Financial Statements of

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year ended March 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Sir Sandford Fleming
College of Applied Arts and Technology

We have audited the accompanying financial statements of Sir Sandford Fleming College of Applied Arts and Technology, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in net assets, cash flows and remeasurement gains and losses for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sir Sandford Fleming College of Applied Arts and Technology as at March 31, 2018, and its results of operations, its changes in net assets, its cash flows and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 23, 2018
Vaughan, Canada

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 25,443,420	$ 16,608,693
Short-term investments (note 3)	18,183,912	7,501,482
Ministry of Advanced Education and Skills Development receivables	5,432,774	5,616,688
Accounts receivable	5,192,954	3,361,339
Inventory and prepaid expenses	1,668,560	1,355,169
	55,921,620	34,443,371
Restricted investments for endowments, bursaries and other (notes 2 and 3)	9,422,108	9,285,937
Capital assets (note 4)	112,934,801	103,492,220
	$ 178,278,529	$ 147,221,528

	2018	2017

Liabilities, Deferred Contributions and Net Assets

	2018	2017
Current liabilities:		
Accounts payable and accrued liabilities	$ 24,304,714	$ 12,292,522
Accrued payroll and employee benefits	10,882,523	9,197,989
Ministry of Advanced Education and Skills Development grants received in excess of entitlements	1,853,951	649,234
Deferred revenue	17,079,339	10,714,260
Current portion of long-term debt (note 6)	1,020,263	985,751
	55,140,790	33,839,756
Long-term debt (note 6)	10,045,119	11,065,382
Deferred derivative liability (note 6)	92,000	149,000
Post-employment benefits and compensated absences (note 7)	3,910,000	4,079,000
	14,047,119	15,293,382
Deferred contributions:		
Bursaries and other	2,919,913	2,815,028
Deferred capital contributions (note 5)	79,835,306	76,839,280
	82,755,219	79,654,308
Net assets:		
Invested in capital assets (note 8)	22,876,747	17,429,333
Internally restricted (note 14)	926,000	675,000
Unrestricted net assets:		
Operating	5,359,459	3,740,840
Post-employment benefits and compensated absences	(3,910,000)	(4,079,000)
Vacation pay accrual	(5,327,000)	(5,654,000)
	(3,877,541)	(5,992,160)
Accumulated remeasurement losses	(92,000)	(149,000)
Restricted for endowment	6,502,195	6,470,909
	26,335,401	18,434,082
Commitments (note 15)		
Subsequent event (note 15)		
	$ 178,278,529	$ 147,221,528

See accompanying notes to financial statements.

On behalf of the Board of Governors:

____________________________ Chair of the Board of Governors

____________________________ President

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Ministry of Advanced Education and Skills Development grants and reimbursements	$ 51,748,274	$ 51,791,158
Student tuition	45,328,043	34,314,200
Other (note 9)	19,159,851	16,281,414
Ancillary operations	5,595,360	5,593,399
Amortization of deferred capital contributions (note 5)	4,103,755	5,000,995
	125,935,283	112,981,166
Expenditures:		
Salaries	59,356,680	57,626,730
Benefits	12,642,505	12,214,308
Contract services and other	11,218,501	8,170,519
Instructional support	9,274,691	6,889,109
Amortization of capital assets	6,331,126	6,793,714
Plant and security	5,023,418	3,257,231
Utilities	3,574,948	3,089,126
Telephone, legal and audit	2,882,706	1,907,102
Bursaries	2,346,498	2,955,869
Travel and professional development	1,536,052	1,199,656
Rental and taxes	1,054,039	1,056,024
Advertising	1,030,205	1,025,962
Other	744,356	883,256
Equipment maintenance	715,460	724,448
Interest on long-term debt	391,065	424,377
	118,122,250	108,217,431
Excess of revenue over expenditures	$ 7,813,033	$ 4,763,735

