

Financial Statements of

**NORTHERN COLLEGE OF
APPLIED ARTS AND TECHNOLOGY**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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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, 2021
- 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, 2021, and its results of operations, its remeasurement gains and losses 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 horizontal line that starts under the "K" and ends under the "P", with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 8, 2021

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

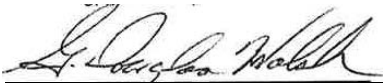
Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 119,229,168	\$ 119,424,385
Accounts receivable	1,501,991	2,209,363
Grants receivable	1,918,101	1,795,440
Inventories and prepaid expenses	332,487	328,048
Investments (note 2)	7,301,028	6,075,253
	130,282,775	129,832,489
Capital assets (note 3)	54,299,037	50,390,684
	\$ 184,581,812	\$ 180,223,173
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 50,546,804	\$ 62,807,809
Vacation and leave payable (note 5)	2,231,475	2,211,753
Deferred contributions (note 7)	15,087,360	20,115,126
	67,865,639	85,134,688
Employee future benefit (note 5)	1,252,000	1,248,000
Deferred capital contributions (note 8)	36,279,727	36,793,029
	105,397,366	123,175,717
Net assets (deficit):		
Unrestricted:		
Operating	5,152,979	4,433,225
Employment-related	(3,483,475)	(3,459,753)
Capital (note 9)	18,019,310	13,597,655
Restricted and endowment (schedule)	58,903,429	42,797,044
	78,592,243	57,368,171
Accumulated remeasurement gains (losses)	592,203	(320,715)
	79,184,446	57,047,456
Commitments (note 12)		
Contingency (note 14)		
Guarantees (note 15)		
	\$ 184,581,812	\$ 180,223,173

See accompanying notes to financial statements.

On behalf of the Board:



Chair, Board of Governors



Dr. Audrey J. Penner

President, Chief Executive Officer

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations and Changes in Net Assets (Deficit)

Year ended March 31, 2021, with comparative information for 2020

	Unrestricted		Equity in	Restricted	2021	2020
	Operating	Employment-	capital	and	Total	Total
	(Schedules)	related	assets	Endowment		
				(Schedule)		
Revenue:						
Grants	\$ 22,223,291	\$ -	\$ -	\$ -	\$ 22,223,291	\$ 22,296,543
Tuition fees	11,444,665	-	-	-	11,444,665	14,179,232
Ancillary	2,172,000	-	-	-	2,172,000	2,585,334
International programs and other	28,992,002	-	-	-	28,992,002	23,984,284
Amortization of deferred capital contributions (note 8)	-	-	2,385,095	-	2,385,095	2,171,975
Restricted	-	-	-	1,018,367	1,018,367	1,609,272
Investment income	3,681	-	-	1,442,015	1,445,696	1,358,892
	64,835,639	-	2,385,095	2,460,382	69,681,116	68,185,532
Expenses:						
Academic	24,286,071	-	-	-	24,286,071	25,376,341
Administration	5,811,088	-	-	-	5,811,088	5,513,724
Student services	6,349,949	-	-	-	6,349,949	6,915,923
Plant and property	2,462,319	-	-	-	2,462,319	2,373,798
Community services	481,069	-	-	-	481,069	588,779
Employment training programs	2,694,840	-	-	-	2,694,840	2,884,084
Ancillary	2,100,334	-	-	-	2,100,334	2,335,755
Amortization of capital assets	-	-	3,525,347	-	3,525,347	3,003,838
Restricted	-	-	-	865,305	865,305	617,730
Employee future benefits and vacation	-	23,722	-	-	23,722	(12,465)
	44,185,670	23,722	3,525,347	865,305	48,600,044	49,597,507
Excess (deficiency) of revenue over expenses	20,649,969	(23,722)	(1,140,252)	1,595,077	21,081,072	18,588,025
Net assets (deficit), beginning of year	4,433,225	(3,459,753)	13,597,655	42,797,044	57,368,171	38,712,200
Endowment contributions	-	-	-	143,000	143,000	67,946
Transfer of capital assets (note 9)	(930,215)	-	5,561,907	(4,631,692)	-	-
Transfer to restricted funds	(19,000,000)	-	-	19,000,000	-	-
Net assets (deficit), end of year	\$ 5,152,979	\$ (3,483,475)	\$ 18,019,310	\$ 58,903,429	\$ 78,592,243	\$ 57,368,171

