

Financial Statements of

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

March 31, 2019





Tel: 519-336-9900
Fax: 519-332-4828
www.bdo.ca

BDO Canada LLP
250 Christina Street North
Sarnia, ON N7T 7J7 Canada

Independent Auditor's Report

To the Board of Governors of The Lambton College of Applied Arts and Technology

Opinion

We have audited the financial statements of The Lambton College of Applied Arts and Technology (the College), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2019, and its financial performance 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our 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.

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

Management is responsible for the preparation and fair presentation of these 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.

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 these 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 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 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 auditor's 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 auditor's 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.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
June 6, 2019

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Table of Contents

For the year ended March 31, 2019

	<u>Page</u>
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 – 18
Analysis of Operating Revenue – Schedule 1	19

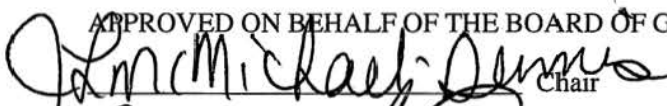
THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

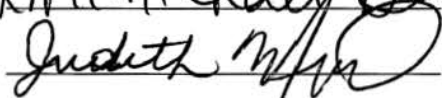
Statement of Financial Position

As at March 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 124,871,823	\$ 93,304,582
Grants receivable	6,165,649	11,570,477
Accounts receivable	19,127,125	29,316,287
Current portion of long-term receivable (Note 4)	269,523	-
Inventories	651,978	502,061
Prepaid expenses	600,843	315,497
	151,686,941	135,008,904
LONG-TERM RECEIVABLE (Note 4)	6,173,115	-
CAPITAL (Note 5)	107,292,974	88,662,527
	\$ 265,153,030	\$ 223,671,431
LIABILITIES		
CURRENT		
Accounts payable and accrued charges	\$ 52,590,645	\$ 38,206,039
Accrued payroll, vacation pay and employee deductions	2,699,364	3,393,257
Deferred revenue	46,478,623	56,850,095
Funds held in trust (Note 6)	2,328,731	2,269,487
Current portion of long-term obligations (Note 7)	583,255	549,616
	104,680,618	101,268,494
LONG-TERM OBLIGATIONS (Note 7)	7,783,578	8,370,567
POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (Note 8)	1,865,000	1,867,000
DEFERRED CAPITAL CONTRIBUTIONS (Note 9)	64,340,563	50,916,388
	178,669,759	162,422,449
NET ASSETS		
Unrestricted		
Operating	8,527,948	8,487,958
Post-employment benefits and compensated absences	(1,865,000)	(1,867,000)
Vacation pay	(2,028,621)	(2,109,401)
	4,634,327	4,511,557
Invested in capital assets (Note 10)	41,028,216	28,825,956
Internally restricted (Note 11)	36,684,674	23,839,091
Externally restricted (Note 12)	580,893	497,906
Endowment funds (Note 13)	3,555,161	3,574,472
	86,483,271	61,248,982
	\$ 265,153,030	\$ 223,671,431

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS


Chair


President

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

For the year ended March 31, 2019

	<u>2019</u>	<u>2018</u>
REVENUE - Schedule 1		
Grants and reimbursements	\$ 37,149,624	\$ 32,538,557
Student tuition	68,692,848	69,145,909
Ancillary operations	5,138,962	4,866,845
Other income	3,960,393	2,886,025
Amortization of deferred capital contributions	3,854,248	2,991,423
	<u>118,796,075</u>	<u>112,428,759</u>
EXPENDITURE		
Salaries and benefits	50,585,984	45,054,010
Academic	23,715,659	28,646,409
Student services	1,353,624	1,125,047
Administrative	2,440,421	2,304,694
Physical resources	4,993,988	3,559,786
Ancillary operations	4,113,798	4,087,707
Depreciation of capital assets	6,421,988	4,593,095
	<u>93,625,462</u>	<u>89,370,748</u>
EXCESS OF REVENUE OVER EXPENDITURE	<u>\$ 25,170,613</u>	<u>\$ 23,058,011</u>

