

Financial Statements of

**THE SAULT COLLEGE OF APPLIED
ARTS AND TECHNOLOGY**

Year ended March 31, 2020

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

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Year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Sault College of Applied Arts and Technologies (the "College"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- the statement of rereasurement gains (losses) for the year then ended
- and notes and schedule 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 College as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities 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 College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical 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



Emphasis of Matter – Restatement of Financial Statements

We draw attention to Note 19 to the financial statements which describes i) that the financial statements that we originally reported on June 25, 2020 have been amended, and ii) the matter that gives rise to the amendment of the financial statements.

Our opinion is not modified in respect of this matter.

Responsibilities 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the College'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 College or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 risks 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, intentional omissions, misrepresentations, or the override of internal controls.



- 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 purpose of expressing an opinion on the effectiveness of the College'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 events or conditions that may cast significant doubt on the College'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 College 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
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

June 25, 2020, except as to Note 19, which is at February 26, 2021

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2020, with comparative information for 2019

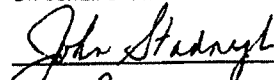

	2020 (as restated- note 19)	2019 (as restated- note 19)
Assets		
Current assets:		
Cash	\$ 26,105,613	\$ 25,543,820
Temporary investments (note 3)	33,892,726	13,692,689
Accounts receivable (note 2)	2,186,253	3,294,226
Grants and reimbursements receivable	4,857,166	7,410,657
Current portion of loan receivable (note 4)	185,286	179,253
Pledges receivable (note 7)	-	32,400
Inventory	5,569	5,892
Prepaid expenses	622,437	411,142
	<u>67,855,050</u>	<u>50,570,059</u>
Loan receivable (note 4)	1,974,949	2,160,235
Capital assets (note 5)	76,826,075	79,744,334
	<u>\$ 146,656,074</u>	<u>\$ 132,474,628</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,880,209	\$ 7,636,137
Accrued vacation pay	4,137,920	3,829,180
Deferred tuition fees	3,222,229	2,034,004
Deferred contributions for expenses of future periods (note 6)	21,958,142	11,991,900
Payable to the Ministry of Training , Colleges and Universities	382,232	48,088
Current portion of long-term debt (note 8)	431,663	832,341
	<u>39,012,395</u>	<u>26,371,650</u>
Long-term debt (note 8)	5,874,302	6,305,965
Deferred capital contributions (note 9)	65,189,264	68,636,197
Post-employment benefits and compensated absences (note 10)	1,784,000	1,880,000
	<u>111,859,961</u>	<u>103,193,812</u>
Net assets:		
Unrestricted	19,252,863	14,481,037
Invested in capital assets (note 12)	11,244,179	10,549,145
Internally restricted (note 13)	151,542	148,148
Restricted for student purposes and endowments	3,550,753	3,619,600
	<u>34,199,337</u>	<u>28,797,930</u>
Accumulated remeasurement gains	596,776	482,886
	<u>34,796,113</u>	<u>29,280,816</u>
Commitments and contingencies (note 15)		
Subsequent event (note 18)		
	<u>\$ 146,656,074</u>	<u>\$ 132,474,628</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Chair
 Treasurer

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

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

	2020 (as restated- note 19)	2019 (as restated- note 19)
Revenue (Schedule):		
Grants and reimbursements	\$ 37,836,013	\$ 45,885,468
Tuition fees	24,762,088	16,828,290
Ancillary operations	3,870,269	3,191,441
Other	5,669,507	4,408,479
Restricted for student purposes	1,796,925	1,486,239
Amortization of deferred capital contributions (note 9)	5,843,375	5,768,253
	<u>79,778,177</u>	<u>77,568,170</u>
Expenses:		
Salaries and benefits	45,734,484	41,810,437
Instructional supplies	2,087,462	1,752,412
Contracted services	7,648,613	5,482,415
Utilities, maintenance and taxes	3,752,884	3,860,511
Interest and bank charges	502,992	506,878
Travel and professional development	1,144,275	818,766
Training subsidies and allowances	1,088,406	1,166,817
Supplies and other expenses	2,475,390	2,026,638
Restricted for student purposes	416,625	211,768
Scholarships and bursaries	1,413,847	1,533,919
Amortization of capital assets	8,111,792	7,744,678
	<u>74,376,770</u>	<u>66,915,239</u>
Excess of revenue over expenses	\$ 5,401,407	\$ 10,652,931

