Consolidated Financial Statements

THE ST. CLAIR COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year ended March 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of St. Clair College of Applied Arts and Technology

We have audited the accompanying consolidated financial statements of St. Clair College of Applied Arts and Technology which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of operations, changes in net assets and cash flows 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of St. Clair College of Applied Arts and Technology as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

The consolidated financial statements of St. Clair College of Applied Arts and Technology as at and for the year ended March 31, 2017 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on June 27, 2017.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
June 26, 2018

THE ST. CLAIR COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 36,300,116	$ 5,556,574
Accounts receivable (note 17)	12,309,496	12,665,461
Temporary investments (note 2)	27,091,884	22,397,367
Prepaid expenses	1,662,105	1,971,741
	77,363,601	42,591,143
Long-term investments (note 2)	9,501,878	9,576,728
Construction in progress (note 5)	2,204,561	260,923
Capital assets (note 6)	167,772,082	159,724,021
	$ 256,842,122	$ 212,152,815
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 12,350,325	$ 8,517,387
Deferred revenue (note 7)	37,395,402	12,255,002
Vacation pay	5,648,779	5,584,357
Current portion of long-term debt (note 8)	1,724,622	2,212,917
	57,119,128	28,569,663
Long-term debt (note 8)	12,863,776	14,588,398
Post-employment benefits and compensated absences (note 9)	3,851,000	4,082,000
Deferred contributions (note 10)	1,027,356	1,057,016
Deferred capital contributions (note 11)	119,870,561	116,088,697
Deferred capital contributions relating to construction in progress (note 12)	1,250,000	234,710
	195,981,821	164,620,484
Net assets:		
Unrestricted:		
Operating	27,283,573	21,552,102
Post-employment benefits and compensated absences	(3,851,000)	(4,082,000)
Vacation pay	(5,648,779)	(5,584,357)
	17,783,794	11,885,745
Invested in capital assets (note 13)	34,267,684	26,860,222
Externally restricted (note 14)	8,808,823	8,786,364
	60,860,301	47,532,331
	$ 256,842,122	$ 212,152,815

See accompanying notes to consolidated financial statements.

Approved by the Board of Governors

_____ Director _____ Director

THE ST. CLAIR COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations

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

	2018	2017
Revenue:		
Grants and reimbursements	$ 46,918,316	$ 47,010,291
Capital support grants	261,841	392,455
Tuition revenue	46,099,586	37,507,596
Contract training	25,250,544	22,754,053
Amortization of deferred capital contributions	4,648,650	4,850,497
Other income	10,200,042	7,308,534
Donations	362,279	1,505,206
Foundation	460,415	452,045
Ancillary operations	9,752,418	10,819,642
(Gain) loss on disposal of capital assets	5,058	(8,820)
	143,959,149	132,591,499
Expenses:		
Salaries and benefits	74,602,282	72,289,518
Operating expenditures	39,473,516	34,810,636
Post employment and compensated absences	(231,000)	(41,000)
Foundation	460,415	452,045
Bursaries and scholarships	354,848	493,993
Amortization of capital assets	7,150,635	7,473,342
Other expenditures out of capital support grants	279,470	461,529
Ancillary operations	8,563,472	8,774,379
	130,653,638	124,714,442
Excess of revenue over expenses	$ 13,305,511	$ 7,877,057

See accompanying notes to consolidated financial statements.

THE ST. CLAIR COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets

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

	Unrestricted	Invested in capital assets (note 13)	Externally restricted (note 14)	2018 Total	2017 Total
Balance, beginning of year	$ 11,885,745	$ 26,860,222	$ 8,786,364	$ 47,532,331	$ 39,385,790
Endowments received during the year	-	-	22,459	22,459	269,484
Excess (deficiency) of revenues over expenses	15,802,438	(2,496,927)	-	13,305,511	7,877,057
Net change in investment in capital assets	(9,904,389)	9,904,389		-	-
Balance, end of year	$ 17,783,794	$ 34,267,684	$ 8,808,823	$ 60,860,301	$ 47,532,331

See accompanying notes to consolidated financial statements.