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	Invested in capital assets (note 8(a))	Internally restricted (note 14)	Restricted for endowment	Unrestricted	Accumulated remeasurement gains (losses)	2018 Total	2017 Total
Net assets, beginning of year	$ 17,429,333	$ 675,000	$ 6,470,909	$ (5,992,160)	$ (149,000)	$ 18,434,082	$ 14,003,299
Excess of revenue over expenditures (note 8(b))	(2,230,000)	–	–	10,043,033	–	7,813,033	4,763,735
Endowment contributions	–	–	31,286	–	–	31,286	11,298
Net change in investment in capital assets (note 8(b))	7,677,414	–	–	(7,677,414)	–	–	–
Interfund transfer	–	251,000	–	(251,000)	–	–	–
Disposal of donated land	–	–	–	–	–	–	(396,250)
Remeasurement gains	–	–	–	–	57,000	57,000	52,000
Net assets, end of year	$ 22,876,747	$ 926,000	$ 6,502,195	$ (3,877,541)	$ (92,000)	$ 26,335,401	$ 18,434,082

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	$ 7,813,033	$ 4,763,735
Items not involving cash:		
Amortization of capital assets	6,331,126	6,793,714
Amortization of deferred capital contributions	(4,103,755)	(5,000,995)
Loss on disposal of capital assets	2,629	591,229
Donation of capital assets	(40,000)	(86,536)
	10,003,033	7,061,147
Accruals for post-employment benefits and compensated absences	(169,000)	(154,000)
Change in non-cash operating working capital:		
Ministry of Advanced Education and Skills Development receivables	183,914	(1,155,283)
Accounts receivable	(1,831,615)	539,718
Inventory and prepaid expenses	(313,391)	(382,340)
Accounts payable and accrued liabilities	12,012,192	4,835,401
Accrued payroll and employee benefits	1,684,534	(1,738,472)
Ministry of Advanced Education and Skills Development grants received in excess of entitlements	1,204,717	78,488
Deferred revenue	6,365,079	3,261,020
	29,139,463	12,345,679
Capital activities:		
Deferred capital contributions	7,099,781	5,427,040
Purchase of capital assets	(15,819,762)	(5,077,960)
Proceeds on disposal of capital assets	83,426	2,961
	(8,636,555)	352,041
Financing activities:		
Deferred contributions, bursaries and other	104,885	103,011
Endowment contributions	31,286	11,298
Principal payments on long-term debt	(985,751)	(954,167)
	(849,580)	(839,858)

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows (continued)

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Investing activities:		
Invested in short-term investments, net	(10,682,430)	(105,515)
Increase in restricted investments for endowments, bursaries and other	(136,171)	(114,309)
	(10,818,601)	(219,824)
Increase in cash	8,834,727	11,638,038
Cash, beginning of year	16,608,693	4,970,655
Cash, end of year	$ 25,443,420	$ 16,608,693
Supplemental cash flow information:		
Interest paid	$ 391,065	$ 424,377
Interest received	506,978	717,399

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains and Losses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Accumulated remeasurement losses, beginning of year	$ (149,000)	$ (201,000)
Unrealized gain on swap derivatives	57,000	52,000
Accumulated remeasurement losses, end of year	$ (92,000)	$ (149,000)

See accompanying notes to financial statements.

Sir Sandford Fleming College of Applied Arts and Technology (the "College") was established as a corporation without share capital, as set out in the Ontario Colleges of Applied Arts and Technology Act. The Corporations Act governs the corporate affairs of the College and became effective April 1, 2003. The College is principally involved in providing post-secondary educational services. Under the Income Tax Act (Canada), the College is considered a registered charity and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements are the representation of management and have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations ("Government NPOs"), including the 4200 Series of Standards, as issued by the Public Sector Accounting Board ("PSAB").

