The Conestoga College Institute of Technology and Advanced Learning

FINANCIAL STATEMENTS

March 31, 2018

May 28, 2018

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 compromise the consolidated statement of financial position as at March 31, 2018 and the consolidated statements of revenue and expenditure, cash flows, changes in fund balances, and remeasurement gains and losses for the year ended, and the related notes, which compromise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated statement 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 statement is 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 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.

PricewaterhouseCoopers LLP
95 King St. South Suite 201, Waterloo, Ontario, Canada N2J 5A2
T: +1 519 570 5700, F: +1 519 570- 5730

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, 2018 and the results of their operations, their remeasurement gains and losses, changes 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, Licensed Public Accountants

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Statement 1

Consolidated Statement of Financial Position

March 31, 2018 with comparative figures for March 31, 2017

ASSETS	**Operating Fund (Statement 2)**	**Restricted Fund (Statement 2)**	**Endowment Fund (Statement 2)**	**Total 2018**	**Total 2017**
Current Assets:					
Cash and short term deposits	$ 54,126,861	$ 1,734,577	$ 321,677	$ 56,183,115	$23,769,846
Investments	17,000,000	748,809	2,353,801	20,102,610	27,895,268
Grants receivable	2,739,864			2,739,864	3,816,057
Accounts receivable	7,823,602	7,013		7,830,615	7,557,341
Current portion of pledges receivable (Note 3)	1,245,614			1,245,614	1,477,923
Inventory	812,695			812,695	1,008,089
Prepaid expenses	460,271			460,271	530,449
	84,208,907	2,490,399	2,675,478	89,374,784	66,054,973
Long term investments			2,330,430	2,330,430	2,330,464
Long term pledges receivable (Note 3)	19,036,609			19,036,609	19,969,382
Capital assets (Note 4)	218,149,442			218,149,442	189,970,316
	$ 321,394,958	$ 2,490,399	$ 5,005,908	$ 328,891,265	$278,325,135
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	$ 26,337,634			$ 26,337,634	$18,154,460
Vacation pay accrual	11,426,305			11,426,305	10,865,015
Deferred revenue	44,338,747			44,338,747	27,363,469
Current portion of long term debt (Note 5)	2,165,328			2,165,328	2,595,947
Deferred contributions (Note 6)		$ 1,790,408		1,790,408	1,536,168
	84,268,014	1,790,408		86,058,422	60,515,059
Long term debt (Note 5)	28,292,812			28,292,812	30,458,140
Deferred capital contributions (Note 7)	144,796,962			144,796,962	137,085,482
Post-employment benefits and compensated absences (Note 8)	6,326,000			6,326,000	6,565,000
	263,683,788	1,790,408		265,474,196	234,623,681
FUND BALANCES (DEFICITS)					
Unrestricted:					
Operations	32,569,135			32,569,135	35,984,078
Vacation	(11,426,305)			(11,426,305)	(10,865,015)
Post-employment benefits and compensated absences	(6,326,000)			(6,326,000)	(6,565,000)
	14,816,830			14,816,830	18,554,063
Investment in capital assets (Note 4)	42,894,340			42,894,340	19,830,747
Externally restricted fund balances		427,964	$ 5,005,908	5,433,872	5,023,083
	57,711,170	427,964	5,005,908	63,145,042	43,407,893
Accumulated Remeasurement Gains	-	272,027		272,027	293,561
	$ 321,394,958	$ 2,490,399	$ 5,005,908	$ 328,891,265	$278,325,135

Commitments (Note 9)

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, 2018 with comparative figures for March 31, 2017