THE ST. CLAIR COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

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

		2018		2017
Cash provided by (used in):				
Operations:				
Excess of revenue over expenses	$	13,305,511	$	7,877,057
Items not involving cash:				
Amortization of capital assets		7,150,635		7,473,342
Amortization of deferred capital contributions		(4,648,650)		(4,850,497)
Deferred contributions recognized as revenue in the year		(460,415)		(452,045)
Unrealized (gain) loss on long-term investments		(67,073)		(108,065)
(Gain) loss on disposal of capital assets		(5,058)		8,820
		15,274,950		9,948,612
Accrual for post-employment benefits and compensated absences		(231,000)		(41,000)
Changes in non-cash operating working capital:				
Accounts receivable		355,965		(3,602,410)
Prepaid expenses and other assets		309,636		(386,377)
Accounts payable and accrued liabilities		3,832,938		(1,463,975)
Accrual for vacation pay		64,422		(102,697)
Deferred revenue		25,140,400		1,126,843
		44,747,311		5,478,996
Financing activities:				
Deferred contributions		430,755		728,947
Repayment of long-term debt		(2,212,917)		(2,142,133)
Endowment contributions		22,459		269,484
		(1,759,703)		(1,143,702)
Capital activities:				
Contributions received for capital purposes		8,430,514		6,928,473
Contributions received for construction in progress		1,015,290		54,710
Proceeds on disposal of capital assets		5,058		-
Purchase of capital assets		(17,142,334)		(3,473,729)
		(7,691,472)		3,509,454
Investing activities:				
Redemption (purchase) of long-term investments		141,923		(734,297)
Purchase of temporary investments		(4,694,517)		(7,618,806)
		(4,552,594)		(8,353,103)
Increase (decrease) in cash		30,743,542		(508,355)
Cash, beginning of year		5,556,574		6,064,929
Cash, end of year	$	36,300,116	$	5,556,574

See accompanying notes to financial statements.

The St. Clair College of Applied Arts and Technology (the "College"), was incorporated in 1965 under the laws of the Province of Ontario, and is an Ontario college of applied arts and technology duly established pursuant to Ontario regulation 34/03 made under the Ontario Colleges of Applied Arts and Technology Act, 2002. The College is an agency of the crown and provides postsecondary, vocationally oriented education in the areas of applied arts, business, health sciences and technology.

The College is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements of the 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").

The consolidated financial statements include the accounts of the College and its wholly controlled entity, St. Clair College Foundation. All significant inter-organization balances and transactions have been eliminated on consolidation.

These consolidated financial statements do not reflect the assets, liabilities and results of operations of the various student organizations.

(b) Revenue recognition:

The College follows the deferral method of accounting for contributions, which include donations and government grants. Tuition fees and contract training revenues are recognized as income to the extent that the related courses and services are provided within the fiscal year of the College.

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Ancillary revenues including parking, bookstore, residence, St. Clair Centre for the Arts and other sundry revenues are recognized when products are delivered or services are provided to the student or client, the sales price is fixed and determinable, and collection is reasonably assured.

Unrestricted contributions are recognized as revenue when received or receivable and if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions and restricted investment income are recognized as revenue in the year in which the related expenses are incurred.

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis corresponding with the amortization rate for the related capital assets.

Endowment contributions, having externally imposed restrictions requiring that the principal be maintained intact, are recognized as direct increases in endowed net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Restricted investment income that must be maintained as an endowment is credited to net assets. Unrestricted investment income is recognized as revenue when earned.

Pledges are recorded as revenue when management can make a reasonable estimate of the amount and collection is reasonably assured. The College received pledges in the amount of $500,000 (2017 - $1,075,000) which have not been recorded in the accompanying financial statements.