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains and Losses

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Accumulated remeasurement gains (losses) at beginning of year	\$ (320,715)	\$ 233,717
Realized losses attributable to:		
Equity investments	(39,734)	(86,286)
Unrealized gains (losses) attributable to:		
Equity investments	952,652	(468,146)
Net remeasurement gains (losses) for the year	912,918	(554,432)
Accumulated remeasurement gains (losses) at end of year	\$ 592,203	\$ (320,715)

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 21,081,072	\$ 18,588,025
Adjustments for:		
Amortization of deferred capital contributions	(2,385,095)	(2,171,975)
Amortization of capital assets	3,525,347	3,003,838
Net remeasurement gain (losses) for the year	912,918	(554,432)
Increase (decrease) in employee future benefits	4,000	(65,000)
	23,138,242	18,800,456
Changes in non-cash working capital (note 13)	(11,661,011)	40,218,423
	11,477,231	59,018,879
Financing activities:		
Endowment contributions	143,000	67,946
Deferred contributions	(5,027,766)	10,459,130
	(4,884,766)	10,527,076
Capital activities:		
Purchase of capital assets	(7,433,700)	(5,968,055)
Deferred capital contributions	1,871,793	1,594,063
	(5,561,907)	(4,373,992)
Investing activities:		
Proceeds on disposition of investments	525,372	857,355
Purchase of investments	(1,751,147)	(610,316)
	(1,225,775)	247,039
Net increase (decrease) in cash	(195,217)	65,419,002
Cash, beginning of year	119,424,385	54,005,383
Cash, end of year	\$ 119,229,168	\$ 119,424,385

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

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, 2021

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 a member of the Colleges of Applied Arts and Technology ("CAAT") Pension Plan, which is a multi-employer, defined benefit plan. The College also provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental and non-vesting sick leave. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service. The most recent actuarial valuation of the benefit plans for funding purposes was as of January 1, 2020, and the next required valuation will be as of January 1, 2023. See note 10 for additional information.

The College 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. Adjustments 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 plan are the College's contributions due to the plan in the period.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

1. Significant accounting policies (continued):

(f) Employment-related obligations (continued):

(iii) The cost of 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 cost of short-term disability and other leaves is determined using management's best estimate of the length of the compensated absences.

(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.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

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

2. Investments:

	Fair Value Hierarchy	2021	2020
Bonds	Level 1	\$ 3,554,922	\$ 3,958,130
Canadian and foreign equities	Level 1	3,746,106	2,117,123
		\$ 7,301,028	\$ 6,075,253

Equities have been separated from bonds to reflect their fair value hierarchy. Unrealized gains (losses) are reflected in the statement of remeasurement gains and losses.

Included within the investments is \$5,715,884 (2020 - \$5,572,884) which are externally restricted for endowments as detailed in the Schedule of Continuity of Restricted and Endowment Funds.

The bonds have interest rates from 1.5% to 3.5% (2020 – 1.5% to 3.35%) and mature between June 2, 2024 and September 1, 2029 (2020 – September 5, 2021 and December 18, 2028).

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

3. Capital assets:

	Cost	Accumulated Amortization	2021 Net Book value	2020 Net Book Value
Land	\$ 369,570	\$ —	\$ 369,570	\$ 369,570
Buildings	66,507,870	30,538,679	35,969,191	37,279,814
Site improvements and betterments	14,929,834	1,611,072	13,318,762	8,723,568
Leasehold improvements	866,897	866,897	—	—
Furniture and equipment	30,157,922	25,516,408	4,641,514	4,017,732
	<u>\$ 112,832,093</u>	<u>\$ 58,533,056</u>	<u>\$ 54,299,037</u>	<u>\$ 50,390,684</u>

4. Accounts payable and accrued liabilities:

	2021	2020
Trade and other	\$ 50,047,855	\$ 62,297,838
Payroll related liabilities	498,949	509,971
	<u>\$ 50,546,804</u>	<u>\$ 62,807,809</u>