(b) Revenue recognition:

The College follows the deferral method of accounting for contributions and other revenues. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases to net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Other revenues are recognized when received or receivable and the amount can be reasonably estimated and collection is assured.

The College defers the portion of the revenue related to the delivery of programs and courses that takes place after March 31.

1. Significant accounting policies (continued):

(c) Library books:

Library book purchases are recorded as an operating expenditure at the time of purchase.

(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 expenditures. Betterments which extend the estimated life of an asset are capitalized. Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2-1/2%
Site improvements	10%
Furniture and equipment	20%
Computer equipment	33-1/3%
Residence furniture	6-2/3%
Fibre optic system	5%
Enterprise Resource Planning System	14%
Leasehold improvements	Over term of lease
Sport and Wellness Centre	Over term of the land lease
Sports fields	5%

Construction in progress is not amortized until the related asset is available for use.

1. Significant accounting policies (continued):

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

The 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, non-vesting sick leave and compensated absences. 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 are the employer's contributions due to the plan in the period.

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

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

(v) The cost of compensated absences is determined using management's best estimate of the length of the compensated absences.

1. Significant accounting policies (continued):

(f) Financial instruments:

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

(i) Fair value:

This category includes derivatives and equity instruments quoted in an active market. The College has elected to continue carrying its bond portfolio that would otherwise be classified into the amortized cost category at fair value as the College reports performance of it on a fair value basis. They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations for unrestricted financial instruments. Changes in fair value on restricted assets are recognized as a liability until the criteria attached to the restriction has been met.

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

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

1. Significant accounting policies (continued):

(ii) Amortized cost:

This category includes accounts receivable, Ministry of Advanced Education and Skills Development ("MAESD"), previously known as Ministry of Training, Colleges and Universities ("MTCU"), receivables, accounts payable and accrued liabilities, accrued payroll and employee benefits, MAESD grants received in excess of entitlements and long-term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

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

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.

(g) Inventory:

Inventory is valued at the lower of cost, on a first-in, first-out basis, and replacement cost.

(h) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

(i) an environmental standard exists;

(ii) contamination exceeds the environmental standard;

1. Significant accounting policies (continued):

(iii) the organization is directly responsible or accepts responsibility for the liability;

(iv) future economic benefits will be given up; and

(v) a reasonable estimate of the liability can be made.

(i) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the statement of operations and the unrealized balances are transferred from the statement of remeasurement gains and losses.

(j) Capital donations:

The College records in-kind capital donations if a charitable tax receipt for income taxes is issued. Other in-kind donations are not recorded in the financial statements.

(k) 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 date of the financial statements and the reported amounts of revenue and expenditures during the year. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Board of Governors ("Board") may undertake in the future. Significant accounting estimates include allowance for doubtful accounts, actuarial estimates of post-employment benefits and compensated absences, liability for contaminated sites and estimated useful lives of capital assets. Actual results could differ from those estimates.

2. Restricted investments for endowments, bursaries and other:

Investments in the amount of $9,422,108 (2017 - $9,285,937) are restricted as to use and are not available for general operations. Fair value is described in note 1.

3. Financial instrument classification:

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

2018	Fair value	Amortized cost	Total
Cash	$ 25,443,420	$ –	$ 25,443,420
Short-term investments	18,183,912	–	18,183,912
MAESD receivables	–	5,432,774	5,432,774
Accounts receivable	–	5,192,954	5,192,954
Restricted investments for endowments, bursaries and other	9,422,108	–	9,422,108
Accounts payable and accrued liabilities	–	(24,304,714)	(24,304,714)
Accrued payroll and employee benefits	–	(10,882,523)	(10,882,523)
MAESD grants received in excess of entitlements	–	(1,853,951)	(1,853,951)
Long-term debt	–	(11,065,382)	(11,065,382)
Deferred derivative liability	(92,000)	–	(92,000)
	$ 52,957,440	$ (37,480,842)	$ 15,476,598