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Net Assets

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

	Unrestricted (as restated- note 19)	Capital Assets	Invested in Internally Restricted	Restricted for Student Purposes and Endowments (as restated- note 19)	2020 Total (as restated- note 19)	2019 Total (as restated- note 19)
Balance, beginning of year, as previously reported	\$ 14,598,736	10,549,145	148,148	4,335,604	\$ 29,631,633	\$ 18,890,977
Adjustment to correct remeasurement gains/losses (note 19)	(117,699)	-	-	(716,004)	(833,703)	(745,978)
Balance, beginning of year, as restated	14,481,037	10,549,145	148,148	3,619,600	28,797,930	18,144,999
Excess (deficiency) of revenue over expenses	7,645,288	(2,268,419)	3,394	21,144	5,401,407	10,652,931
Invested in capital assets (note 12)	(2,873,462)	2,963,453	-	(89,991)	-	-
Balance, end of year	\$ 19,252,863	11,244,179	151,542	3,550,753	\$ 34,199,337	\$ 28,797,930

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

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

	2020 (as restated- note 19)	2019 (as restated- note 19)
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 5,401,407	\$ 10,652,931
Adjustments for:		
Amortization of deferred capital contributions	(5,843,375)	(5,768,253)
Amortization of capital assets	8,111,792	7,744,678
Net remeasurement gains for the year	113,890	176,182
	<u>7,783,714</u>	<u>12,805,538</u>
Changes in non-cash working capital:		
Accounts receivable	1,107,974	(1,251,705)
Grants and reimbursement receivable	2,553,491	(2,261,517)
Inventory	323	(764)
Prepaid expenses	(211,295)	(135,854)
Accounts payable and accrued liabilities	1,244,072	(1,313,361)
Accrual for vacation pay	308,740	81,720
Payable to Ministry of Training, Colleges and Universities	334,144	(123,332)
Deferred tuition fees	1,188,225	152,561
Deferred contributions related to expenses of future periods	9,966,242	9,315,565
Accrual for employee future benefits	(96,000)	(59,000)
	<u>24,179,630</u>	<u>17,209,851</u>
Financing activities:		
Receipt of pledges receivable	-	5,000
Receipt of loan receivable	179,253	173,416
Repayment of long-term debt	(832,341)	(696,834)
	<u>(653,088)</u>	<u>(518,418)</u>
Capital activities:		
Purchase of capital assets	(5,193,534)	(13,555,843)
Repayment of deferred capital contributions	-	(411,853)
Receipt of deferred capital contributions	2,428,842	6,196,761
	<u>(2,764,692)</u>	<u>(7,770,935)</u>
Net increase in cash and temporary investments	20,761,850	8,920,498
Cash and temporary investments, beginning of year	39,236,489	30,315,991
Cash and temporary investments, end of year	<u>\$ 59,998,339</u>	<u>\$ 39,236,489</u>

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains (Losses)

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

	2020	2019
	(as restated- note 19)	(as restated- note 19)
Accumulated remeasurement losses, beginning of year, as previously stated	\$ (350,817)	\$ (439,274)
<u>Adjustment to correct remeasurement gains/losses (note 19)</u>	<u>833,703</u>	<u>745,978</u>
Accumulated remeasurement gains, beginning of year, as restated	482,886	306,704
Unrealized gains attributable to: Temporary investments	110,997	203,196
Realized gain/(loss), reclassified to the statement of operations: Temporary investments: Designated fair value	2,893	(27,014)
Net remeasurement gains for the year	113,890	176,182
Accumulated remeasurement gains, end of year	\$ 596,776	482,886

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2020

The Sault College of Applied Arts and Technology (the "College") is a provincial community college offering educational programs and upgrading to the accessing communities. The College is considered a Non-profit Schedule III Agency of the Ontario provincial government. The College is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

1. Significant accounting policies:

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.

(a) Revenue recognition:

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

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 at the end of an accounting period are accrued.

Tuition fees and contract training revenues is recognized on the basis of teaching days incurred during the fiscal year.