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

5. Employment related obligations:

	2021	2020
Vacation and leave payable	\$ 2,231,475	\$ 2,211,753
Non-pension post-employment obligations	\$ 330,000	\$ 306,000
Sick leave benefits - vesting	—	44,000
- non-vesting	922,000	898,000
	\$ 1,252,000	\$ 1,248,000

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

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 employee's illness or injury exceeds the current year's allocation of days. Sick leave is paid out at the salary in effect at the time of usage. The most recent actuarial valuation of these sick leave benefits was completed February 11, 2020 and the result of this valuation have been extrapolated to March 31, 2021. 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 entitlement:

	2021	2020
Non-vesting sick leave:		
Accrued benefit obligation	\$ 955,000	\$ 979,000
Unamortized actuarial loss	(33,000)	(81,000)
Total sick leave benefit entitlement liability	\$ 922,000	\$ 898,000

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

5. Employment related obligations (continued):

	2021	2020
Current service cost	\$ 95,000	\$ 33,000
Interest on accrued benefit obligation	16,000	12,000
Benefit payments	(109,000)	(49,000)
Unamortized actuarial (gains) losses	(26,000)	377,000
Sick leave benefit expense (recovery)	\$ (24,000)	\$ 373,000

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 26.2% (2020– 0% - 23.7%) and 0 to 51.0 days (2020 – 0 to 48.0 days) respectively for age groups ranging from 20 and under to 65 and over in bands of five years.

Other employee future benefits:

The College provides extended health care, dental insurance and life insurance benefits to certain of its employees under a multi-employer plan under CAAT. This coverage may be extended to the post-employment period. The most recent actuarial valuation of these employee future benefits was completed February 5, 2020 for the non-pension post-retirement plan and February 11, 2020 for the continuation of medical and dental benefits and the life waiver of premium benefit for employees currently on long-term disability. The results of these valuations have been extrapolated to March 31, 2021.

The related benefit liability was determined by independent actuaries on behalf of the college system as a whole. Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The College recognizes as expense for current services the amount of its required contribution in a given year and the change in the accrued benefit liability in the year.

The following tables outline the components of the College's employee future benefits liability and the related recovery:

	2021	2020
Accrued benefit obligations	\$ 389,000	\$ 352,000
Fair value of plan assets	(91,000)	(79,000)
Funded status – plan deficit	298,000	273,000
Unamortized actuarial loss	32,000	33,000
Employee future benefits liability	\$ 330,000	\$ 306,000

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

5. Employment related obligations (continued):

	2021	2020
Current service cost	\$ 2,000	\$ 2,000
Interest on accrued benefit obligation	1,000	1,000
Experience losses	39,000	18,000
Benefit payments	(2,000)	(3,000)
Amortized actuarial gains	(3,000)	(3,000)
Employee future benefits expense	\$ 37,000	\$ 15,000

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

	2021	2020
Discount rate	1.70%	1.60%
Dental benefit cost escalation	4.0%	4.0%
Medical benefits cost escalation:		
Hospital and other medical drugs	4.0%	4.0%
Drugs	6.42% decreasing To 4.0% in 2040	8.0% decreasing to 4.0% in 2040

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, 2021 (2020 - \$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, 2021

7. Deferred contributions:

	2021	2020
Student tuition fees	\$ 12,500,678	\$ 19,076,055
Externally restricted donations	107,125	73,191
Expenses for future periods	2,479,557	965,880
	<u>\$ 15,087,360</u>	<u>\$ 20,115,126</u>

Details of the continuity of these funds are as follows:

	2021	2020
Balance, beginning of year	\$ 20,115,126	\$ 9,655,996
Additional contributions received	14,458,905	19,465,879
Amounts taken into revenue	(19,486,671)	(9,006,749)
Balance, end of year	<u>\$ 15,087,360</u>	<u>\$ 20,115,126</u>

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:

	2021	2020
Balance, beginning of year	\$ 36,793,029	\$ 37,370,941
Additional contributions received	1,871,793	1,594,063
Amounts amortized into revenue	(2,385,095)	(2,171,975)
Balance, end of year	<u>\$ 36,279,727</u>	<u>\$ 36,793,029</u>

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

9. Capital fund:

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

	2021	2020
Capital assets	\$ 54,299,037	\$ 50,390,684
Amounts financed by:		
Unamortized deferred capital contributions	(36,279,727)	(36,793,029)
	\$ 18,019,310	\$ 13,597,655

b) Transfer for capital assets:

	2021	2020
Purchase of capital assets	\$ 7,433,700	\$ 5,968,055
Amounts funded by deferred capital contributions	(1,871,793)	(1,594,063)
	\$ 5,561,907	\$ 4,373,992

10. Pension plan:

Contributions made by the College during the year amounted to \$2,678,140 (2020 - \$2,551,102).