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

Statement of Changes in Net Assets

For the year ended March 31, 2019

	Unrestricted	Invested in Capital Assets (Note 10)	Internally Restricted (Note 11)	Externally Restricted (Note 12)	Endowment Funds (Note 13)	2019 Total	2018 Total
BALANCE, BEGINNING OF YEAR	\$ 4,511,557	\$ 28,825,956	\$ 23,839,091	\$ 497,906	\$ 3,574,472	\$ 61,248,982	\$ 38,393,372
EXCESS OF REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	27,738,353	(2,567,740)	-	-	-	25,170,613	23,058,011
INVESTED IN CAPITAL ASSETS	(14,770,000)	14,770,000	-	-	-	-	-
APPROPRIATION	(12,845,583)	-	12,845,583	-	-	-	-
CHANGE IN EXTERNALLY RESTRICTED NET ASSETS	-	-	-	82,987	-	82,987	(237,298)
CHANGE IN ENDOWMENT FUNDS	-	-	-	-	(19,311)	(19,311)	34,897
BALANCE, END OF YEAR	\$ 4,634,327	\$ 41,028,216	\$ 36,684,674	\$ 580,893	\$ 3,555,161	\$ 86,483,271	\$ 61,248,982

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

For the year ended March 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenue over expenditure	\$ 25,170,613	\$ 23,058,011
Items not involving cash		
Depreciation	6,421,988	4,593,095
Amortization of deferred capital contributions	(3,854,248)	(2,991,423)
Post-employment benefits and compensated absences	(2,000)	(60,000)
	27,736,353	24,599,683
Changes in non-cash operating working capital items (Note 14)	18,537,212	(17,015,462)
	46,273,565	7,584,221
FINANCING ACTIVITIES		
Repayment of long-term obligations	(553,350)	(524,076)
CAPITAL		
Deferred capital contributions	10,678,423	23,506,550
Acquisition of capital assets	(25,052,435)	(41,513,192)
	(14,374,012)	(18,006,642)
INVESTING ACTIVITIES		
Collection of long-term receivable	157,362	-
Net cash provided to externally restricted funds	82,987	(237,298)
Net cash provided from endowment funds	(19,311)	34,897
	221,038	(202,401)
NET CHANGE IN CASH POSITION	31,567,241	(11,148,898)
Cash position, beginning of year	93,304,582	104,453,480
CASH POSITION, END OF YEAR	\$ 124,871,823	\$ 93,304,582

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2019

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The Lambton College of Applied Arts and Technology (“Lambton College”) was incorporated as a college in 1966 under the laws of the Province of Ontario. Lambton College is dedicated to providing high quality education and training as well as contributing to the social and economic well being of the community.

Lambton College is exempt from income taxes under Section 149 of the Income Tax Act.

Lambton College has an economic interest in The Lambton College Foundation. The Foundation was incorporated without share capital on March 29, 1994 under the Ontario Corporations Act. The operations of the Foundation are not included in these financial statements. The objectives of the Foundation are to promote interest in and awareness of Lambton College and to establish and administer funds for the support of students, research and development in the areas of curriculum and instruction, facilities and equipment and new initiatives.

2. ACCOUNTING POLICIES

The financial statements of Lambton College 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”) and include the following significant accounting policies:

Revenue recognition

Lambton College follows the deferral method of accounting for contributions, which includes donations and government grants. Deferred contributions are recognized as revenue in the year in which the related expenses are recognized. Other contributions are recognized as revenue when received or receivable.

Donations of assets are recorded at fair value when a fair value can be reasonably estimated. Endowment contributions are recognized as direct increases in net assets.

Revenue from student fees and from the sale of services and products is recognized at the time the products are delivered or the services provided.

Accrual accounting

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Vacation pay

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

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2019

2. ACCOUNTING POLICIES - continued

Retirement and post-employment benefits and compensated absences

Lambton College 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. Lambton College has adopted the following policies with respect to accounting for these employee benefits:

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.

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

The costs 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.

The discount rate used in the determination of the above-mentioned liabilities is equal to Lambton College's internal rate of borrowing.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in-first-out basis.

Capital assets

Capital assets are recorded at cost with the exception of donated assets which are recorded at their fair market value at the date of acquisition. Construction in progress is not amortized until the asset is placed into service. When a capital asset no longer contributes to Lambton College's ability to provide services, its carrying value is written down to its residual value. Depreciation is provided on a straight-line basis over the following periods:

Buildings	30 - 40 years
Site improvements	10 years
Leasehold improvements	5 years
Major equipment	10 years
Equipment and vehicles	5 years
Computer hardware	3 years

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2019

2. ACCOUNTING POLICIES - continued

Deferred capital contributions

Contributions received to fund capital asset acquisitions are deferred and amortized over the same term and on the same basis as the related capital asset.