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the College's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.

Construction in progress is not recorded as capital asset, or amortized until it is put into service.

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated to be as follows:

Asset	Basis
Buildings	40 years
Site improvements	10 years
Equipment	5 years
Leasehold improvements	5 years
Computer equipment	3 years

(d) Vacation pay:

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

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 and non-vesting sick leave. The College has adopted the following policies with respect to accounting for these employee benefits:

(i) The costs of the 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 life of the employees.

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

(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 equity instruments quoted in an active market. The College has designated its bond portfolio and term deposits that would otherwise be classified into the amortized cost category at fair value as the College manages and reports performance of it on a fair value basis.

1. **Significant accounting policies (continued):**

(f) Financial instruments (continued):

(i) Fair value (continued):

They are initially recognized at cost and subsequently carried at fair value. Changes in fair value on restricted assets are recognized as a deferred contribution until the criterion attached to the restrictions has been met.

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

As the College has no financial instruments recognized at fair value which are not deferred, the College does not have a statement of remeasurement gains and losses.

(ii) Amortized cost:

This category includes accounts receivable, accounts payable, accrued liabilities and 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.

1. **Significant accounting policies (continued):**

(g) 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 expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of fair value for long-term investments, allowance for doubtful accounts, the carrying amount of capital assets and actuarial estimation of post-employment benefits and compensated absences liabilities.

2. Financial instrument classification:

The following table provides 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	Amortization at cost	Total
Cash	$ 36,300,116	$ -	$ 36,300,116
Accounts receivable	-	12,309,496	12,309,496
Temporary investments	27,091,884	-	27,091,884
Long-term investments	9,501,878	-	9,501,878
Accounts payable and accrued liabilities	-	12,350,325	12,350,325
Long-term debt	-	14,588,398	14,588,398
	$ 72,893,878	$ 39,248,219	$112,142,097

2017	Fair value	Amortization at cost	Total
Cash	$ 5,556,574	$ -	$ 5,556,574
Accounts receivable	-	12,665,461	12,665,461
Temporary investments	22,397,367	-	22,397,367
Long-term investments	9,576,728	-	9,576,728
Accounts payable and accrued liabilities	-	8,517,387	8,517,237
Long-term debt	-	16,801,315	16,801,315
	$ 37,530,669	$ 37,984,163	$ 75,514,832

Temporary investments consist of highly liquid investments, including cashable guaranteed investment certificates with maturities of less than one year when purchased. Long-term investments consist of equity instruments in Canadian public companies, government of Canada bonds and term deposits. Long-term investments include $9,501,878 (2017 - $9,576,728) of investments externally restricted for endowment purposes (see note 14).

2. Financial instrument classification (continued):

Long-term investments consist of the following:

	2018	2017
Fair value:		
Term deposits	$ 722,603	$ 2,407,990
Corporate and government bonds	4,721,427	4,443,307
Shares in public companies and mutual funds	4,057,848	2,725,431
	$ 9,501,878	$ 9,576,728

	2018	2017
Cost:		
Term deposits	$ 722,603	$ 2,407,990
Corporate and government bonds	4,681,547	4,324,725
Shares in public companies and mutual funds	3,408,365	2,221,723
	$ 8,812,515	$ 8,954,438

Maturity profile of bonds held is as follows:

2018	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying value	$ 690,877	$ 2,121,469	$ 773,699	$ 990,982	$ 4,577,027
Percent of total	15%	46%	17%	22%	

2017	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying value	$ 607,457	$ 1,958,235	$ 486,320	$ 1,242,395	$ 4,294,407
Percent of total	14%	46%	11%	29%	

The bond exchange traded fund with no maturity is $144,400 (2017 - $148,900).

2. Financial instrument classification (continued):

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

(a) 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;

(b) 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

(c) 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).

