

AUDITED FINANCIAL STATEMENTS

YEAR ENDING
MARCH 31, 2020



St. Lawrence
College

Consolidated Financial Statements of

**THE ST. LAWRENCE COLLEGE
OF APPLIED ARTS AND
TECHNOLOGY**

And Independent Auditors' Report Thereon

Year ended March 31, 2020

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

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Year ended March 31, 2020

Statement/Schedule Number

Independent Auditors' Report

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of the St. Lawrence College of Applied Arts and Technology (the "College") are the responsibility of management and have been approved by the Board of Governors (the "Board").

The consolidated financial statements have been prepared by management 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. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.


The College maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the College's assets are appropriately accounted for and adequately safeguarded.

The College's insurance liabilities have been reviewed by management in consultation with its broker. There are no material liabilities in either fact or contingency as at the date of this report.


The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board and meets regularly with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the consolidated financial statements and the external auditor's report. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements. The Audit Committee also considers, for review and approval by the Board, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards, on behalf of the Board. KPMG LLP has full and free access to the Audit Committee.



Glenn Vollebregt,
President & CEO



Megan Sheppard,
Sr. Vice-President, Corporate Services & CFO

June 9, 2020



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Telephone 613-549-1550
Fax 613-549-6349

INDEPENDENT AUDITORS' REPORT –REVISED AUDITING STANDARDS

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

Opinion

We have audited the consolidated financial statements of the St. Lawrence College of Applied Arts and Technology (“the College”), which comprise:

- the consolidated statement of financial position as at March 31, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2020, and its results of operations, its changes in net assets, its cash flows and remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*** section of our auditors' report.

We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



Other Information

Management is responsible for the other information. Other information comprises the information, other than the consolidated financial statements and the auditors' report thereon, included in the College's annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the consolidated financial statements and the auditors' report thereon, included in the College's annual report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group of the College to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 9, 2020

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

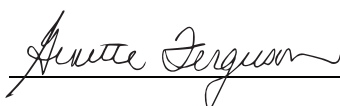
Consolidated Statement of Financial Position
As at March 31, 2020, with comparative figures for 2019

Statement 1

	2020	2019
Assets		
Current assets:		
Cash	\$ 42,918,985	\$ 37,551,220
Investments (note 2)	15,942,160	15,193,474
Grants and accounts receivable (note 16(a))	7,351,734	7,623,376
Prepaid expenses	2,093,559	1,841,309
	<u>68,306,438</u>	<u>62,209,379</u>
Long-term receivables (note 3)	5,740,896	6,594,092
Long-term investments (note 2)	10,608,979	11,509,294
Capital assets (note 4)	104,090,900	105,488,172
	<u>\$ 188,747,213</u>	<u>\$ 185,800,937</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 18,697,709	\$ 20,645,915
Deferred revenue (note 5)	20,966,440	19,947,489
Trust funds for student enhancement fees (note 6)	481,851	301,134
Current portion of long-term debt (note 8)	2,023,127	1,919,106
	<u>42,169,127</u>	<u>42,813,644</u>
Bankers' acceptance loans due on demand (note 8)	4,751,594	5,741,774
	<u>46,920,721</u>	<u>48,555,418</u>
Employee future benefits (note 7(b))	702,000	718,000
Sick leave benefit entitlement (note 7(c))	2,418,000	2,435,000
Long-term debt (note 8)	12,083,737	13,116,729
Interest rate swaps (note 8(d))	3,364,062	3,043,803
Deferred capital contributions (note 9)	55,705,276	58,528,204
Total liabilities	<u>121,193,796</u>	<u>126,397,154</u>
Net assets:		
Invested in capital assets (note 10)	31,013,954	27,186,367
Restricted for endowments (note 11)	11,206,741	10,616,116
Internally restricted (note 12)	4,375,365	4,846,948
Unrestricted (note 13)	17,930,300	13,481,438
	<u>64,526,360</u>	<u>56,130,869</u>
Accumulated remeasurement gains	3,027,057	3,272,914
Total net assets	<u>67,553,417</u>	<u>59,403,783</u>
Commitments (note 14)		
Contingent liabilities (note 15)		
	<u>\$ 188,747,213</u>	<u>\$ 185,800,937</u>

See accompanying notes to consolidated financial statements.