Restricted funds

Restricted funds account for monies received for a specific purpose. The funds follow the restricted fund method of accounting for contributions.

Internally restricted funds (appropriations) represent allocations primarily relating to capital projects intended to be completed in future years.

Externally restricted funds represent contributions which are fully expendable for the stated purposes as defined by the fund providers.

Endowment funds

The endowment funds receive all revenue designated by the benefactors to be held in trust to generate income. Funds received from the Province of Ontario are held in Lambton College bank account and these values are not subject to market rate fluctuations. Income from these funds is to be used to fund projects meeting the guidelines provided by the funding body.

Management estimates

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Actual results could differ from these estimates. Areas of key estimation include determination of fair value for deferred revenues, allowance for doubtful accounts, amortization of capital assets, amortization of deferred capital contributions, vacation pay and actuarial estimation of post-employment benefits and compensated absences liabilities.

3. FINANCIAL INSTRUMENTS

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

Fair value

This category includes derivatives and equity instruments quoted in an active market. Lambton College has designated that cash is classified as fair value.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2019

3. FINANCIAL INSTRUMENTS- continued

Amortized cost

This category includes all accounts receivable, accounts payable and accrued charges, accrued payroll, vacation pay and employee deductions, funds held in trust, and long-term obligations. 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.

Write-downs on 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 write-down being recognized in the statement of operations.

Credit risk

Credit risk is the risk of financial loss to Lambton College if a debtor fails to make payments of interest and principal when due. Lambton College is exposed to this risk relating to its cash and accounts receivable. Lambton College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, Lambton College's cash accounts are insured up to \$100,000 (2018 - \$100,000).

Credit risk of student receivables is mitigated by financial approval processes before a student is enrolled.

Lambton College measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on Lambton College's historical experience regarding collections. The amounts outstanding at year end were as follows:

	Total	Current	Past Due		
			31-60 days	61-90 days	91 + days
Government receivables	\$ 6,986,663	\$ 6,986,663	\$ -	\$ -	\$ -
Student receivables	16,680,528	15,890,572	54,636	46,692	688,628
Other receivables	1,983,393	1,033,432	215,741	43,685	690,536
Gross receivables	25,650,584	23,910,667	270,377	90,377	1,379,164
Less: impairment allowance	(357,810)	-	-	-	(357,810)
Net receivables	\$ 25,292,774	\$ 23,910,667	\$ 270,377	\$ 90,377	\$ 1,021,354

Student receivables are impacted by increased enrolment through existing licensing agreements.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2019

3. FINANCIAL INSTRUMENTS - continued

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.

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.

Currency risk

Currency risk relates to Lambton College operating in foreign currencies and converting non-Canadian earnings at different points in time at different foreign exchange rates when adverse changes in foreign currency exchange rates occur. Lambton College does not have any material transactions or financial instruments denominated in foreign currencies.

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.

Lambton College is exposed to this risk through its long-term obligations.

At March 31, 2019, a 1% fluctuation in interest rates would have an estimated impact on interest expense related to Lambton College's bank loans of \$83,668.

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

Lambton College is not exposed to this risk as they do not have equity holdings in the current year.

Liquidity risk

Liquidity risk is the risk that Lambton College will not be able to meet all cash outflow obligations as they come due. Lambton College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting.

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

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2019

4. LONG-TERM RECEIVABLE

	<u>2019</u>	<u>2018</u>
Long-term receivable, 2.35%, due in equal, consecutive, blended, monthly instalments of \$34,837, due in Aug 2043	\$ 6,442,638	\$ -
Current portion	269,523	-
	<u>\$ 6,173,115</u>	<u>\$ -</u>

Principal amounts receivable in the next five years are as follows:

2020	\$ 269,523
2021	\$ 275,926
2022	\$ 282,480
2023	\$ 289,191
2024	\$ 296,060

By way of agreement, the Students Association of Lambton College (SAC) agreed to fund \$6.6 million of the capital cost of the Athletics & Fitness Complex through an increase in the compulsory student building fee over a term not to exceed 30 years. The interest rate charged on the balance receivable is equal to the College's bank deposit rate or 4%, whichever is less.