2018	Level 1	Level 2	Level 3	Total
Cash	$ 36,300,116	$ -	$ -	$ 36,300,116
Temporary investments	27,091,884	-	-	27,091,884
Long-term investments	9,501,878	-	-	9,501,878
Total	$ 72,893,878	$ -	$ -	$ 72,893,878

2017	Level 1	Level 2	Level 3	Total
Cash	$ 5,556,574	$ -	$ -	$ 5,556,574
Temporary investments	22,397,367	-	-	22,397,367
Long-term investments	9,576,728	-	-	9,576,728
Total	$ 37,530,669	$ -	$ -	$ 37,530,669

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.

3. Acquisition of Cleary International Centre:

During 2007, the College entered into an agreement with the City of Windsor to acquire the majority of the property and assets related to the operation of the Cleary International Centre. Although the agreement provided that nominal consideration of $1 to be exchanged for the property and assets acquired, in accordance with PSAB for Government NPOs, the College has recorded the land and building at fair value. In the case of the land, its fair value of $2,325,000 was determined based upon an appraisal completed by an independent, certified appraiser. The building has been recorded at $37,376,400, its current replacement value as estimated by the College's independent insurance broker. In accordance with the College's policy for accounting for contributed capital contribution, the donation of the building is being deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate of the College's other buildings, being 40 years. The fair value of certain other equipment acquired by the College has been recorded at a nominal amount of $1.

Another significant feature of this agreement is capital improvement payments of $423,250 to be paid by the city to the College on each of the closing date and the third anniversary of the closing date.

The agreement also provides the College the right to re-convey the acquired property and assets to the City of Windsor at any time on or before the twenty-fifth anniversary of the closing date of the transaction for the nominal consideration of $1.

4. Contributed land and building:

(a) 275 Victoria Avenue:

On December 10, 2009, the College entered into an agreement with the City of Windsor to acquire the land and building located at 275 Victoria Avenue. Although the agreement provided that nominal consideration of $1 to be exchanged for the land and building acquired, in accordance with Canadian public sector accounting standards, the College has recorded the land at an agreed upon amount of $917,500 to approximate fair value. No amount has been attributable to the building acquired.

The agreement also provides the College the right to re-convey the acquired property to the City of Windsor at any time on or before the fifteenth anniversary of the closing date of the transaction for an amount equal to the market value of the property, reduced by approximately $61,167 per annum on each anniversary of the closing date. Upon the fifteenth anniversary of the closing date, no further amounts would be payable upon re-conveyance of the property.

(b) 3860 Lauzon Road:

On September 13, 2011, the College entered into an agreement with a private donor to acquire the land and residential building of 3860 Lauzon Road. The property was donated to the College at $nil consideration and, in accordance with Canadian public sector accounting standards, the College has recorded land at its fair value of $1,817,000. Fair value was determined based upon an appraisal completed by an independent, certified appraiser. The gift is subject to conditions regarding the usage of the property as a learning environment.

(c) 305 Victoria Avenue:

On February 16, 2012, the College entered into an agreement with the Toronto Dominion Bank to acquire the land and building at 305 Victoria Avenue. Although the agreement provided that nominal consideration of $2 be exchanged for the land and building acquired, in accordance with Canadian public sector accounting standards, the College has recorded land at an agreed upon amount of $450,000 to approximate fair value. Fair value was determined based upon an appraisal completed by an independent, certified appraiser. No amount has been attributable to the building acquired.

4. Contributed land and building (continued):

(d) Wood Lot:

On August 1, 2012 the College entered into an agreement with the City of Windsor to acquire vacant lands adjacent to College property. Although the agreement provided that nominal consideration of $1 be exchanged for the land acquired, in accordance with Canadian public sector accounting standards, the College has recorded the land at an agreed upon amount of $140,000 to approximate fair value.