	Operating Fund	Restricted Fund	Endowment Fund	Total 2018	Total 2017
Revenue:					
Grants	86,981,191			86,981,191	87,166,265
Tuition fees	95,623,784			95,623,784	75,473,179
Other student fees	18,086,373			18,086,373	16,567,128
Contracted services	12,997,461			12,997,461	10,656,878
Other	21,881,938			21,881,938	21,629,592
Restricted revenue		1,450,841		1,450,841	1,434,533
Amortization of deferred capital contributions (Note 7)	6,304,081			6,304,081	6,569,100
Total revenue	241,874,828	1,450,841		243,325,669	219,496,675
Expenditure:					
Salaries and benefits	148,143,869			148,143,869	143,649,645
Professional and contract fees	15,548,978			15,548,978	9,905,912
Student related expenses	14,774,258			14,774,258	12,749,220
Supplies and staff related expenses	4,920,005			4,920,005	4,610,492
Plant related expenses	12,299,700			12,299,700	14,652,017
Other expenses	8,210,066			8,210,066	7,313,145
Specifically reimbursed expenses	4,304,035			4,304,035	3,530,698
Amortization of capital assets	11,498,633			11,498,633	12,331,725
Scholarships, bursaries and work-study	2,848,924	1,434,211		4,283,135	4,588,029
Total expenditure	222,548,468	1,434,211		223,982,679	213,330,883
Excess of revenue over expenditure	19,326,360	16,630		19,342,990	6,165,792
Fund balances, beginning	38,384,810	411,334	$4,611,749	43,407,893	36,956,670
Endowment contributions			394,159	394,159	285,431
Fund balances, ending	$57,711,170	$427,964	$5,005,908	$63,145,042	$43,407,893

See accompanying notes to financial statements.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING
Consolidated Statement of Cash Flows

Statement 3

Year Ended March 31, 2018 with comparative figures for March 31, 2017

	Operating Fund	Restricted Fund	Endowment Fund	Total 2018	Total 2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES					
Operating					
Excess of revenue over expenditure - Restricted Fund		$ 16,630		$ 16,630	$ 19,993
Excess of revenue over expenditure - Operating Fund	$ 19,326,360			19,326,360	6,145,799
Items not involving cash:					
Amortization of capital assets	11,498,633			11,498,633	12,331,725
Amortization of deferred capital contributions	(6,304,081)			(6,304,081)	(6,569,100)
Change in post-employment benefit and compensated absences liabilities	290,000			290,000	281,000
	24,810,912	16,630	-	24,827,542	12,209,417
Cash paid for post-employment benefits and compensated absences	(529,000)			(529,000)	(291,000)
Changes in non-cash working capital items:					
Grants receivable	1,076,193			1,076,193	(41,102)
Accounts receivable	(266,261)	2,748		(263,513)	(1,712,783)
Inventory	195,394			195,394	(340,089)
Prepaid expenses	70,178			70,178	244,753
Accounts payable	8,183,174			8,183,174	3,175,623
Vacation pay accrual	561,290			561,290	295,318
Deferred revenue	16,975,278			16,975,278	8,205,211
	51,077,158	19,378	-	51,096,536	21,745,348
Financing					
Deferred Contribution		254,240		254,240	251,728
Endowment contributions			394,159	394,159	285,431
Accumulated remeasurement gain interest rate swap	6,814			6,814	39,325
New long term debt	-			-	21,500,000
Repayment of long term debt (Note 5)	(2,595,947)			(2,595,947)	(1,663,100)
	(2,589,133)	254,240	394,159	(1,940,734)	20,413,384
Capital					
Deferred capital contributions	14,015,561			14,015,561	8,577,629
Disposal of capital assets	-			-	462,266
Purchase of capital assets:					
College operating funds	(25,662,198)			(25,662,198)	(6,440,646)
Government grants	(13,897,131)			(13,897,131)	(5,280,777)
Other restricted amounts	(118,431)			(118,431)	(3,554,409)
	(25,662,199)	-	-	(25,662,199)	(6,235,937)
Investing					
Realized gain recognized as income on endowment fund investment		(117,873)		(117,873)	(139,921)
Net change in pledges receivable	1,165,082			1,165,082	(2,480,058)
Net sale (purchase) of investments (net)	7,990,240		(117,783)	7,872,457	(25,326,754)
	9,155,322	(117,873)	(117,783)	8,919,666	(27,946,733)
Net cash inflow	31,981,148	155,745	276,376	32,413,269	7,976,062
Cash and short term deposits, beginning of year	22,145,713	1,578,832	45,301	23,769,846	15,793,784
Cash and short term deposits, end of year	$ 54,126,861	$ 1,734,577	$ 321,677	$ 56,183,115	$ 23,769,846

See accompanying notes to financial statements.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING Statement 4