3. Financial instrument classification (continued):

2017	Fair value	Amortized cost	Total
Cash	$ 16,608,693	$ –	$ 16,608,693
Short-term investments	7,501,482	–	7,501,482
MAESD receivables	–	5,616,688	5,616,688
Accounts receivable	–	3,361,339	3,361,339
Restricted investments for endowments, bursaries and other	9,285,937	–	9,285,937
Accounts payable and accrued liabilities	–	(12,292,522)	(12,292,522)
Accrued payroll and employee benefits	–	(9,197,989)	(9,197,989)
MAESD grants received in excess of entitlements	–	(649,234)	(649,234)
Long-term debt	–	(12,051,133)	(12,051,133)
Deferred derivative liability	(149,000)	–	(149,000)
	$ 33,247,112	$ (25,212,851)	$ 8,034,261

Short-term investments and restricted investments for endowment, bursaries and other consist of equity instruments in Canadian public companies, government and corporate bonds and guaranteed investment certificates.

	Level	2018	2017
Money market	1	$ 380,679	$ 217,368
Fixed income	1	24,850,626	14,036,700
Canadian equity	1	2,374,715	2,533,351
		$ 27,606,020	$ 16,787,419

3. Financial instrument classification (continued):

Maturity profile of bonds held is as follows:

2018	Within 1 year	2 - 5 years	6 - 10 years	Over 10 years	Total
Carrying value	$ –	$ 1,278,941	$ 248,701	$ –	$ 1,527,642
Percentage of total	–	84	16	–	100

2017	Within 1 year	2 - 5 years	6 - 10 years	Over 10 years	Total
Carrying value	$ 624,558	$ 842,693	$ 289,466	$ 21,257	$ 1,777,974
Percentage of total	35	48	16	1	100

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

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

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

- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. Financial instrument classification (continued):

All cash, short-term investments and restricted investments for endowments, bursaries and other are classified as Level 1 financial instruments. The deferred derivative liability is classified as a Level 3 financial instrument.

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2018 and 2017. There were also no transfers in or out of Level 3. For a sensitivity analysis of financial instruments recognized in Level 3, see note 10 - interest rate risk, as the prevailing interest rate is the most significant input into the fair value of the instrument.

4. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 2,083,687	$ –	$ 2,083,687	$ 2,083,687
Buildings	151,331,932	53,155,562	98,176,370	89,622,822
Site improvements	5,128,864	3,999,324	1,129,540	1,387,400
Furniture and equipment	28,704,443	23,378,608	5,325,835	4,286,904
Computer equipment	8,028,419	6,347,882	1,680,537	1,290,248
Residence furniture	1,086,301	1,086,301	–	–
Fibre optic system	1,560,459	1,048,786	511,673	589,696
Enterprise Resource Planning System	4,014,447	3,928,806	85,641	104,939
Leasehold improvements	654,285	654,285	–	–
Sport and Wellness Centre	2,470,079	632,249	1,837,830	1,887,280
Sports fields	2,711,111	607,423	2,103,688	2,239,244
	$ 207,774,027	$ 94,839,226	$ 112,934,801	$ 103,492,220

4. Capital assets (continued):

The total capital asset additions purchased and donated during the year was $15,859,762 (2017 - $5,164,496). MAESD contributed $3,513,752 (2017 - $2,295,328), other provincial funding nil (2017 - nil), the federal government $5,278,688 (2017 - $328,880), municipal governments nil (2017 - $433,333), private companies $40,000 (2017 - $86,536), fundraising $252,234 (2017 - $118,879) and internal funds $6,775,088 (2017 - $1,901,540).

Included in buildings and site improvements is capital in progress in the amount of $12,580,564 (2017 - $2,372,329) and nil (2017 - $129,281), respectively.