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 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 for student purposes and the interest thereon are recognized as direct increases in net assets restricted for student purposes.

Sales and services revenue is recognized at the point of sale.

(b) Inventory:

Inventory is valued at the lower of cost and net realizable value.

(c) Vacation pay:

The College recognizes vacation pay as an expense on the accrual basis.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

Construction in progress is recorded as a capital asset but not amortized until construction is put into 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:

	Years
Buildings	40
Site improvements	10
Equipment	5
Major equipment	10
Vehicles	5
Furniture and fixtures	5
Computer equipment	5
Aircraft	10

(e) Retirement and post-employment benefits and compensated absences:

The College is a member of the Colleges of Applied Arts and Technology Pension Plan, which is a multi-employer, defined benefit plan.

The College also provides defined retirement and other post-employment benefits and compensated absences to certain employee groups. These benefits include health and dental, vesting sick leave and non-vesting sick leave. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method pro-rated on service. The most recent actuarial valuation of the benefit plans for funding purposes was as of January 31, 2017 for the health and dental, January 1, 2017 for the vesting sick leave and August 31, 2016 for non-vesting sick leave. 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 discounts 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 are the employer's contributions due to the plan in the period.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(e) Retirement and post-employment benefits and compensated absences (continued):

- (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 determinations of the above-mentioned liabilities is equal to the College's internal rate of borrowing.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all 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. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain or loss is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the 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 date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the collection of pledges receivable, the carrying amount of capital assets, and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Accounts receivable:

	2020	2019
Accounts receivable	\$ 2,524,470	\$ 3,701,900
Less allowance for doubtful accounts	(338,217)	(407,674)
	\$ 2,186,253	\$ 3,294,226

3. Temporary investments:

	Level	2020	2019
Assets at designated fair value			
Fixed income	1	\$ 33,169,322	\$ 7,960,932
Cash		723,404	5,731,737
		\$ 33,892,726	\$ 13,692,669

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2020. There were also no transfers in or out of Level 3.

Fixed income investments have interest rates from 1.60% to 6.50% (2019 - 1.88% to 5.90%) and mature between 2020 and 2048.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Loan receivable:

	2020	2019
Health and Wellness building – Sault College Student Union receivable	\$ 2,160,235	\$ 2,339,488
Current portion of long-term receivable	(185,286)	(179,253)
	<u>\$ 1,974,949</u>	<u>\$ 2,160,235</u>

Aggregate maturities of long-term receivable for each of the five years subsequent to March 31, 2020, are as follows; 2021 - \$185,286; 2022 - \$191,523, 2023 - \$197,969, 2024 - \$204,632, 2025 - \$211,520

The Sault College Student Union committed to a contribution totalling \$3,927,000 towards the construction of the College's Health and Wellness building. The loan has been guaranteed through the collections of the Student Building Trust Fund Ancillary fee. The terms of repayment are 15 years at an interest rate of 3.338%.

5. Capital assets:

2020	Cost	Accumulated amortization	Net book value
Land	\$ 1,020,817	\$ –	\$ 1,020,817
Buildings	83,752,522	39,204,478	44,548,044
Site improvements	33,879,422	10,867,951	23,011,471
Equipment	17,094,562	14,228,225	2,866,337
Vehicles	479,504	439,613	39,891
Furniture and fixtures	2,535,455	1,710,343	825,112
Computer equipment	22,277,387	18,332,472	3,944,915
Aircraft	3,556,118	3,188,822	367,296
Work-in-progress	202,192	–	202,192
	<u>\$ 164,797,979</u>	<u>\$ 87,971,904</u>	<u>\$ 76,826,075</u>

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

5. Capital assets (continued):

2019	Cost	Accumulated amortization	Net book value
Land	\$ 1,020,817	\$ —	\$ 1,020,817
Buildings	83,752,520	37,338,455	46,414,065
Site improvements	31,698,145	7,596,813	24,101,332
Equipment	15,514,828	13,587,020	1,927,808
Vehicles	480,504	420,780	59,724
Furniture and fixtures	2,184,580	1,452,060	732,520
Computer equipment	21,829,436	16,581,218	5,248,218
Aircraft	3,329,810	3,089,960	239,850
	\$ 159,810,640	\$ 80,066,306	\$ 79,744,334