5. CAPITAL

	<u>2019</u>			<u>2018</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 3,859,213	\$ -	\$ 3,859,213	\$ 3,859,213
Buildings	120,343,850	34,324,410	86,019,440	32,179,274
Site and leasehold improvements	7,957,641	2,456,191	5,501,450	3,729,938
Major equipment, equipment and vehicles	20,350,988	10,199,417	10,151,571	6,282,829
Computer hardware	2,416,171	1,404,461	1,011,710	606,910
Construction in progress	749,590	-	749,590	42,004,363
	<u>\$155,677,453</u>	<u>\$ 48,384,479</u>	<u>\$107,292,974</u>	<u>\$ 88,662,527</u>

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2019

5 CAPITAL - continued

During the 2019 fiscal year Lambton College completed construction and opened the doors to its new NOVA Chemicals Health & Research Centre and Athletics & Fitness Complex. At a total cost of just under \$47 million this project was funded through federal and provincial governments, generous donors and an ongoing commitment from The Students Association of Lambton College.

6. FUNDS HELD IN TRUST

The funds held in trust are unsecured, due on demand, bear interest at the applicable bank rate plus 0.03% with an average rate in 2019 of 2.13% (2018 – average rate of 1.73%) and consist of the following:

	<u>2019</u>	<u>2018</u>
Due to The Lambton College Foundation	\$ 1,023,958	\$ 1,283,840
Due to The Students Association of Lambton College	1,304,773	985,647
	<u>\$ 2,328,731</u>	<u>\$ 2,269,487</u>

The Lambton College Foundation was created for the purpose of raising funds for capital and other purposes to assist the College to provide outstanding applied education. The Lambton College Foundation has transferred to Lambton College gift-in-kind equipment at fair market value of \$115,493 and cash of \$2,616,747 during the year (2018 – equipment of \$253,796 and cash of \$6,167,654). All transactions are recorded at fair value. The College provides office space, computer and other equipment, services of certain College departments and accounting and financial systems processes. The Foundation is not controlled and therefore is not consolidated in these financial statements.

During the year the student fees and building fees are collected on behalf of the Students Association and the balance of those fees are held by the College and payable to the Students Association.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2019

7. LONG-TERM OBLIGATIONS

	<u>2019</u>	<u>2018</u>
Demand loan, 6.20%, due in equal, consecutive, blended, monthly instalments of \$61,283, secured by land and building	\$ 5,023,104	\$ 5,403,083
Demand loan, prime, due in equal, consecutive, monthly instalments of \$2,414 plus interest	278,989	306,613
Demand loan, prime, due in equal, consecutive, monthly instalments of \$1,022 plus interest	174,666	187,982
Term loan, 5.22%, due in equal, consecutive, blended, monthly instalments of \$23,909, due in July 2033	2,890,074	3,022,505
	8,366,833	8,920,183
Current portion	583,255	549,616
	\$ 7,783,578	\$ 8,370,567

Principal amounts due in the next five years are as follows:

2020	\$ 583,255
2021	\$ 615,024
2022	\$ 648,540
2023	\$ 684,017
2024	\$ 720,672

The long-term obligation is secured by land and building with a net book value of \$10,059,784 (2018 - \$10,485,504).

Lambton College has an operating line of credit with its bankers which is due on demand and bears interest at prime less 0.75%. As at March 31, 2019 the balance was \$NIL.

Interest expense incurred on long-term obligations has been recorded as an expense in Academic and Ancillary operations expenditure. These payments amounted to \$536,822 (2018 - \$568,608).

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2019

8. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY

The following tables outline the components of Lambton College's post-employment benefits and compensated absences liabilities and related expenditure.

	2019			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 496,000	\$ 1,406,000	\$ 48,000	\$ 1,950,000
Value of plan assets	(85,000)	-	-	(85,000)
	\$ 411,000	\$ 1,406,000	\$ 48,000	\$ 1,865,000

	2018			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 482,000	\$ 1,421,000	\$ 62,000	\$ 1,965,000
Value of plan assets	(98,000)	-	-	(98,000)
	\$ 384,000	\$ 1,421,000	\$ 62,000	\$ 1,867,000

	2019			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expenditure
Current year benefits cost	\$ 27,000	\$ (15,000)	\$ (14,000)	\$ (2,000)
Interest on accrued benefits obligation	1,000	-	-	1,000
Amortized actuarial losses	(1,000)	-	-	(1,000)
	\$ 27,000	\$ (15,000)	\$ (14,000)	\$ (2,000)