5. Deferred capital contributions:

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

	2018	2017
Balance, beginning of year	$ 76,839,280	$ 76,413,235
Less amounts amortized to revenue	4,103,755	5,000,995
	72,735,525	71,412,240
Contributions received for capital purposes	7,099,781	5,427,040
Balance, end of year	$ 79,835,306	$ 76,839,280

As at March 31, 2018, there was $842,634 (2017 - $2,827,526) of deferred capital contributions received that were not spent.

6. Long-term debt:

	2018	2017
Brealey Student residence loan, payable $630,940 semi-annually, including interest at 3.218%, due July 2027, secured by specific property	$ 10,258,382	$ 11,168,133
Less principal repayments due within one year	939,263	909,751
	9,319,119	10,258,382
The Peterborough Sport and Wellness Centre loan payable, secured by specific property	807,000	883,000
Less principal repayments due within one year	81,000	76,000
	726,000	807,000
	$ 10,045,119	$ 11,065,382

6. Long-term debt (continued):

The College has entered into an interest rate swap for The Peterborough Sport and Wellness Centre. The fair value of the interest rate swap has been recorded as a deferred derivative liability.

The fair value of the interest rate swap has been determined using Level 3 of the fair value hierarchy. The fair value of the interest rate swap is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The Peterborough Sport and Wellness Centre swap has a notional value of $1,500,000, whereby that portion of the loan payable is fixed at 5.49%, inclusive of the stamping fee. Principal repayments are due quarterly with the swap agreement expiring on June 13, 2026. The fair value of the swap liability is $92,000 (2017 - $149,000).

The principal repayments due on long-term debt in the next five years and thereafter are as follows:

2019	$ 1,020,263
2020	1,054,731
2021	1,090,188
2022	1,127,666
2023	1,166,197
Thereafter	5,606,337
	$ 11,065,382

7. Post-employment benefits and compensated absences liability:

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

	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Compensated absences	2018 Total liability	2017 Total liability
Accrued employee future benefits obligations	$ 716,000	$ 2,588,000	$ 81,000	$ 232,000	$ 3,617,000	$ 4,231,000
Value of plan assets	(157,000)	–	–	–	(157,000)	(99,000)
Unamortized actuarial gains (losses)	58,000	191,000	201,000	–	450,000	(53,000)
	$ 617,000	$ 2,779,000	$ 282,000	$ 232,000	$ 3,910,000	$ 4,079,000

7. Post-employment benefits and compensated absences liability (continued):

					2018	2017
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Compensated absences	Total expense	Total expense
Current year benefit costs	$ (49,000)	$ 140,000	$ 3,000	$ 232,000	$ 326,000	$ 410,000
Interest on accrued benefit obligation	1,000	50,000	2,000	–	53,000	52,000
Amortized actuarial gains	(7,000)	(2,000)	37,000	–	28,000	12,000
	$ (55,000)	$ 188,000	$ 42,000	$ 232,000	$ 407,000	$ 474,000

7. Post-employment benefits and compensated absences liability (continued):

Above amounts exclude pension contributions to the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), a multi-employer plan, described below:

(a) Retirement benefits:

Full-time employees of the College are members of the Plan, which is a multi-employer jointly sponsored defined benefit plan for eligible employees of public colleges and other employers in Ontario. Other than regular full-time employees may elect to join the Plan on or any time after their date of hire. 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 assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2018 indicated an actuarial surplus of $2,300,000,000. The College made contributions to the Plan of $5,835,162 (2017 - $5,851,883), which has been included in the statement of operations.

The College makes contributions to the Retirement Compensation Arrangement ("RCA") triple the qualifying employee contributions. In 2018, the College's contributions to RCA amounted to $67,035 (2017 - $70,706), and has been included in the statement of operations.

7. Post-employment benefits and compensated absences liability (continued):

(b) Post-employment benefits:

The College extends 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 commissioned by the College Employer Council.

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

(i) Discount rate:

The present value, as at March 31, 2018, of the future benefits was determined using a discount rate of 2.60% (2017 - 2.00%).