6. Deferred contributions for expenses of future periods:

Deferred contribution consists of the following:

	2020	2019
Balance, beginning of year	\$ 11,991,900	\$ 2,676,335
Additional contributions received	22,452,873	12,587,510
Amounts taken into revenue	(12,486,631)	(3,271,945)
Balance, end of year	\$ 21,958,142	\$ 11,991,900

7. Pledges receivable:

	2020	2019
Inspiring Growth Capital Campaign pledges	\$ 32,400	\$ 682,400
Allowance for doubtful account	(32,400)	(650,000)
	\$ —	\$ 32,400

All pledges received during the year or receivable at year end are recorded as deferred contribution related to capital assets.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Long-term debt:

	2020	2019
3.338% term loan to Ontario Financing Authority, unsecured, payable \$127,931 semi-annually including interest, due October 31, 2029	\$ 2,160,236	\$ 2,339,489
1.856% term loan to Ontario Financing Authority, unsecured, payable \$210,349 semi-annually including interest, due October 31, 2019	—	414,915
3.420% term loan to Ontario Financing Authority, unsecured, payable \$192,934 semi-annually including interest, due April 18, 2033	4,145,729	4,383,902
	6,305,965	7,138,306
Current portion of long-term debt	(431,663)	(832,341)
	\$ 5,874,302	\$ 6,305,965

The scheduled principal amounts payable within the next five years and thereafter are as follows:

2021	\$ 431,663
2022	445,670
2023	461,919
2024	477,647
2025	493,630
Thereafter	3,995,436
	\$ 6,305,965

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Deferred capital contributions:

The balance of unamortized and unspent capital contributions related to capital assets consists of the following:

	2020	2019
Unamortized capital contributions used to purchase assets	\$ 64,931,896	\$ 68,780,274
Unspent contributions	289,768	505,923
Allowance for doubtful accounts capital pledges	(32,400)	(650,000)
	\$ 65,189,264	\$ 68,636,197

Deferred capital contributions represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2020	2019
Balance, beginning of year	\$ 68,636,197	\$ 68,619,542
Additional contributions received	2,428,842	6,196,761
Contributions repaid	–	(411,853)
Less amounts amortized to revenue	(5,843,375)	(5,768,253)
Less allowance for doubtful account capital pledge	(32,400)	–
Balance, end of year	\$ 65,189,264	\$ 68,636,197

10. Employee future benefits:

The employee benefit and other liabilities, reported on the statement of financial position, are made up of the following:

	2020	2019
Post-employment benefits	\$ 489,000	\$ 496,000
Non-vesting sick leave	1,252,000	1,260,000
Vesting sick leave	43,000	124,000
	\$ 1,784,000	\$ 1,880,000

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Employee future benefits (continued):

Information about the College's benefit plans is as follows:

	2020	2019
Accrued benefit obligation	\$ 2,066,000	\$ 1,960,000
Fair value of plan assets	(105,000)	(82,000)
Funded status – plan deficit	1,961,000	1,878,000
Unamortized actuarial gain/(loss)	(177,000)	2,000
Employee future benefit liability	\$ 1,784,000	\$ 1,880,000
Current service cost	\$ 81,000	\$ 77,000
Interest on accrued benefit obligation	32,000	42,000
Experienced gains (losses)	–	31,000
Benefit payments	(179,000)	(201,000)
Amortization of actuarial losses (gains)	(30,000)	(8,000)
Employee future benefit expense (recovery)	\$ (96,000)	\$ (59,000)

The unamortized actuarial loss is amortized over the expected average remaining service life.

Post-employment benefits:

The College extends the opportunity to acquire post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The College recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study on behalf of the Ontario College systems as a whole as at March 31, 2020.

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

(i) Discount rate:

The present value as at March 31, 2020 of the future benefits was determined using a discount rate of 1.60% (2019 – 2.20%).

(ii) Drug costs:

Drug costs were assumed to increase at a rate of 7.60% for 2020 (2019 – 7.80%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2040.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Employee future benefits (continued):

Post-employment benefits (continued):

(iii) Hospital and other medical:

Hospital and other medical costs were assumed to increase at 4.0% per annum in 2020 (2019 - 4.0%).