The agreement also contains a restrictive covenant in perpetuity that prohibits the sale or transfer of the land and should the property cease to be used for educational or environment conservation and promotion purposes, it will be reverted to the City of Windsor for consideration of $1.

(e) Student Life Centre:

On May 1, 2016 the College entered into an agreement with the St. Clair Student Representative Council Incorporated (“SRC”) permitting the construction of a Student Life Centre on the College’s premises. The construction was primarily funded by the SRC. The agreement provided that the Student Life Centre become absolute property of the College on March 31, 2018. Although the agreement provided that no additional consideration be exchanged for the acquisition, in accordance with Canadian public sector accounting standards, the College has recorded the Student Life Centre at its final construction cost of $3,366,432 to approximate fair value.

(f) Thames Campus Addition:

On May 1, 2016 the College entered into an agreement with the St. Clair Thames Students Inc. (“TSI”) permitting the construction of an addition to the College’s premises. The construction was funded by TSI. The agreement provided that the campus addition become absolute property of the College on March 31, 2018. Although the agreement provided that no additional consideration be exchanged for the acquisition, in accordance with Canadian public sector accounting standards, the College has recorded the building expansion at its final construction cost of $1,689,875 to approximate fair value.

5. Construction in progress:

Construction in progress represents costs incurred on certain building and equipment which was not available for use. Once the building and equipment is put in service, the total costs will be reclassified to capital assets and amortization will commence. As at March 31, 2018, construction in progress amounted to $2,204,561 (2017 - $260,923).

6. Capital assets:

2018	Cost	Accumulated amortization	Net book value
Land	$ 7,058,485	$ -	$ 7,058,485
Buildings	216,165,599	65,661,620	150,503,979
Site improvement	9,537,005	6,725,340	2,811,665
Equipment	76,670,892	69,633,784	7,037,108
Computer equipment	426,281	65,436	360,845
Leasehold improvements	1,269,774	1,269,774	-
	$ 311,128,036	$ 143,355,954	$ 167,772,082

2017	Cost	Accumulated amortization	Net book value
Land	$ 7,058,485	$ -	$ 7,058,485
Buildings	205,573,138	60,914,526	144,658,612
Site improvement	8,822,399	6,153,668	2,668,731
Equipment	73,252,489	67,935,393	5,317,096
Leasehold improvements	1,269,774	1,248,677	21,097
	$ 295,976,285	$ 136,252,264	$ 159,724,021

Amortization expense for the year is $7,150,635 (2017 - $7,473,342).

7. Deferred revenue:

	2018	2017
Advanced tuition fees	$ 29,164,790	$ 8,141,849
Unearned grants	7,406,288	3,444,656
Unearned rent	257,559	276,937
Other	566,765	391,560
	$ 37,395,402	$ 12,255,002

8. Long-term debt:

The College has a $5,000,000 operating line of credit. No amount has been drawn upon this operating line of credit as at March 31, 2018 (2017 - $nil). The other long-term debt outstanding at year-end consists of:

	2018	2017
6.63% debt, payable $128,585 monthly including interest, due March 28, 2028	$ 11,258,563	$ 12,027,254
1.321% debt, payable $562,784 semi-annually including interest, due May 14, 2018	559,092	1,666,294
2.147% debt, payable $200,975 semi-annually including interest, due May 14, 2025	2,770,743	3,107,767
	14,588,398	16,801,315
Current portion of long-term debt	(1,724,622)	(2,212,917)
	$ 12,863,776	$ 14,588,398

8. Long-term debt (continued):

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

2019	$ 1,724,622
2020	1,229,094
2021	1,296,657
2022	1,371,484
2023	1,444,854
Thereafter	7,521,687
	$ 14,588,398

Security on the 1.321% and 2.147% long-term debt consists of entitlement to the Minister of Finance to deduct from monies appropriated by the Ontario Legislature for payment to the College, amounts equal to any amounts that the College fails to pay under these long-term debt arrangements.