Consolidated Statement of Changes in Fund Balances

Year Ended March 31, 2018, with comparative figures for 2017

	Operations	Vacation	Post-employment benefits and compensated absences	Investment in Capital Assets	Restricted Fund	Endowment Fund	Total 2018	Total 2017
Balances March 31, 2017	$35,984,078	($10,865,015)	($6,565,000)	$19,830,747	$411,334	$4,611,749	$43,407,893	$36,956,670
Excess of revenue over expenditure (expenditure over revenu	24,520,912			(5,194,552)	16,630		19,342,990	6,165,792
Vacation Pay	561,290	(561,290)						
Post employment benefits and compensated absences	(239,000)		239,000					
Capital asset additions financed with operating funds	(25,662,198)			25,662,198				
Repayment of long term debt	(2,595,947)			2,595,947				
Endowment contributions						394,159	394,159	285,431
Fund balances (deficits), end of year	$ 32,569,135	$ (11,426,305)	$ (6,326,000)	$42,894,340	$427,964	$5,005,908	$63,145,042	$43,407,893

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, 2018, with comparative figures for March 31, 2017

	Operating Fund	Restricted Fund	Total 2018	Total 2017
Accumulated remeasurement gains (losses) at beginning of year	$ (6,814)	$ 300,375	$ 293,561	$ 158,288
Unrealized gains attributable to interest rate swap	6,814		$ 6,814	39,325
Unrealized loss attributable to endowment fund short term investment		(28,348)	$ (28,348)	95,948
Accumulated remeasurement gains (losses) at end of year	$ -	$ 272,027	$ 272,027	$ 293,561

See accompanying notes to financial statements.

The Conestoga College Institute of Technology and Advanced Learning ("Conestoga") was established pursuant to Ontario regulation 34/03 made under the Ontario Colleges of Applied Arts and Technology Act, 2002. Conestoga is an agency of the Crown and provides postsecondary, vocationally oriented education in the areas of applied arts, business, health sciences, and technology.

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

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.

BASIS OF PRESENTATION

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").

REVENUE RECOGNITION

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

Tuition fees are recorded over the term of the semester. Fees received for semesters commencing in a subsequent fiscal period are recorded as deferred revenue.

Contracted services and ancillary revenues including parking, bookstore, residence, and other sundry revenues 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 when received or receivable.

Externally restricted contributions and restricted investment income are recognized as revenue in the year in which the related expenses are incurred.

Restricted contributions for the purchase of depreciable capital assets are deferred and recognized as revenue over the useful life of the related asset.

Endowment contributions are recognized as direct increases in endowed net assets.

Restricted investment income that must be maintained as an endowment is credited to net assets. Unrestricted investment income is recognized as revenue when earned.

USE OF ESTIMATES

The preparation of the consolidated financial statements, in conformity with PSAB for Government NPOs 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. Areas of key estimation include determination of fair value for long-term investments, allowance for doubtful accounts, amortization of capital assets, amortization of deferred capital contributions, vacation pay accrual, determining liabilities for contaminated sites and actuarial estimation of post-employment benefits and compensated absences liabilities.

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 rate used in the determination of the above-mentioned liabilities is equal to Conestoga's internal rate of borrowing.

VALUATION OF INVENTORY

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis.

LONG TERM PLEDGES RECEIVABLE

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

CAPITAL ASSETS

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to Conestoga's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Any unamortized deferred capital contribution amount related to the capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Construction in progress costs are capitalized as incurred. They are transferred to various categories of capital assets and are amortized on a basis consistent with similar assets, once the assets are placed in service.

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated to be as follows:

Site Improvements	10 years
Buildings & building improvements	20 to 40 years
Furniture and Equipment	5 years
Information Technology	2 to 5 years
Leasehold improvements	5 years

VACATION PAY

Conestoga recognized vacation pay as an expense on the accrual basis.

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 of the appropriate fund.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

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.