Medical premium increases were assumed to increase at 6.55% per annum in 2020 (2019 - 6.67%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2040.

(iv) Dental costs:

Dental costs were assumed to increase at 4.0% per annum in 2020 (2019 - 4.0%).

Compensated absences:

(i) Vesting sick leave:

The College 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 credit on termination or retirement to a maximum of 6 months' salary. The program to accumulate sick leave credits ceased for employees hired after March 31, 1991. The related benefit liability was determined by an actuarial valuation study on behalf of the Ontario College systems as a whole as at March 31, 2020.

(ii) Non-vesting sick leave:

The College allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that the employees' illness or injury exceeds the current year's allocation of days. Sick days are paid out at the salary in effect at the time of usage. The related benefit liability was determined by an actuarial valuation study on behalf of the Ontario College systems as a whole as at March 31, 2020.

11. Pension plan:

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 employees of the participating members of the CAAT. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the highest five consecutive years prior to retirement, termination or death. 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.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

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Notes to Financial Statements (continued)

Year ended March 31, 2020

11. Pension plan (continued):

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.

Under these arrangements, the College makes contributions equal to those of the employees. Contributions made by the College during the year amounted to approximately \$3,529,808 (2019 - \$3,348,586).

12. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2020	2019
Capital assets	\$ 76,826,075	\$ 79,744,334
Amounts financed by:		
Unamortized capital contributions used to purchase assets	(64,931,896)	(68,780,274)
Long-term debt (net of student receivable)	—	(414,915)
Write-off of uncollectible pledge	(650,000)	—
	\$ 11,244,179	\$ 10,549,145

(b) Change in net assets invested in capital assets is calculated as follows:

	2020	2019
Excess of revenues over expenses:		
Amortization of deferred capital contributions	\$ 5,843,375	\$ 5,768,253
Amortization of capital assets	(8,111,792)	(7,744,678)
	\$ (2,268,417)	\$ (1,976,425)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 5,193,534	\$ 13,555,843
Repayment of long-term debt (net of student receivable)	414,915	407,320
Amounts funded by:		
Deferred capital contributions	(2,644,996)	(12,624,515)
	\$ 2,963,453	\$ 1,338,648

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

13. Internally restricted net assets:

By resolution of the Board of Governors, accumulated appropriations from unrestricted net assets balance at March 31, 2020 have been made to the Joint Employment Stability Reserve Fund in the amount of \$151,540 (2019 - \$148,148).

14. Externally restricted net assets:

Externally restricted net assets include restricted donations received by the College where the endowment principal is required to be maintained intact. The investment income generated from these endowments must be used in accordance with the various purposes established by donors. The College ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Investment income on externally restricted endowments that was disbursed during the year has been recorded in the statement of operations since this income is available for disbursement as scholarships and bursaries and the donors' conditions have been met.

15. Commitments and contingencies:

The College is involved with pending litigation and claims which arise in the normal course of operations. In the opinion of the administration, a liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the College. Losses, if any, arising from these matters will be accounted for in the year in which they are resolved.

16. Financial instrument 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 with respect to the accounts receivable, cash and temporary investments.

The College assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the College at March 31, 2020 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the income statement. The balance of the allowance for doubtful accounts at March 31, 2020 is \$338,217 (2019 - \$407,674).

As at March 31, 2020, \$78,613 (2019 - \$153,310) of trade accounts receivable were past due greater than 90 days, but not impaired.

There have been no significant changes to the credit risk exposure from 2019.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

16. Financial instrument risk management (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the College will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The College manages its liquidity risk by monitoring its operating requirements. The College prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2019.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the College's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(i) Foreign exchange risk:

The College is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the College makes purchases denominated in U.S. dollars. The College does not currently enter into forward contracts to mitigate this risk. The College does not have any material transactions during the year or financial instruments denominated in foreign currencies at year end.

There have been no significant changes to the foreign exchange risk exposure from 2019.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the College to cash flow interest rate risk. The College is exposed to this risk through to its interest bearing investments.

The College's investments, including bonds and debentures, are disclosed in note 3.

There has been no change to the interest rate risk exposure from 2019.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

17. Endowment funds:

The following information outlines the activity 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. These amounts are reflected in the net assets restricted for student purposes.