Security on the 6.63% long-term debt consists of a general assignment of the rents associated with the College's Windsor residence and a continuing interest in any and all monies deposited into an escrow account.

9. 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.

2018	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 818,000	$ 2,654,000	$ 486,000	$ 3,958,000
Value of plan assets	(177,000)	-	-	(177,000)
Unamortized actuarial gains (losses)	163,000	(129,000)	36,000	70,000
Total liability	$ 804,000	$ 2,525,000	$ 522,000	$ 3,851,000

2017	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$ 793,000	$ 2,790,000	$ -	$ 3,583,000
Value of plan assets	(111,000)	-	-	(111,000)
Unamortized actuarial gains (losses)	188,000	(222,000)	644,000	610,000
Total liability	$ 870,000	$ 2,568,000	$ 644,000	$ 4,082,000

2018	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$ (51,000)	$ 144,000	$ 17,000	$ 110,000
Interest on accrued benefit obligation	2,000	52,000	11,000	65,000
Amortized actuarial gains (losses)	(10,000)	(2,000)	15,000	3,000
Total expense	$ (59,000)	$ 194,000	$ 43,000	$ 178,000

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

2017	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$ (29,000)	$ 150,000	$ -	$ 121,000
Interest on accrued benefit obligation	2,000	40,000	-	42,000
Amortized actuarial losses	(9,000)	(50,000)	-	(59,000)
Total expense	$ (36,000)	$ 140,000	$ -	$ 104,000

The above amounts exclude pension contributions to the Colleges of Applied Arts and Technology pension plan, a multi-employer plan, described below.

(a) Retirement benefits:

(i) CAAT Pension Plan:

A majority of the College's employees 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. The College makes contributions to the Plan equal to those of 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 contributions 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.

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 $2.3 billion. The College made contributions to the Plan and its associated retirement compensation arrangement of $6,196,110 (2017 - $6,312,056), which has been included in the statement of operations.

9. 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 2.6% (2017 - 2.0%).

(ii) Drug costs:

Drug costs were assumed to increase at an 8% rate for 2018 (2017 - 8.25%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034.

(iii) Hospital and other medical:

Hospital and other medical costs were assumed to increase at 4% per annum (2017 - 4.0%).

Medical premium increases were assumed to increase at 6.8% per annum in 2018 (2017 - 6.98%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2034.

(iv) Dental costs:

Dental costs were assumed to increase at 4% per annum in 2018 (2017 - 4.0%).

9. 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 accumulated 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 valuations of vesting and non-vesting sick leave are the College's best estimates of expected rates of:

	2018	2017
Wage and salary escalation:		
Academic	2.0%	1.5%
Support	0.5%	0.5%
Discount rate	2.6%	2.0%

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 23.7% and 0 to 46.1 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

10. Deferred contributions:

Deferred contributions represent unspent externally restricted funding that has been received and relates to a subsequent year. Changes in the contributions deferred to future periods are as follows:

	2018	2017
Balance, beginning of year	$ 1,057,016	$ 780,114
Less bursaries awarded in the year	(460,415)	(452,045)
Add: amounts received in the year	123,858	142,955
Add: unrealized gain on long-term investments	67,074	108,065
Add: investment income received in the year	239,823	477,927
Balance, end of year	$ 1,027,356	$ 1,057,016

Deferred contributions are comprised of:

	2018	2017
Scholarships and bursaries	$ 887,356	$ 917,016
Joint employment stability reserve	140,000	140,000
	$ 1,027,356	$ 1,057,016

11. 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 capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balances are as follows:

	2018	2017
Balance, beginning of year	$116,088,697	$ 114,010,721
Less: amortization of deferred capital contributions	(4,648,650)	(4,850,497)
Add: contributions received for capital purposes	8,430,514	6,928,473
Balance, end of year	$119,870,561	$ 116,088,697

As at March 31, 2018 there were $55,905 (2017 - $1,163,072) of deferred capital contributions received which were not spent.