Writedowns on the financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

2. FINANCIAL INSTRUMENTS CLASSIFICATION

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

			2018
	Fair Value	**Amortized Cost**	**Total**
Cash and short term deposits	$56,183,115		$56,183,115
Investments	22,433,040		22,433,040
Grants receivable		2,739,864	2,739,864
Accounts receivable		7,823,602	7,823,602
Pledges receivable		20,282,223	20,282,223
Accounts payable and accrued liabilities		26,337,634	26,337,634
Long term debt		30,458,140	30,458,140

			2017
	Fair Value	**Amortized Cost**	**Total**
Cash and short term deposits	$23,769,846		$23,769,846
Investments	30,225,732		30,225,732
Grants receivable		$3,816,057	3,816,057
Accounts receivable		7,547,580	7,547,580
Pledges receivable		21,419,305	21,419,305
Accounts payable and accrued liabilities		18,154,460	18,143,460
Long term debt		33,054,087	33,054,087
Interest rate swap	6,814		

Investments include an investment pooling arrangement and a non-redeemable short term 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 date (unobservable inputs).

				2018
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and short term deposits	$56,183,115			$56,183,115
Investments	19,330,430	$3,102,610		22,433,040
Total	$75,513,545	$3,102,610	-	$78,616,155

				2017
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and short term deposits	$23,769,846			$23,769,846
Investments	27,330,464	$2,895,268		30,225,732
Interest rate swap liability			$(6,814)	(6,814)
Total	$51,100,310	$2,895,268	$(6,814)	$53,988,764

3. PLEDGES RECEIVABLE

Pledges receivable includes corporate pledges of $0 (2017-$84,000) 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 $20,282,223 (2017-$21,363,305).

4. CAPITAL ASSETS

(a) Capital assets consist of the following

	Capital Costs	Accumulated Amortization	2018 Net Book Value
Land	$20,157,501	-	$20,157,501
Site Improvements	5,591,040	$5,104,805	486,235
Buildings	217,902,652	68,394,901	149,507,751
Furniture and Equipment	30,928,341	24,418,874	6,509,467
Information Technology	24,729,500	22,222,725	2,506,775
Other Assets	1,714,597	1,403,803	310,794
Construction in Process	38,670,919	-	38,670,919
	$339,694,550	$121,545,108	$218,149,442

	Capital Costs	Accumulated Amortization	2017 Net Book Value
Land	$20,157,501		$20,157,501
Site Improvements	5,591,040	$4,918,056	672,984
Buildings	217,902,652	63,171,641	154,731,011
Furniture and Equipment	31,784,915	24,245,911	7,539,004
Information Technology	24,149,804	21,513,466	2,636,338
Construction in Process	3,786,294	-	3,786,294
Other Assets	1,714,596	1,267,412	447,184
	$305,086,802	$115,116,486	$189,970,316

(b) Investment in Capital Assets

The net book value of capital assets is financed by:	**2018**	**2017**
Capital assets	$218,149,442	$189,970,316
Deferred capital contributions	(144,796,962)	(137,085,482)
Long term debt	(30,458,140)	(33,054,087)
Investment in capital assets ending balance	$42,894,340	$19,830,747

Excess of expenditure over revenue	**2018**	**2017**
Amortization of deferred capital contributions	$6,304,081	$6,569,100
Amortization of capital assets	(11,498,633)	(12,331,725)
Excess of expenditure over revenue for the year	($5,194,552)	($5,762,625)

5. LONG TERM DEBT

	2018	2017
Ontario government Residence Loan bearing interest at 3.511%. Repayable in May and November each year in a blended payment of $634,494, due May 4, 2027.	$10,175,917	$11,064,171
Student Life Building Loan, bearing interest at 5.34%. Repayable in blended monthly payments of $71,239, due on September 1, 2017.	-	489,916
Student Rec Centre Loan from Ontario Financing Authority bearing interest at 2.273%. Repayable in April and October each year in a blended payment of $849,795, due October 6, 2031.	20,282,223	21,500,000
	30,458,140	33,054,087
Less: Current Portion	2,165,328	2,595,947
	$28,292,812	$30,458,140

The Consolidated Statements of Revenue and Expenditure and Changes in Fund Balances include interest expense related to long term debt in the amount of $841,187 (2017-$680,884).

The estimated principal portion of long term debt payments are as follows.