	2018			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expenditure
Current year benefits cost	\$ (29,000)	\$ (23,000)	\$ (7,000)	\$ (59,000)
Interest on accrued benefits obligation	1,000	-	-	1,000
Amortized actuarial losses	(2,000)	-	-	(2,000)
	\$ (30,000)	\$ (23,000)	\$ (7,000)	\$ (60,000)

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2019

8. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY - continued

These 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

Substantially all employees of Lambton College are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), which is a multi-employer jointly sponsored defined benefit plan for eligible employees of public colleges and related employers in Ontario. Other than regular full time employees may elect to join the Plan on or at any time after their date of hire. Lambton 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. Lambton College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify Lambton College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2019 indicated an actuarial surplus of \$2.6 billion. Lambton College made contributions to the Plan and its associated retirement compensation arrangement of \$4,090,622 (2018 - \$3,694,300), which has been included in the statement of revenue and expenditure.

Post-employment benefits

Lambton College extends post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. Lambton 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 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, 2019 of the future benefits was determined using a discount rate of 2.2% (2018 – 2.6%).

b) Drug costs

Drug costs were assumed to increase at 8.0% per annum in 2018 and decrease proportionately thereafter to an ultimate rate of 4% in 2040.

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4% per annum (2018 – 4%).

Medical premium increases were assumed to increase at 6.8% per annum until 2018 and decrease proportionately thereafter to an ultimate rate of 4% in 2040.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2019

8. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY - continued

d) Dental costs

Dental costs were assumed to increase at 4% per annum in 2019 (2018 - 4%).

Compensated absences

Vesting sick leave

Lambton 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 commissioned by the College Employer Council.

Non-vesting sick leave

Lambton 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 commissioned by the College Employer Council.

The assumptions used in the valuation of vesting and non-vesting sick leave are actuarial best estimates of expected rates of:

	<u>2019</u>	<u>2018</u>
Wage and salary escalation	0.5 – 2.0%	0.5 – 2.0%
Discount rate	2.2%	2.6%

The probability that an employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 23.7% and 0 to 48 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2019

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received to fund the purchase of capital assets. The amortization of the deferred capital contributions is recorded as revenue in the statement of revenue and expenditure. Changes in the deferred capital contributions balance are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 50,916,388	\$ 30,401,261
Contributions received or receivable for capital purposes	17,278,423	23,506,550
Amortization of deferred capital contributions	(3,854,248)	(2,991,423)
Balance, end of year	\$ 64,340,563	\$ 50,916,388

10. INVESTED IN CAPITAL ASSETS

a. Change in net assets invested in capital assets is calculated as follows:

Excess of expenditure over revenue		
Amortization of deferred contributions related to capital assets	\$ 3,854,248	\$ 2,991,423
Depreciation of capital assets	(6,421,988)	(4,593,095)
	\$ (2,567,740)	\$ (1,601,672)

b. Net investment in capital assets:

Capital assets acquired	\$ 25,052,435	\$ 41,513,192
Repayment of long-term obligations related to capital assets	553,350	524,076
Addition to long-term receivable	6,600,000	-
Long-term receivable payment received	(157,362)	-
Amounts funded by deferred capital contributions	(17,278,423)	(23,506,550)
	\$ 14,770,000	\$ 18,530,718

c. Net assets invested in capital assets are represented by:

Capital assets, net book value	\$107,292,974	\$ 88,662,527
Less:		
Deferred capital contributions	64,340,563	50,916,388
Long-term receivable	(6,442,638)	-
Long-term obligations related to capital assets	8,366,833	8,920,183
	66,264,758	59,836,571
Net assets invested in capital assets	\$ 41,028,216	\$ 28,825,956

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2019

11. NET ASSETS INTERNALLY RESTRICTED

Internally restricted net assets are funds committed for specific purposes which represent allocations primarily related to major capital additions and other campus renewal projects intended to be completed in future years.