Schedule of changes in Endowment Fund balances
Year ended March 31

	OSOTF I	OSOTF II	OTSS	2020 Total	2019 Total
Balance, beginning and end of year	\$ 664,172	\$ 331,340	\$ 2,346,515	\$ 3,342,027	\$ 3,342,027

Schedule of changes in expendable funds available for awards
Year ended March 31

	OSOTF I	OSOTF II	OTSS	2020 Total	2019 Total
Balance, beginning of year	\$ 508,103	\$ 43,941	\$ 507,457	\$ 1,059,501	\$ 633,034
Investment income net, of expenses	65,265	39,154	303,693	408,112	550,267
Bursaries awarded	(64,199)	(7,000)	(104,100)	(175,299)	(123,800)
Balance, end of year	\$ 509,169	\$ 76,095	\$ 707,050	\$ 1,292,314	\$ 1,059,501
Bursaries awarded #	107	7	145	259	300

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Notes to Financial Statements (continued)

Year ended March 31, 2020

18. Subsequent event:

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

On March 17, the College closed its campuses and learning sites and they remain closed to the date of the auditor’s report. The plan for continuing education throughout the summer semester offered by the College will be through online curriculum. The fall semester will be offered by the College will be through online or face-to-face curriculum, and will be determine based on the advice of government agencies. This could have implications on number of course offerings, enrollment and ancillary revenues.

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

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

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

19. Restatement of financial statements:

The March 31, 2020 financial statements were restated for a correction in an accounting error relating to the calculation of the remeasurement gain/losses on temporary investments and investment income. The 2020 financial information has been updated to correct for this error, as follows.

2020	As previously reported	Correction of error	As restated
Investment income	\$ 2,862,486	\$ (1,939,319)	\$ 923,167
Unrealized (losses)/gains attributable to temporary investments	(2,176,246)	2,287,243	110,997
Realized gain/(loss), reclassified to the statement of operations	350,817	347,924	2,893
Net assets, unrestricted	21,327,717	(2,074,854)	19,252,863
Net assets, restricted for student purposes and endowments	4,248,921	(698,168)	3,550,753
Accumulated remeasurement gains/(losses) end of year	(2,176,246)	2,773,022	596,776

Furthermore, as a result of correcting the 2020 financial statements as outlined in the table above, certain 2019 financial information has been restated to reflect the correction, as follows:

2019	As previously reported	Correction of error	As restated
Investment income	\$ 677,680	\$ (87,725)	\$ 589,955
Unrealized (losses)/gains attributable to temporary investments	(350,817)	554,014	203,197
Realized gain/(loss), reclassified to the statement of operations	439,274	466,288	(27,014)
Net assets, unrestricted	14,598,736	(117,699)	14,481,037
Net assets, restricted for student purposes and endowments	4,335,604	(716,004)	3,619,600
Accumulated remeasurement gains/(losses) beginning of year	(439,274)	745,977	306,703
Accumulated remeasurement gains/(losses) end of year	(350,817)	833,703	482,886

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Schedule of Revenue

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

	2020	2019
	(as restated- note 19)	(as restated- note 19)
Grants and reimbursements:		
Operating grant:		
General purpose	\$ 16,134,812	\$ 16,598,052
Special purpose	13,852,754	21,977,300
Apprentice training	1,409,319	1,409,732
Ontario training strategies	5,650,420	4,930,642
Other	788,708	969,742
	<hr/> 37,836,013	<hr/> 45,885,468
Tuition fees:		
Full-time post-secondary	23,575,206	15,350,545
Other	1,186,882	1,477,745
	<hr/> 24,762,088	<hr/> 16,828,290
Ancillary operations	<hr/> 3,870,269	<hr/> 3,191,441
Other:		
Contract educational services	490,547	550,993
Sale of course products and services	208,236	226,787
Investment Income	923,167	589,955
Recoveries	1,439,224	664,090
Miscellaneous	2,608,333	2,376,654
	<hr/> 5,669,507	<hr/> 4,408,479
Restricted for student purposes	1,796,925	1,486,239
Amortization of deferred contributions	5,843,375	5,768,253
	<hr/> \$ 79,778,177	<hr/> \$ 77,568,170