Approved by the Board of Governors:



Chair



President

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Operations

Statement 2

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

	2020	2019
Revenue:		
Grants and reimbursements (schedule 1)	\$ 51,607,979	\$ 56,369,239
Tuition and related fees	70,117,869	65,578,826
Ancillary (schedule 1)	7,601,251	7,851,193
Other	2,636,968	2,659,865
Amortization of deferred capital contributions (note 9)	5,671,325	5,559,191
Realized (loss) gain on sale of investments	(72,497)	94,703
Donations	469,978	454,046
Interest	1,619,095	1,417,731
Total revenue	139,651,968	139,984,794
Expenses:		
Salaries, wages and benefits (schedule 2)	82,786,933	79,123,918
Non-payroll (schedule 3)	38,484,415	37,720,534
Amortization of capital assets	10,496,835	9,759,293
Employee future benefits (recovery) expense (note 7(b))	(16,000)	70,000
Sick leave benefit recovery (note 7(c))	(17,000)	(25,000)
Other non-pension benefits expense	111,919	98,285
Total expenses	131,847,102	126,747,030
Excess of revenue over expenses	\$ 7,804,866	\$ 13,237,764

See accompanying notes to consolidated financial statements.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Changes in Net Assets
Year ended March 31, 2020, with comparative figures for 2019

Statement 3

	Invested in capital assets	Restricted for endowments	Internally restricted	Unrestricted	Total
Balance, April 1, 2019	\$ 27,186,367	\$ 10,616,116	\$ 4,846,948	\$ 13,481,438	\$ 56,130,869
Excess (deficiency) of revenue over expenses (note 10)	(4,825,510)	-	-	12,630,376	7,804,866
Net change in investment in capital assets (note 10)	8,653,097	-	-	(8,653,097)	-
Transfer between funds (note 12)	-	-	(471,583)	471,583	-
Endowment contributions	-	590,625	-	-	590,625
Balance, March 31, 2020	\$ 31,013,954	\$ 11,206,741	\$ 4,375,365	\$ 17,930,300	\$ 64,526,360

	Invested in capital assets	Restricted for endowments	Internally restricted	Unrestricted	Total
Balance, April 1, 2018	\$ 21,735,005	\$ 10,499,851	\$ 4,299,030	\$ 6,242,954	\$ 42,776,840
Excess (deficiency) of revenue over expenses (note 10)	(4,200,102)	-	-	17,437,866	13,237,764
Net change in investment in capital assets (note 10)	9,651,464	-	-	(9,651,464)	-
Transfer between funds (note 12)	-	-	547,918	(547,918)	-
Endowment contributions	-	116,265	-	-	116,265
Balance, March 31, 2019	\$ 27,186,367	\$ 10,616,116	\$ 4,846,948	\$ 13,481,438	\$ 56,130,869

See accompanying notes to consolidated financial statements.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Cash Flows

Statement 4

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

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 7,804,866	\$ 13,237,764
Items not involving cash:		
Amortization of deferred capital contributions	(5,671,325)	(5,559,191)
Amortization of capital assets	10,496,835	9,759,293
Loss (gain) on sale of investments	72,497	(94,703)
Gain on disposal of capital assets	(17,308)	(606)
Changes in non-cash operating working capital:		
Decrease in grants and accounts receivable	271,643	5,119,685
Increase (decrease) in prepaid expenses	(252,250)	250,402
Decrease (increase) in accounts payable and accrued liabilities	(1,948,206)	1,281,760
Increase in deferred revenue	1,018,951	2,509,597
Accrual for employee future benefits and sick leave benefit entitlement	(33,000)	45,000
	11,742,703	26,549,001
Capital activities:		
Purchase of capital assets	(9,099,562)	(26,934,874)
Receipt of deferred capital contributions	2,365,617	12,279,404
Receipt of unspent deferred capital contributions	482,780	-
Proceeds on sale of capital assets	17,308	606
	(6,233,857)	(14,654,864)
Financing activities:		
Endowment contributions	590,625	116,265
Increase in trust funds for student enhancement fees	180,717	107,202
Proceeds from new long-term debt	-	4,334,581
Principal payments on long-term debt and bankers' acceptance loans	(1,919,151)	(1,452,731)
	(1,147,809)	3,105,317
Investing activities:		
Decrease (increase) in long-term receivables	853,196	(4,234,159)
Decrease (increase) in investments, net of remeasurement gains	153,532	(1,300,764)
	1,006,728	(5,534,923)
Increase in cash	5,367,765	9,464,531
Cash, beginning of year	37,551,220	28,086,689
Cash, end of year	\$ 42,918,985	\$ 37,551,220