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Transfers, Adjustments, Disbursements</u>	<u>Balance, End of Year</u>
Appropriations	\$ 23,839,091	\$ 27,054,731	\$ 14,209,148	\$ 36,684,674

12. NET ASSETS EXTERNALLY RESTRICTED

Externally restricted net assets are funds committed for specific purposes as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Transfers, Adjustments, Disbursements</u>	<u>Balance, End of Year</u>
Bursaries and awards	\$ 123,843	\$ 107,151	\$ 75,986	\$ 155,008
Financial assistance fund	19,460	925,900	910,962	34,398
Employment Stability Fund	70,412	1,471	-	71,883
Conferences and external projects	284,191	1,797,323	1,761,910	319,604
	<u>\$ 497,906</u>	<u>\$ 2,831,845</u>	<u>\$ 2,748,858</u>	<u>\$ 580,893</u>

13. NET ASSETS ENDOWMENT FUNDS

The endowment funds are funds committed for specific purposes as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Transfers, Adjustments, Disbursements</u>	<u>Balance, End of Year</u>
OSOTF and OTSS	\$ 3,498,117	\$ 84,420	\$ 104,030	\$ 3,478,507
Other scholarships and bursaries	76,355	1,599	1,300	76,654
	<u>\$ 3,574,472</u>	<u>\$ 86,019</u>	<u>\$ 105,330</u>	<u>\$ 3,555,161</u>

Endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund (OSOTF) and the Ontario Trust for Student Success (OTSS). Under these programs, the government matched funds raised by Lambton College to be maintained as endowment principal. The purpose of these programs is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend a post-secondary institution.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2019

13. NET ASSETS ENDOWMENT FUNDS - continued

	<u>OSOTF</u>	<u>OSOTF II</u>	<u>OTSS</u>	<u>Other</u>	<u>Total</u>
<i>Changes in Endowment Fund Balances</i>					
Fund balances, beginning of year	\$ 1,071,656	\$ 139,544	\$ 1,889,768	\$ 57,500	\$ 3,158,468
Cash donations	-	-	10,000	-	10,000
Fund balances, end of year	1,071,656	139,544	1,899,768	57,500	3,168,468
<i>Changes in Expendable Funds Available for Awards</i>					
Fund balances, beginning of year	129,351	9,815	257,983	18,855	416,004
Expendable donations	1,951	-	-	-	1,951
Investment income	24,735	3,115	44,619	1,599	74,068
Bursaries awarded	(63,933)	(2,200)	(37,897)	(1,300)	(105,330)
Fund balances, end of year	92,104	10,730	264,705	19,154	386,693
Total endowment fund balances and market value	\$ 1,163,760	\$ 150,274	\$ 2,164,473	\$ 76,654	\$ 3,555,161
Awards issued in 2019	64	3	43	116	226

14. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	<u>2019</u>	<u>2018</u>
Grants receivable	\$ 5,404,828	\$ (8,586,137)
Accounts receivable	10,189,162	(8,160,805)
Inventories	(149,917)	57,091
Prepaid expenses	(285,346)	(48,665)
Accounts payable and accrued charges	13,690,713	(22,756,463)
Deferred revenue	(10,371,472)	26,454,925
Funds held in trust	59,244	(3,975,408)
	\$ 18,537,212	\$(17,015,462)

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Operating Revenue

For the year ended March 31, 2019

Schedule 1

	<u>2019</u>	<u>2018</u>
GRANTS AND REIMBURSEMENTS		
Basic operating and supplemental grants	\$ 24,329,527	\$ 23,029,412
Apprentice training	887,555	630,443
Municipal taxes	187,575	190,125
Capital support grants	888,210	85,802
Employment Services	2,711,299	2,553,434
Literacy and Basic Skills	543,582	527,129
Bursaries	67,777	68,679
Other provincial grants	3,345,044	3,497,237
Federal grants	3,240,078	1,695,663
Municipal grants	948,977	260,633
	37,149,624	32,538,557
STUDENT TUITION		
Full-time	9,190,818	8,425,962
Part-time	1,500,868	1,386,095
Contract education	4,639,342	4,170,289
International education	49,277,967	51,649,014
Sundry fees	4,083,853	3,514,549
	68,692,848	69,145,909
ANCILLARY OPERATIONS		
Campus Shop	3,171,712	3,042,727
Parking	535,031	555,240
Residence and Event Centre	1,432,219	1,268,878
	5,138,962	4,866,845
OTHER INCOME		
Other sources	3,511,640	2,513,778
Donations from The Lambton College Foundation	448,753	372,247
	3,960,393	2,886,025
AMORTIZATION OF DEFERRED CAPITAL CONTRIBUTIONS		
	3,854,248	2,991,423
	\$ 118,796,075	\$ 112,428,759