(ii) Drug costs:

Drug costs were assumed to increase at a 8.0% rate for 2018 (2017 - 8.25%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034 for fiscal 2018 (2017 - 4.0% in 2034).

(iii) Hospital and other medical:

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

Medical premium increases were assumed to increase at 6.24% per annum in 2018 (2017 - 6.98%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034 for fiscal 2018 (2017 - 4.0% in 2034).

(iv) Dental costs:

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

7. Post-employment benefits and compensated absences liability (continued):

(c) 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 commissioned by the College Employer Council.

(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 commissioned by the College Employer Council.

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

	2018	2017
Wage and salary escalation	1.50% - 2.00%	0.50% - 1.50%
Discount rate	2.60%	2.00%

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 0.0% to 23.7% and nil to 48 days, respectively, for age groups ranging from 20 and under to 65 and over in bands of five years.

8. Net assets invested in capital assets:

(a) Net assets invested in capital assets represent the following:

	2018	2017
Capital assets, at cost (note 4)	$ 207,774,027	$ 192,395,033
Accumulated amortization (note 4)	(94,839,226)	(88,902,813)
Long-term debt:		
Long-term portion (note 6)	(10,045,119)	(11,065,382)
Current portion (note 6)	(1,020,263)	(985,751)
Deferred contributions related to capital assets (note 5)	(78,992,672)	(74,011,754)
Balance, end of year	$ 22,876,747	$ 17,429,333

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

	2018	2017
Excess (deficiency) of revenue over expenditures:		
Amortization of deferred capital contributions	$ 4,103,755	$ 5,000,995
Amortization of capital assets	(6,331,126)	(6,793,714)
Loss on disposal of capital assets	(2,629)	(591,229)
	$ (2,230,000)	$ (2,383,948)
Net change in investment in capital assets:		
Donated and purchased capital assets	$ 15,859,762	$ 5,164,496
Amounts funded by deferred capital contributions	(9,084,673)	(3,262,956)
Repayment of debt	985,751	954,167
Proceeds on disposal	(83,426)	(2,961)
	$ 7,677,414	$ 2,852,746

9. Investment income:

Included in other revenue is investment income earned, which comprises:

	2018	2017
Unrestricted resources	$ 478,510	$ 190,445
Endowment and restricted funds	28,468	526,954
	$ 506,978	$ 717,399

10. Financial instrument and risk management:

(a) Credit risk:

Credit risk is the risk of financial loss to the College if a debtor fails to make payments of interest and principal when due. The College is exposed to this risk relating to its cash, debt holdings in its investment portfolio and accounts receivable. The College holds its cash accounts with federally regulated chartered banks which are insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up to $200,000 (2017 - $200,000).

The College's investment policy operates within the constraints of the investment guidelines issued by MAESD and puts limits on the bond portfolio, including portfolio composition, issuer type, bond quality, aggregate issuer, corporate sector and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis. The guidelines permit the College's funds to be invested in government bonds, bank listed as schedule I or II or a branch in Canada of an authorized foreign bank under the Bank Act. Externally restricted and endowment funds, which are generally money and donations for scholarships and bursaries, can be invested in corporate bonds with a credit rating of A(R-1) or better. All other College funds are restricted to corporate bonds with a rating of AAA.

10. Financial instrument and risk management (continued):

The maximum exposure to investment credit risk is outlined in note 3.

Student receivables are ultimately due from students. Credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population.

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. The maximum exposure to credit risk from receivables of the College at March 31, 2018 is the carrying value of these assets.

	2018	2017
MAESD receivables	$ 5,432,774	$ 5,616,688
Student receivables	411,324	372,961
Other receivables	5,093,630	3,260,378
	10,937,728	9,250,027
Less allowance for doubtful accounts	312,000	272,000
	$ 10,625,728	$ 8,978,027

Student receivables not impaired are collectible based on the College's assessment and past experience regarding collection rates.