12. Deferred capital contributions relating to construction in progress:

Deferred capital contributions relating to construction in progress represents the amount of grants and other restricted funding received primarily for the National Power Line Training Centre currently in progress.

	2018	2017
Balance, beginning of year	$ 234,710	$ 180,000
Less: amounts transferred to assets in the year	(234,710)	(180,000)
Add: contributions received for capital purposes	1,250,000	234,710
Balance, end of year	$ 1,250,000	$ 234,710

13. Investment in capital assets:

(a) Investment in capital assets represents the following:

	2018	2017
Capital assets	$167,772,082	$ 159,724,021
Construction in progress	2,204,561	260,923
Less amounts financed by:		
Long-term debt (note 8)	(14,588,398)	(16,801,315)
Deferred capital contributions (note 11)	(119,870,561)	(116,088,697)
Deferred capital contributions – construction (note 12)	(1,250,000)	(234,710)
Balance, end of year	$ 34,267,684	$ 26,860,222

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

	2018	2017
Deficiency of revenues over expenditures:		
Amortization of deferred capital contributions related to capital assets	$ 4,648,650	$ 4,850,497
Amortization of capital assets	(7,150,635)	(7,473,342)
(Gain) loss on disposal of capital assets	5,058	(8,820)
	$ (2,496,927)	$ (2,631,665)
Net change in investment in capital assets:		
Purchase and contribution of capital assets and transfers from construction in progress	$ 17,142,334	$ 3,473,729
Amounts funded by deferred capital contributions	(8,430,514)	(6,928,473)
Amounts funded by deferred capital contributions – CIP	(1,015,290)	(54,710)
Proceeds on disposal of capital assets, net of expenses	(5,058)	-
Repayment of long-term debt	2,212,917	2,142,133
	$ 9,904,389	$ (1,367,321)

14. Externally restricted net assets:

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

Investment income on externally restricted endowments that was disbursed during the year has been recorded in the statement of operations since this income is available for disbursement as scholarships and bursaries and the donors' conditions have been met. The unspent portion of investment income is recorded in deferred contributions. Investment income on endowed assets recognized and deferred was $320,444 and $207,398 respectively (2017 - $308,231 and $288,019).

Externally restricted endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund. Under this program, the government matched funds raised by the College. The purpose of the program is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend College. The programs were discontinued in 2012.

15. Commitments:

The College is committed to estimated minimum annual payments under operating lease agreements over the next five years and thereafter as follows:

2019	$ 2,368,357
2020	1,815,459
2021	1,144,527
2022	400,220
2023	29,948
Thereafter	-

15. Commitments (continued):

The College has initiated a ten year fundraising campaign to build two health and wellness facilities in its Windsor and Chatham campuses. Fundraising has been pledged across a number of groups including College employees, alumni and members of the community. Further, a student levy was approved and implemented. The health and wellness facility at the Chatham campus was built in 2011. Pledges receivable of $ 500,000 (2017 - $600,000) are accounted for in accordance with the accounting policy in note 1.

16. Contingent liabilities:

The College has been named as defendant or co-defendant in several actions for damages. The outcome and the amount of the losses, if any, are not determinable at this time and accordingly, no provision for losses has been made in these financial statements. The amount will be accounted for in the period when and if such losses are determined.

17. Financial instrument 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 the 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 and a provincially regulated credit union which are protected by the Canadian Deposit Insurance Corporation and Deposit Insurance Corporation of Ontario respectively. In the event of default, the College's cash accounts and term deposits are insured up to $100,000 (2017 - $100,000). In addition, equity investments are held with an investment firm that is protected by the Canadian Investor Protection Fund ("CIPF"). In the event of CIPF member default, the equity investments are insured up to $1,000,000 (2017 - $1,000,000).