See accompanying notes to consolidated financial statements.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Statement of Remeasurement Gains and Losses
Year ended March 31, 2020, with comparative figures for 2019

Statement 5

	2020	2019
Accumulated remeasurement gains, beginning of year	\$ 3,272,914	\$ 3,235,468
Unrealized (losses) gains attributable to:		
Investments designated at fair value	1,905	57,517
Derivatives – interest rate swaps (note 8(d))	(320,259)	74,632
	(318,354)	132,149
Realized losses (gains) reclassified to the statement of operations:		
Disposition of investments	72,497	(94,703)
Net remeasurement (losses) gains for the year	(245,857)	37,446
Accumulated remeasurement gains, end of year	\$ 3,027,057	\$ 3,272,914

See accompanying notes to consolidated financial statements.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements
Year ended March 31, 2020

The St. Lawrence College of Applied Arts and Technology (the “College”) was established as a community college in 1967 and operates under the authority of the Province of Ontario. The College offers full-time, post-secondary programs and part-time courses and certificate programs at campuses located in Kingston, Brockville and Cornwall. The College is a registered charity and is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The St. Lawrence College Foundation (the “Foundation”) is incorporated without share capital under the Ontario Corporations Act. The Foundation operates under a memorandum of understanding with the College’s Board of Governors. Accordingly, the results and operations of the Foundation are included in the College’s consolidated financial statements. The objectives of the Foundation are to solicit, receive, manage and distribute money and other funds to support the educational services provided by the College and its affiliated institutions.

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards, including the 4200 standards for government not-for-profit organizations. These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the College and its controlled not-for-profit Foundation. All significant intercompany balances and transactions have been eliminated upon consolidation.

(b) Revenue recognition:

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

The College is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ministry of Colleges & Universities (“MCU”). Grants are recorded as revenue in the period to which they relate. Grants earned but not received by the end of the fiscal year are accrued. Where a portion of a grant received relates to a future year, that portion is deferred and recognized in the year to which it relates.

Tuition and related fees are recorded as revenue based on the academic period of the related courses. Fees are recognized as income based on the proportion of the academic period that occurs within the fiscal year of the College. Fees received for courses that commence after the end of the fiscal year of the College are recorded as deferred revenue.

Revenues from contract educational services, federal training and ancillary operations are recognized when the related products are delivered or services are provided by the College.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements
Year ended March 31, 2020

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

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

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized as revenue on a straight-line basis over the useful life of the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

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

Donations of assets are recorded at fair value when a fair value can be reasonably estimated. Pledges receivable are not recorded as an asset in the accompanying consolidated financial statements.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments 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. Any unamortized deferred capital contribution amount related to the capital asset is recognized in revenue in the Consolidated Statement of Operations, provided that all restrictions have been complied with.

Construction in progress costs are capitalized as incurred and represent the cost of capital assets currently under construction. Amortization is not recognized until construction is complete and the assets are ready for productive use.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10, 20 and 40 years
Site improvements and parking	10 years
Equipment	2 to 10 years

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements
Year ended March 31, 2020

1. Significant accounting policies (continued):

(d) Employee future benefits and sick leave benefit entitlement:

The College is a member of the Colleges of Applied Arts and Technology (“CAAT”) Pension Plan, which is a multi-employer, defined benefit plan. The College also provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental and non-vesting sick leave. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service. The most recent actuarial valuation of the benefit plans for funding purposes was as of January 1, 2020, and the next required valuation will be as of January 1, 2023.

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 plan are the College’s contributions due to the plan in the period.
- (iii) The cost of 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.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements
Year ended March 31, 2020

1. Significant accounting policies (continued):

(e) 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:

Fair Value

This category includes derivatives, equity instruments and mutual funds quoted in an active market. The College has designated its fixed income portfolio that would otherwise be classified into the amortized cost category as fair value as the College manages and reports performance of it on a fair value basis.