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

10. Financial instrument and 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 College's investment policy operates within the constraints of the investment guidelines issued by MAESD. The policy's application is monitored by management, the investment managers and the Board. Diversification techniques are utilized to minimize risk. The policy sets limits and the maximum amount allowable per investment grade non-government fixed income issue at the greater of 15% of the total portfolio or 20% of the fixed income portfolio.

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

(i) Currency risk:

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

10. Financial instrument and risk management (continued):

(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 and long-term debt.

The College mitigates interest rate risk on its long-term debt through a derivative financial instrument that exchanges the variable rate inherent in the long-term debt for a fixed rate (note 6). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

The College's bond portfolio has interest rates ranging from 1.60% to 4.27% (2017 - 1.40% to 4.27%) with maturities ranging from April 9, 2018 to November 22, 2027 (2017 - May 1, 2017 to November 22, 2027).

At March 31, 2018, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of bonds and the interest rate swap of $46,400 and $34,300, respectively. The College's long-term debt, as described in note 6, would not be impacted as the inherent variable rate of the debt has been fixed with the use of the aforementioned derivative interest rate swap.

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

10. Financial instrument and risk management (continued):

(iii) 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 equity holdings within its investment portfolio. At March 31, 2018, 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 equities of $237,000 (2017 - $253,000).

(c) Liquidity risk:

Liquidity risk is the risk that the College will not be able to meet all 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 following table sets out the contractual maturities (representing undiscounted contractual cash flows of financial liabilities):

	Within 6 months	6 months to 1 year	1 - 5 years	Greater than 5 years
Accounts payable and accrued liabilities	$ 21,865,690	$ 2,439,024	$ –	$ –
Accrued payroll and employee benefits	10,668,523	88,000	126,000	–
Long-term debt	505,884	514,379	4,438,782	5,606,337

10. Financial instrument and risk management (continued):

Derivative financial liabilities mature as described in note 6.

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

11. Ontario Student Opportunity Trust Funds:

Net assets restricted for endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund Phase 1 and Phase 2 ("OSOTF") matching program to award student aid as a result of raising an equal amount of endowed donations.

The College has recorded the following amounts under the OSOTF programs:

(a) OSOTF - Phase 1:

Schedule of changes in endowment fund balance:

	2018	2017
Fund balance, beginning of year	$ 1,418,383	$ 1,418,348
Preservation of capital	37	35
Fund balance, end of year	$ 1,418,420	$ 1,418,383

11. Ontario Student Opportunity Trust Funds (continued):

Schedule of changes in expendable funds available for awards:

	2018		2017	
	Market	Cost	Market	Cost
Balance, beginning of year	$ 313,572	$ 194,477	$ 246,997	$ 205,441
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	727	62,245	117,555	40,016
Bursaries awarded (2018 - 67; 2017 - 66)	(56,260)	(56,260)	(50,980)	(50,980)
Balance, end of year	$ 258,039	$ 200,462	$ 313,572	$ 194,477

(b) OSOTF - Phase 2:

Schedule of changes in endowment fund balance:

	2018	2017
Fund balance, beginning of year	$ 473,667	$ 473,596
Preservation of capital	74	71
Fund balance, end of year	$ 473,741	$ 473,667

11. Ontario Student Opportunity Trust Funds (continued):

Schedule of changes in expendable funds available for awards:

	2018		2017	
	Market	Cost	Market	Cost
Balance, beginning of year	$ 90,019	$ 54,920	$ 65,593	$ 55,328
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	2,791	19,276	37,376	12,542
Bursaries awarded (2018 - 13; 2017 - 13)	(15,150)	(15,150)	(12,950)	(12,950)
Balance, end of year	$ 77,660	$ 59,046	$ 90,019	$ 54,920

12. Ontario Trust for Student Support:

Net assets restricted for endowments include monies provided by the Government of Ontario from the Ontario Trust for Student Support matching program to award student aid.

