

Financial Statements of

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

Year ended March 31, 2021

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

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Year ended March 31, 2021

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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, 2021
- € 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 remeasurement gains 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, 2021, 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

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.



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- 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

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THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

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

	2021	2020
Revenue (Schedule):		
Grants and reimbursements	\$ 36,961,201	\$ 37,836,013
Tuition fees	27,973,573	24,762,088
Ancillary operations	1,319,769	3,870,269
Other	5,292,090	5,669,507
Restricted for student purposes	1,901,914	1,796,925
Amortization of deferred capital contributions (note 8)	5,951,127	5,843,375
	<u>79,399,674</u>	<u>79,778,177</u>
Expenses:		
Salaries and benefits	43,313,080	45,734,484
Instructional supplies	1,218,644	2,087,462
Contracted services	13,224,469	7,648,613
Utilities, maintenance and taxes	3,554,278	3,752,884
Interest and bank charges	549,090	502,992
Travel and professional development	206,887	1,144,275
Training subsidies and allowances	727,362	1,088,406
Supplies and other expenses	1,928,912	2,475,390
Restricted for student purposes	199,238	416,625
Scholarships and bursaries	2,354,884	1,413,847
Amortization of capital assets	8,253,817	8,111,792
	<u>75,530,662</u>	<u>74,376,770</u>
Excess of revenue over expenses	\$ 3,869,012	\$ 5,401,407

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Net Assets

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

	Unrestricted	Capital Assets	Invested in Internally Restricted	Restricted for Student Purposes and Endowments	2021 Total	2020 Total
Balance, beginning of year,	\$ 19,252,863	11,244,179	151,542	3,550,753	\$ 34,199,337	\$ 28,797,930
Excess (deficiency) of revenue over expenses	5,348,685	(2,302,690)	(4,502)	827,519	3,869,012	5,401,407
Invested in capital assets (note 11)	(2,948,816)	2,948,816	-	-	-	-
Balance, end of year	\$ 21,652,732	11,890,305	147,040	4,378,272	\$ 38,068,349	\$ 34,199,337

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 3,869,012	\$ 5,401,407
Adjustments for:		
Amortization of deferred capital contributions	(5,951,127)	(5,843,375)
Amortization of capital assets	8,253,817	8,111,792
Net remeasurement gains for the year	230,651	113,890
	6,402,353	7,783,714
Changes in non-cash working capital:		
Accounts receivable	(574,304)	1,107,974
Grants and reimbursement receivable	453,996	2,553,491
Inventory	(18,263)	323
Prepaid expenses	7,056	(211,295)
Accounts payable and accrued liabilities	(532,000)	1,244,072
Accrual for vacation pay	(363,496)	308,740
Payable to Government Agency	(79,347)	334,144
Deferred tuition fees	772,358	1,188,225
Deferred contributions related to expenses of future periods	10,851,547	9,966,242
Accrual for employee future benefits	(4,000)	(96,000)
	16,915,900	24,179,630
Financing activities:		
Receipt of loan receivable	185,286	179,253
Repayment of long-term debt	(431,663)	(832,341)
	(246,377)	(653,088)
Capital activities:		
Purchase of capital assets	(3,814,279)	(5,193,534)
Receipt of deferred capital contributions	2,839,186	2,428,842
	(975,093)	(2,764,692)
Net increase in cash and temporary investments	15,694,430	20,761,850
Cash and temporary investments, beginning of year	59,998,339	39,236,489
Cash and temporary investments, end of year	\$ 75,692,769	\$ 59,998,339

See accompanying notes to financial statements.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains

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

	2021	2020
Accumulated remeasurement gains, beginning of year	\$ 596,776	\$ 482,886
Unrealized gains attributable to:		
Temporary investments	200,663	110,997
Realized gain reclassified to the statement of operations:		
Temporary investments:		
Designated fair value	29,988	2,893
Net remeasurement gains for the year	230,651	113,890
Accumulated remeasurement gains, end of year	\$ 827,427	\$ 596,776

See accompanying notes to financial statements.

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Notes to Financial Statements

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

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.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2021

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:

	2021	2020
Accounts receivable	\$ 3,247,979	\$ 2,524,470
Less allowance for doubtful accounts	(487,422)	(338,217)
	<u>\$ 2,760,557</u>	<u>\$ 2,186,253</u>

3. Temporary investments:

	Level	2021	2020
Assets at designated fair value			
Fixed income	1	\$ 39,587,696	\$ 33,169,322
Cash		2,959,009	723,404
		<u>\$ 42,546,705</u>	<u>\$ 33,892,726</u>

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2021. There were also no transfers in or out of Level 3.

Fixed income investments have interest rates from 0.5% to 10.75% (2020 - 1.60% to 6.50%) and mature between 2021 and 2048.