2019	2,165,328
2020	2,226,377
2021	2,289,230
2022	2,353,944
Thereafter	21,423,261
Total	$30,458,140

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:

	2018	2017
Beginning balance	$1,536,168	$1,284,440
Add donations and grant received during year	763,352	873,347
Add interest earned on endowed and unspent funds	258,242	245,477
Less amounts recognized as revenue in the year	(767,354)	(867,096)
Ending Balance	$1,790,408	$1,536,168

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.

	Ministry Funded Grants	Other	2018	2017
Opening Balance	$104,896,618	$32,188,864	$137,085,482	$135,076,953
Deferred	13,897,131	118,430	14,015,561	8,835,186
Written Off	-	-	-	(257,557)
Amortization	(4,959,314)	(1,344,767)	(6,304,081)	(6,569,100)
Ending Balance	$113,834,435	$30,962,527	$144,796,962	$137,085,482

8. 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.

				2018
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$1,514,000	$5,047,000	$233,000	$6,794,000
Value of plan assets	(342,000)	0	0	(342,000)
Unamortized actuarial gains (losses)	21,000	(154,000)	7,000	(126,000)
Total liability	$1,193,000	$4,893,000	$240,000	$6,326,000

				2017
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$1,469,000	$5,103,000	$126,000	$6,698,000
Value of plan assets	(215,000)			(215,000)
Unamortized actuarial gains (losses)	54,000	(129,000)	157,000	82,000
Total liability	$1,308,000	$4,974,000	$283,000	$6,565,000

				2018
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	($96,000)	$273,000	$8,000	$185,000
Interest on accrued benefit obligation	2,000	98,000	5,000	105,000
Amortized actuarial (gains) losses	(12,000)	(4,000)	16,000	0
Total expense	($106,000)	$367,000	$29,000	$290,000

				2017
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$9,000	$274,000	$8,000	$291,000
Interest on accrued benefit obligation	2,000	73,000	3,000	78,000
Amortized actuarial (gains) losses	(11,000)	(92,000)	15,000	(88,000)
Total expense	$0	$255,000	$26,000	$281,000

Above amounts 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"). The Plan is a multi-employer and therefore Conestoga's contributions are accounted for as if the plan were a defined contribution plan with Conestoga's contributions being expensed in the period they come due. Any unfunded liability is to be paid directly by the Ministry of Advanced Education and Skills Development ("MAESD"). Contributions by Conestoga on account of current service pension costs amounted to $12,087,864 (2017-$11,878,913) and contributions by employees amounted to $12,087,864 (2017- $11,878,913). The most recent actuarial valuation filed with pension regulators as at January 1, 2017 indicated an actuarial surplus of $1.6 billion.

Benefit payment in the year was $519,000 and was $291,000 in 2017.

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, 2018 of the future benefits was determined using a discount rate of 2.60% (2017-2.00%)

b) Drug Costs

Drug costs were assumed to increase 8.00% per annum in 2018 (2017-8.25%), grading down to 4.0% per annum by 2034.

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.0% per annum in 2018 (2017-4.0%)

Medical premiums were assumed to increase 6.8% per annum in 2018 (2017-6.98%), grading down to 4.0% per annum by 2034.

d) Dental costs

Dental costs were assumed to increase at 4.0% per annum in 2018 (2017-4.0%).

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:

	2018	2017
Wage and salary escalation	0.00% - 2.0%	0.00% - 1.80%
Discount rate	2.60%	2.00%

The probability that the employee will use more sick days than the annual accrual is between 0% and 8.3%, varying for age groups from 20 and under to 65 and over. The maximum number of excess days used over the annual sick days entitlement is 48.0 days.

9. 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:

	Premises	Equipment	Total
2019	698,452	29,628	728,080
2020	694,768	12,573	707,341
2021	720,457	4,018	724,475
2022	526,008	0	526,008
2023-2028	2,549,819	0	2,549,819

10. 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.

11. FINANCIAL INSTRUMENTS RISK MANAGEMENT

CREDIT RISK

Accounts receivable and certain long-term pledges 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	$2,739,864	$2,739,864			
Pledges receivable	20,282,223	20,282,223			
Student receivables	1,894,540	559,270	352,965	555,905	426,400
Other receivables	6,324,883	5,964,321	176,500	153,510	30,552
Less: bad debt allowance	(395,821)				(395,821)
Net receivables	$30,845,689	$29,545,678	$529,465	$709,415	$61,131

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 at March 31, 2017 at 5.34%.