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, 2021

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 –340; 2020 - 274)	\$ 1,012,495	\$ 629,015	\$ 322,697	\$ 1,318,813
OSOTF II (Bursaries awarded – 81; 2020 -112)	234,648	135,381	56,947	313,083
OTSS (Bursaries awarded – 87; 2020 – 67)	465,238	233,798	57,094	641,942
Other (Bursaries awarded –21; 2020 – 19)	450,892	287,859	37,050	701,700
	\$ 2,163,273	\$ 1,286,053	\$ 473,788	\$ 2,975,538

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:

2022	\$ 476,225
2023	345,754
2024	153,199
2025	76,241
2026	62,860
	\$ 1,114,279

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

13. Changes in non-cash working capital:

	2021	2020
Decrease (increase) in accounts receivable	\$ 707,372	\$ (725,107)
Decrease (increase) in grants receivable	(122,661)	1,842,415
Increase in inventories and prepaid expenses	(4,439)	(144,442)
Increase (decrease) in accounts payable and accrued liabilities	(12,261,005)	39,193,022
Increase in vacation and leave payable	19,722	52,535
	<u>\$ (11,661,011)</u>	<u>\$ 40,218,423</u>

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, 2021

16. Risk management:

(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 credit risk relating to its cash, grants and accounts receivable and investments. 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 (2020 - \$300,000).

Accounts receivable are comprised of government, student receivables, the current portion of long-term receivables and other receivables. Student receivables are ultimately due from students, and credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population. Government receivables are ultimately due primarily from MCU, as well as other government entities, and credit risk is mitigated by the governmental nature of the funding source. Other receivables arise during the course of the College's normal operations and are due from a diverse customer base. The College measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the College's historical experience regarding collections.

Student and other receivables not impaired are collectible based on the College's assessment and past experience regarding collection rates. The maximum exposure to credit risk of the College at March 31, 2021 is the carrying value of these assets.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

16. Risk management (continued):

(a) Credit risk (continued):

The amounts outstanding at year end were as follows:

As at March 31, 2021	Current	31 - 60 days	60 - 90 days	91+ days	Total
Grants receivable	\$ 1,918,101	\$ –	\$ –	\$ –	\$ 1,918,101
Accounts receivable	1,099,211	306,165	237,101	234,152	1,876,629
Gross receivables	3,017,312	306,165	237,101	234,152	3,794,730
Impairment allowances	(17,272)	(99,458)	(129,389)	(128,519)	(374,638)
Net receivables	\$ 3,000,040	\$ 206,707	\$ 107,712	\$ 105,633	\$ 3,420,092

As at March 31, 2020	Current	31 - 60 days	60 - 90 days	91+ days	Total
Grants receivable	\$ 1,795,440	\$ –	\$ –	\$ –	\$ 1,795,440
Accounts receivable	1,649,744	653,685	199,247	92,331	2,595,007
Gross receivables	3,445,184	653,685	199,247	92,331	4,390,447
Impairment allowances	(65,313)	(109,948)	(140,923)	(69,460)	(385,644)
Net receivables	\$ 3,379,871	\$ 543,737	\$ 58,324	\$ 22,871	\$ 4,004,803

The maximum exposure to investment credit risk is outlined in note 2.

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

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

16. Risk management (continued):

(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 investment policies of the College operate within the constraints of the investment guidelines issued by the MCU. The policies' 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 College's exposure to market risk or its policies, procedures and methods used to measure the risk.

(i) Currency risk:

Currency risk arises from the College's operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The College does not have any material transactions or financial instruments denominated in foreign currencies.

(ii) 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 bond portfolio has interest rates ranging from 1.5% to 3.5% with maturities ranging from 2024 to 2029. At March 31, 2021, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of fixed income investments of \$32,076 (2020 - \$36,042.).