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Notes to Financial Statements

Year ended March 31, 2021

4. Loan receivable:

	2021	2020
Health and Wellness building – Sault College Student Union receivable	\$ 1,974,949	\$ 2,160,235
Current portion of long-term receivable	(191,523)	(185,286)
	<u>\$ 1,783,426</u>	<u>\$ 1,974,949</u>

Aggregate maturities of long-term receivable for each of the five years subsequent to March 31, 2021, are as follows; 2022 - \$191,523, 2023 - \$197,969, 2024 - \$204,632, 2025 - \$211,520 and 2026 - \$218,639

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:

2021	Cost	Accumulated amortization	Net book value
Land	\$ 1,020,817	\$ –	\$ 1,020,817
Buildings	83,752,520	41,064,479	42,688,041
Site improvements	35,895,110	14,323,122	21,571,988
Equipment	17,433,793	14,858,578	2,575,215
Vehicles	525,108	467,567	57,541
Furniture and fixtures	2,542,657	1,967,332	575,325
Computer equipment	22,727,855	20,175,709	2,552,146
Aircraft	4,714,398	3,368,933	1,345,465
	<u>\$ 168,612,258</u>	<u>\$ 96,225,720</u>	<u>\$ 72,386,538</u>

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Year ended March 31, 2021

5. Capital assets (continued):

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>

6. Deferred contributions for expenses of future periods:

Deferred contribution consists of the following:

	2021	2020
Balance, beginning of year	\$ 21,958,142	\$ 11,991,900
Additional contributions received	34,897,452	22,452,873
Amounts taken into revenue	(24,045,905)	(12,486,631)
<u>Balance, end of year</u>	<u>\$ 32,809,689</u>	<u>\$ 21,958,142</u>

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7. Long-term debt:

	2021	2020
3.338% term loan to Ontario Financing Authority, unsecured, payable \$127,931 semi-annually including interest, due October 31, 2029	\$ 1,974,950	\$ 2,160,236
3.420% term loan to Ontario Financing Authority, unsecured, payable \$192,934 semi-annually including interest, due April 18, 2033	3,899,352	4,145,729
	5,874,302	6,305,965
Current portion of long-term debt	(445,670)	(431,663)
	\$ 5,428,632	\$ 5,874,302

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

2022	\$ 445,670
2023	461,918
2024	477,647
2025	493,630
2026	510,466
Thereafter	3,484,971
	\$ 5,874,302

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Year ended March 31, 2021

8. Deferred capital contributions:

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

	2021	2020
Unamortized capital contributions used to purchase assets	\$ 60,496,233	\$ 64,931,896
Unspent contributions	1,581,090	289,768

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Year ended March 31, 2021

9. Employee future benefits (continued):

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

	2021	2020
Accrued benefit obligation	\$ 1,988,000	\$ 2,066,000
Fair value of plan assets	(105,000)	(105,000)
Funded status – plan deficit	1,883,000	1,961,000
Unamortized actuarial loss	(103,000)	(177,000)
Employee future benefit liability	\$ 1,780,000	\$ 1,784,000
Current service cost	\$ 152,000	\$ 81,000
Interest on accrued benefit obligation	26,000	32,000
Experienced gains (losses)	(13,000)	–
Benefit payments	(195,000)	(179,000)
Amortization of actuarial losses (gains)	26,000	(30,000)
Employee future benefit recovery	\$ (4,000)	\$ (96,000)

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'.

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9. 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 2021 (2020 - 4.0%).

Medical premium increases were assumed to increase at 6.42% per annum in 2021 (2020 - 6.55%) 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 2021 (2020 - 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, 2021.

(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, 2021.

10. 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 jointly-sponsored 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. Since the plan is a multi-employer plan the College's contribution are accounted for as if the Plan were a defined contribution plan with the College's contributions being expensed in the period they come due.

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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10. 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, 2021 indicated an actuarial surplus of \$3.3 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 \$3,500,522 (2020 - \$3,529,808).

11. Investment in capital assets:

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

	2021	2020
Capital assets	\$ 72,386,538	\$ 76,826,075

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Year ended March 31, 2021

15. Risk management (continued):

(d) Other risk (continued):

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.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Revenue

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

	2021	2020
Grants and reimbursements:		
Operating grant:		
General purpose	\$ 11,520,130	\$ 16,134,812
Special purpose	18,937,086	13,852,754
Apprentice training	1,093,300	1,409,319
Ontario training strategies	5,164,364	5,650,420
Other	246,321	788,708
	<u>36,961,201</u>	<u>37,836,013</u>
Tuition fees:		
Full-time post-secondary	27,108,843	23,575,206
Other	864,730	1,186,882
	<u>27,973,573</u>	<u>24,762,088</u>
Ancillary operations	1,319,769	3,870,269
Other:		
Contract educational services	561,369	490,547
Sale of course products and services	103,980	208,236
Investment Income	1,004,864	923,167
Recoveries	2,489,332	1,439,224
Miscellaneous	1,132,545	2,608,333
	<u>5,292,090</u>	<u>5,669,507</u>
Restricted for student purposes	1,901,914	1,796,925
Amortization of deferred contributions	5,951,127	5,843,375
	<u>\$ 79,399,674</u>	<u>\$ 79,778,177</u>