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.

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	$26,337,634		
Term debt	2,165,328	$11,779,308	$16,513,504

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.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Unaudited Schedule 1

Analysis of Operating Fund Revenue

Year Ended March 31, 2018, with comparative figures for 2017

	2018	2017
Grants and government contracts:		
Operating - basic and enrolment growth	57,960,447	58,041,134
Operating - second career	1,730,590	1,722,125
Operating - performance	894,050	894,050
Operating - supplementary	1,244,005	1,533,347
Operating - premise rental	218,316	215,672
Operating - per capita tax	689,850	714,225
Apprentice Related	7,420,143	7,394,903
Employment Services	4,169,586	5,085,558
Literacy Basic Skills	2,707,080	2,295,170
Disability Services	1,599,582	1,626,532
Special Bursaries	148,776	185,747
Other Ontario	2,842,798	2,941,858
Municipal Grants	388,627	486,984
Federal Grants	4,967,341	4,028,960
	86,981,191	87,166,265
Tuition:		
Full time post secondary programs	83,815,023	63,786,254
Part-time courses and seminars	6,762,496	7,030,480
Full fee recovery programs	582,636	547,746
Apprentice	1,053,484	914,715
Student assistance program	3,410,145	3,193,984
	95,623,784	75,473,179
Other student fees	18,086,373	16,567,128
Contracted Services	12,997,461	10,656,878
Other:		
Day care revenue	1,529,052	1,413,921
Ancillary operations	15,474,119	15,491,193
Miscellaneous revenue	4,878,767	4,724,478
	21,881,938	21,629,592
Amortization of deferred capital contributions:		
Grant	4,959,314	5,100,646
Other	1,344,767	1,468,454
	6,304,081	6,569,100
	$241,874,828	$218,062,142

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Unaudited Schedule 2

Analysis of Operating Fund Expenditure

Year Ended March 31, 2018, with comparative figures for March 31, 2017

	2018	2017
Salaries and Benefits		
Academic	52,387,827	55,157,686
Support	37,338,259	36,163,667
Administrative	22,809,587	21,168,130
Part Time Academic	26,832,652	22,883,408
Part Time Support	8,775,544	8,276,754
	148,143,869	143,649,645
Non Salary Expenses		
Student Related Expenses	14,774,258	12,749,220
Staff Related Expenses	4,920,005	4,610,492
Plant Related Expenses	12,299,700	14,652,017
Professional and Contract Fees	15,548,978	9,905,912
Other Expenses	8,210,066	7,313,145
Specifically Reimbursed Expenses	4,304,035	3,530,698
	60,057,042	52,761,484
Amortization of Capital Assets	11,498,633	12,331,725
Scholarships, Bursaries and Work-study	2,848,924	3,173,489
	$222,548,468	$211,916,343

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY
AND ADVANCED LEARNING

Unaudited Schedule 3

Analysis of Restricted Fund Balance

Year Ended March 31, 2018 with comparative figures for 2017

	Student Bursary/ Scholarship/ Loan	Union Employment Stability (Note 8)	Total 2018	Total 2017
Balance at beginning of year				
Available for student loans	$ 37,652		$ 37,652	$ 39,709
Available for Employment Stability Activities		$ 373,682	$ 373,682	$ 351,632
	37,652	373,682	411,334	391,341
Increase in fund balance arising from:				
Deferred contributions recognized as revenue				
Donation income	1,157,512		1,157,512	1,158,778
Investment income	258,718	5,267	263,985	249,610
College contribution		29,344	29,344	26,145
	1,416,230	34,611	1,450,841	1,434,533
Decrease in fund balance arising from:				
Deferred contributions	651,090		651,090	539,558
Bursaries and scholarships activities	767,353		767,353	867,097
Stability Fund activities		15,768	15,768	7,885
	1,418,443	15,768	1,434,211	1,414,540
Increase(Decrease) in fund for current year	(2,213)	18,843	16,630	19,993
Balance at end of year				
Available for student loans	35,439		35,439	37,652
Available for Employment Stability Activities		392,525	392,525	373,682
Restricted Fund	$ 35,439	$ 392,525	$ 427,964	$ 411,334