(ii) 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 mutual fund holdings within its investment portfolio. At March 31, 2021, a 10% movement in the stock markets, with all other variables held constant, would have an estimated effect on the fair values of the College's equity holdings of \$374,611 (2020 - \$211,712).

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

16. Risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the College will not be able to meet all of its 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. The College also maintains an unsecured line of credit with a Canadian chartered bank in the amount of \$1 million (2020 - \$1 million) to cover short-term funding needs. There was no balance outstanding on the line of credit at March 31, 2021 (2020 – \$Nil). Accounts payable are all current.

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

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

As at March 31, 2021	Within 6 months	6 – 12 months	1 – 5 years	5+ years	Total
Accounts payable	\$ 50,546,804	\$ –	\$ –	\$ –	\$ 50,546,804
Lease commitments	238,112	238,112	638,055	–	1,114,279
	\$ 50,784,916	\$ 238,112	\$ 638,055	\$ –	\$ 51,661,083

As at March 31, 2020	Within 6 months	6 – 12 months	1 – 5 years	5+ years	Total
Accounts payable	\$ 62,807,809	\$ –	\$ –	\$ –	\$ 62,807,809
Lease commitments	215,931	215,931	1,026,492	–	1,458,354
	\$ 63,023,740	\$ 215,931	\$ 1,026,492	\$ –	\$ 64,266,163

(d) Other risk:

The College's main sources of revenue are tuition fees and government operating grants. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The College halted all in-person activity and closed its facilities to staff and students and moved to an online education format in March 2020 based on recommendations from Public Health Ontario. In spring 2020, the College allowed for essential staff to return to campus and practical training to be completed in person. The College will continue to operate in this hybrid model with online program delivery and practical training until government and Ministry regulations allow a full return to campus.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

16. Risk management (continued):

(d) Other risk (continued):

In response to the adverse impact the pandemic has had on domestic and international tuition fee revenue, as well as ancillary revenue including residence and parking fees, the College has undertaken certain cost cutting measures. The Provincial government has provided financial relief in the form of grants totaling \$924,528 which has been included in revenue in the statement of operations. A further amount of \$282,958 has been approved and will be utilized by June 30, 2021.

The impact of COVID-19 is expected to negatively impact operations for a duration that cannot be reasonably predicted. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the College is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

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.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Continuity of Restricted and Endowment Funds

Year ended March 31, 2021

Restricted Funds

	Balance, March 31, 2020	Additions, transfers and Investment Income	Bursaries and other disbursements	Balance, March 31, 2021
Leaders of Tomorrow	\$ 202,979	\$ 115,296	\$ 27,000	\$ 291,275
Endowment income	1,960,294	1,170,757	446,788	2,684,263
Expendable funds	2,163,273	1,286,053	473,788	2,975,538
J.H. Drysdale Award	112,923	23,975	8,000	128,898
Other	3,960,693	5,377,730	383,547	8,954,876
Ancillary	6,702,465	2,272,624	1,512,859	7,462,230
Capital projects and operational initiatives	24,284,806	12,500,000	3,118,803	33,666,003
	\$ 37,224,160	\$ 21,460,382	\$ 5,496,997	\$ 53,187,545

Endowment Funds

	Balance, March 31, 2020	Additions	Transfers	Balance, March 31, 2021
OSOTF I	\$ 2,752,800	\$ -	\$ -	\$ 2,752,800
OSOTF II	592,475	-	-	592,475
OTSS	1,020,622	20,500	-	1,041,122
Other	1,206,987	122,500	-	1,329,487
	\$ 5,572,884	\$ 143,000	\$ -	\$ 5,715,884
Total restricted and endowment funds	\$ 42,797,044	21,603,382	5,496,997	\$ 58,903,429

