		13,281	13,281	48,527
	<u>1,074,229</u>	<u>13,281</u>	<u>1,087,510</u>	<u>789,406</u>
Increase(Decrease) in fund for current year	<u>351</u>	<u>29,507</u>	<u>29,858</u>	<u>(4,944)</u>
Balance at end of year				
Available for student loans	39,709		39,709	39,358
Available for Employment Stability Activities		351,632	351,632	322,125
Restricted Fund	<u>\$ 39,709</u>	<u>\$ 351,632</u>	<u>\$ 391,341</u>	<u>\$ 361,483</u>