The investment policy set issuer type limits on the bond portfolio and operates in accordance with the Ontario Financial Administration Act by placing composition limit on the bond portfolio. All fixed income portfolios are measured for performance on a monthly basis and monitored by management on a monthly basis. The policy limits the funds to be invested in bonds of a single issuer to a maximum of 10% of the market value of the bond portfolio, except for bonds issued by the Government of Canada and Canadian province.

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

Accounts receivable are primarily due from the Province of Ontario. As a result, the College's exposure to credit risk is limited.

17. Financial instrument risk management (continued):

(a) Credit risk (continued):

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 amounts outstanding at year end were as follows:

			Past due			
	Total	Current	1 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days
Government receivables	$ 4,936,381	$4,936,381	$ -	$ -	$ -	$ -
Student receivables	4,021,055	-	5,674	83,209	2,000	3,930,172
Other receivables	3,953,378	3,315,133	44,419	272,568	234,992	86,266
Gross receivables	12,910,814	8,251,514	50,093	355,777	236,992	4,016,438
Less: impairment allowance	(601,318)	-	-	-	-	(601,318)
Net receivables	$12,309,496	$8,251,514	$ 50,093	$ 355,777	$ 236,992	$ 3,415,120

The amount of other receivables aged greater than 90 days relates to banquet and general receivables for College services and accrued interest from the Foundation's investment portfolio and scholarship donations. 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 risk or policies, procedures and methods used to measure the risk.

17. Financial instrument risk management (continued):

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The investment policy operates within the constraints of the Foundation Investment Committee, management and an investment manager. Diversification techniques are utilized to minimize risk. The Policy limits the investment in any single issuer to a maximum of 10% of market value of the bond or equity portfolio. An exception exists for bonds issued by the Government of Canada and Canadian province.

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.

(c) 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 levels when adverse changes in foreign currency rates occur. The College is exposed to this risk through its equity holdings within its investment portfolio.

The investment policy limits the range of exposure to non-Canadian currencies to 10% to 20% of the total investment portfolio.

At March 31, 2018, a 1% fluctuation in foreign exchange rates, with all other variables held constant, would have an estimated impact on the fair values of the College's non-Canadian equity holdings of $24,776 (2017 - $16,403).

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.

17. Financial instrument risk management (continued):

(d) 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 bank loans.

The College mitigates interest rate risk on its bank loans through fixed rates (see note 8). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the bank loans.

The College's bond portfolio has interest rates ranging from 1.5% to 9% (2017 – 1.0% to 9.0%) with maturities ranging from June 1, 2018 to May 18, 2077 (2017 - September 5, 2017 to November 15, 2041).

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 of $255,886 loss and $255,886 gain respectively (2017 - $228,692 loss and $228,692 gain). The College's bank loans as described in note 8 would not be impacted as the rate of the loans is fixed.

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.

(e) 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 $396,093 (2017 - $256,966).

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.

17. Financial instrument risk management (continued):

(f) 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):

2018	Within 6 months	6 months to 1 year	1 – 5 years	> 5 years
Accounts payable	$ 12,350,325	$ -	$ -	$ -
Long-term debt	1,134,151	590,471	5,342,089	7,521,687
	$ 13,484,476	$ 590,471	$ 5,342,089	$ 7,521,687

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.

18. St. Clair College Foundation:

The St. Clair College Foundation (the “Foundation”) was established to raise funds for the use of the College. The Foundation is a registered charity and is classified as a public Foundation under the Income Tax Act and, as such, is exempt from tax. Resources of the Foundation are for the benefit of the College and are to be used for purposes agreed upon by the College and the Foundation. During the year, an amount of $139,971 (2017 - $143,814), including $Nil of in-kind donations (2017 - $Nil) was received from the Foundation.

The College administers the receipt and disbursement of funds on behalf of the St. Clair College Foundation at no charge.

19. Comparative figures:

Certain prior year figures have been reclassified to conform with the current year’s presentation.