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Fund Revenues

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Grants:		
Post secondary:		
General operating grant	\$ 5,571,161	\$ 4,193,921
International student recovery	(441,375)	(578,250)
Special support grants	8,251,474	8,530,165
Second Career / WSIB grants	165,521	235,744
Grant for municipal taxation	55,125	57,600
Premise rental grant	151,679	151,679
	13,753,585	12,590,859
Employment and literacy:		
Apprenticeship	715,966	1,089,292
Literacy and Basic Skills	2,416,669	2,404,658
Employment programs	3,000,281	3,142,740
	6,132,916	6,636,690
Special purpose grants:		
Indigenous projects	476,030	566,656
Capital support grants	185,340	19,889
Accessibility grants	210,913	275,832
Daycare	437,512	632,389
OSAP bursaries	82,779	146,459
Other	944,216	1,427,769
	2,336,790	3,068,994
	\$ 22,223,291	\$ 22,296,543
International programs and other:		
Daycare fees	\$ 62,417	\$ 109,451
Rents	199,992	199,992
Contract training	682,452	1,575,835
International programs	26,267,193	20,770,528
Other fees	678,881	950,956
Miscellaneous	1,101,067	377,522
	\$ 28,992,002	\$ 23,984,284

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Expenses by Cost Object

Year ended March 31, 2021, with comparative information for 2020

	Academic	Administration	Student Services	Plant and Property	Community Services	Employment Training Programs	Total 2021	Total 2020
Academic salaries	\$ 12,716,705	\$ -	\$ 40,234	\$ -	\$ -	\$ -	\$ 12,756,939	\$ 13,027,207
Administration salaries	1,206,713	2,078,075	355,170	91,902	-	236,273	3,968,133	3,560,525
Support salaries	2,973,167	1,304,585	2,553,332	733,427	344,834	1,371,015	9,280,360	9,539,976
Stipends and allowances	4,206	-	123,765	-	-	350,274	478,245	808,603
Fringe benefits	3,525,266	826,738	788,476	193,683	79,742	410,173	5,824,078	5,646,257
Instructional supplies	1,731,780	28,123	380,819	-	12,434	81,790	2,234,946	2,140,625
Field work	5,444	-	-	-	10,355	-	15,799	34,140
Staff employment	-	33,907	-	-	-	-	33,907	65,072
Professional development	4,388	31,570	7,903	-	-	4,048	47,909	78,124
Travel	31,433	6,077	89,485	4,585	-	151	131,731	513,357
Promotion and advertising	15,654	35,456	1,331,350	-	-	13,691	1,396,151	1,271,010
Equipment maintenance	18,031	-	-	127,452	-	-	145,483	88,676
Telecommunications	177,297	57,334	52	-	-	28,943	263,626	260,397
Office supplies	38,664	76,934	138,422	9,528	-	10,071	273,619	340,569
Janitorial	-	270,258	-	20,598	143	-	290,999	140,012
Facilities maintenance	-	-	-	193,248	1,561	-	194,809	243,859
Vehicle	-	-	-	1,236	-	-	1,236	1,003
Insurance	-	313,907	-	-	-	-	313,907	198,603
Bank charges and bad debts	113,147	79,845	59,728	-	-	-	252,720	53,890
Professional fees	8,394	273,300	85,196	49,213	2,000	500	418,603	667,334
Contracted services	1,335,094	364,172	364,804	86,724	-	-	2,150,794	3,238,403
Utilities	13,430	-	-	841,223	-	-	854,653	906,294
Municipal taxation	-	-	-	109,500	-	-	109,500	75,825
Rentals	367,258	30,807	31,213	-	30,000	187,911	647,189	752,888
	\$ 24,286,071	5,811,088	6,349,949	2,462,319	481,069	2,694,840	42,085,336	43,652,649
Ancillary expense							2,100,334	2,335,755
Total expenses							\$ 44,185,670	\$ 45,988,404

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Ancillary Revenue and Expenses

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Bookstore Operations		
Revenue	\$ 71,849	\$ 83,208
Operating expense	14,699	15,742
Excess of revenue over expense	\$ 57,150	\$ 67,466
Student Residence Operations		
Revenue:		
Rent	\$ 311,035	\$ 295,250
Service charges	22,455	36,194
	333,490	331,444
Expense:		
Operating	414,169	469,770
Deficiency of revenue over expense	\$ (80,679)	\$ (138,326)
Parking Grounds Operations		
Revenue	\$ -	\$ 122,715
Operating expense	79,904	133,093
Deficiency of revenue over expense	\$ (79,904)	\$ (10,378)
Ancillary Facilities Operations		
Revenue	\$ 1,766,661	\$ 2,047,967
Operating expense	1,591,562	1,717,150
Excess of revenue over expense	\$ 175,099	\$ 330,817