Schedule of changes in endowment fund balances during the year:

	2018	2017
Fund balance, beginning of year	$ 3,813,048	$ 3,813,032
Preservation of capital	16	16
Fund balance, end of year	$ 3,813,064	$ 3,813,048

12. Ontario Trust for Student Support (continued):

Schedule of changes in expendable funds available for awards:

	2018		2017	
	Market	Cost	Market	Cost
Balance, beginning of year	$ 512,517	$ 229,771	$ 340,597	$ 239,731
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	9,492	146,780	282,260	100,380
Bursaries awarded (2018 - 149; 2017 - 150)	(110,265)	(110,265)	(110,340)	(110,340)
Balance, end of year	$ 411,744	$ 266,286	$ 512,517	$ 229,771

13. Fleming College Foundation:

Fleming College Foundation (the "Foundation") was established to raise funds for the use of the College. The Foundation was incorporated under the Corporations Act (Ontario) and is a registered charity under the Income Tax Act (Canada).

As defined by the Chartered Professional Accountants of Canada PSAB accounting recommendations for Government NPOs, the College controls the Foundation operations in that they have common board members controlling both entities. The majority of fundraising has been carried out by the College since April 1, 2011.

The Foundation's financial statements have not been consolidated in the College's financial statements. Separate financial statements of the Foundation are available upon request.

13. Fleming College Foundation (continued):

Financial summaries of the Foundation as at and for the year ended March 31 are as follows:

	2018	2017
Financial position		
Total assets	$ 5,223	$ 5,223
Total liabilities	5,223	5,223
Fund balances	$ –	$ –
Results of operations		
Total revenue	$ 30,681	$ 35,002
Total expenses	5,223	5,223
Transfers to Fleming College	25,458	29,779
Excess of expenditures over revenue	$ –	$ –

The net resources of the Foundation amount to nil (2017 - nil).

14. Internally restricted net assets:

	2018	2017
Residence and other direct student services	$ 886,000	$ 645,000
Sports Field Capital Reserve Fund	40,000	30,000

Internally restricted net assets represent funds restricted by Board motion for the purpose of residence and other direct student services, as well as capital repairs and improvements to the sports field complex. Board approval is required for expenditures.

14. Internally restricted net assets (continued):

On May 23, 2018, the Board approved a transfer of $241,000 from unrestricted to internally restricted net assets for the purpose of residence and other direct student services. The balance now represents funds available for future reinvestment.

A further transfer of $10,000 from unrestricted to internally restricted net assets was approved for the purpose of capital repairs and improvements to the sports field complex.

15. Commitments:

The College is committed to the following operating lease payments in each of the following years:

2019	$ 695,699
2020	373,426
2021	337,931
2022	163,675
2023	156,197

The College is renovating the "A" Wing of the Sutherland Campus. In 2018, the College entered into an agreement with a construction company. The total cost including change orders at March 31, 2018 totalled $12,535,873 and incurred costs amounted to $8,605,023 resulting in a remaining balance of $3,930,850. The construction is expected to be substantially completed in fiscal 2018/19 and 66% is funded by the Federal Government and MAESD combined.

The College is renovating and expanding the GeoCentre & Environmental Sciences area at the Frost Campus. In 2018, the College entered into an agreement with a construction company. The total cost including change orders at March 31, 2018 totalled $3,908,282 and incurred costs amounted to $2,322,870 resulting in a remaining balance of $1,585,412. The construction is expected to be substantially completed in fiscal 2018/19 and 50% will be funded by the Federal Government.

15. Commitments (continued):

In 2018, the College entered into an agreement for architectural services for the design and contract administration for the installation of a geothermal system, at a total cost of $918,746. At March 31, 2018, there have not been any costs incurred. The project is expected to be completed by March 31, 2019 and is funded by MAESD.

16. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.