Financial instruments classified as fair value are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the Consolidated Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Consolidated Statement of Operations. Changes in fair value on restricted investments are recognized as deferred revenue until the restriction on its use is realized, at which time the balance is transferred to the Consolidated Statement of Operations.

Transaction costs related to financial instruments classified as fair value 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 Consolidated Statement of Operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed and recognized in the Consolidated Statement of Operations.

Amortized cost

This category includes accounts receivable, long-term receivables, accounts payable and accrued liabilities, bankers' acceptance loans and long-term debt.

Financial instruments classified as amortized cost are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value.

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

Write-downs on financial assets classified as amortized cost 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 Consolidated Statement of Operations.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements
Year ended March 31, 2020

1. Significant accounting policies (continued):

(f) Management estimates:

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards, including the 4200 standards for government not-for-profit organizations, 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 investments and interest rate swaps, allowance for doubtful accounts, amortization of capital assets and deferred capital contributions and actuarial estimation of employee future benefits and sick leave benefit entitlement liabilities.

Financial instruments are classified into value hierarchy levels 1, 2 or 3 for the purposes of describing the basis of inputs used to determine the fair market value of those amounts recorded at fair value as described below:

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

(g) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction. Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Realized foreign exchange gains and losses are recognized in the Consolidated Statement of Operations.

(h) Student organizations:

These consolidated financial statements do not reflect the assets, liabilities, revenues or expenses of the various student organizations at the College.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements
Year ended March 31, 2020

2. Investments:

Investments reported under current assets represent excess operating funds that are comprised of the following:

	Level	2020	2019
Cash	1	\$ 386,061	\$ 4,278
Fixed income	2	15,556,099	15,189,196
		\$ 15,942,160	\$ 15,193,474

Long-term investments include \$11,206,741 (2019 - \$10,616,116) of investments externally restricted for endowments as described in note 11 and \$597,762 of deferred restricted investment losses (2019 – restricted investment income of \$893,178) as described in note 5(c). Long term investments are comprised of the following:

	Level	2020	2019
Cash	1	\$ 2,934	\$ 14,218
Mutual funds	1	9,210,663	8,234,772
Fixed income	2	1,395,382	3,260,304
		\$ 10,608,979	\$ 11,509,294

During the year, there were \$8,234,772 in transfers from Level 2 to Level 1. This transfer reflects the April 1, 2020 carrying value of mutual fund investments previously classified as Level 2, but for which the College has determined there is a quoted price for the same or similar instruments in the market. There were no significant transfers between Level 1 and Level 2 for the year ended March 31, 2019. There were also no transfers into or out of Level 3 during the year.

Fixed income investments have interest rates from 0.43% to 4.10% (2019 – 0% to 5.00%) and mature between 2021 and 2024 (2019 – 2020 and 2026). The fixed income investments include both variable and fixed rates with a weighted average effective interest rate of 1.48% (2019 – 2.70%).

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements
Year ended March 31, 2020

2. Investments (continued):

The maturity profile of fixed income investments held is as follows:

As at March 31, 2020	Within 1 year	1 - 5 years	6 - 10 years	Total
Carrying value	\$ 8,757,741	\$ 8,193,740	\$ -	\$ 16,951,481
Percentage of total	51.7%	48.3%	0.0%	100.0%

As at March 31, 2019	Within 1 year	1 - 5 years	6 - 10 years	Total
Carrying value	\$ 7,748,062	\$ 9,715,515	\$ 985,923	\$ 18,449,500
Percentage of total	42.0%	52.7%	5.3%	100.0%

3. Long-term receivables:

Long-term receivables are comprised of the following:

(a) Student levies for Student Life & Innovation Centre:

The student levies receivable represent the students' contribution towards the construction of the Student Life & Innovation Centre on the Kingston campus. The student levies will be charged to full-time students of the Kingston campus until April 2032 in accordance with the fee protocol agreements jointly agreed to by the College and its student governments.

	2020	2019
Long-term accounts receivable	\$ 5,861,393	\$ 6,674,526
Less: Current portion included in grants and accounts receivable	(748,900)	(761,000)
	\$ 5,112,493	\$ 5,913,526

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements
Year ended March 31, 2020

3. Long-term receivables (continued):

(b) Receivable from Kingston Student Association for Student Life & Innovation Centre:

The receivable from the Kingston Student Association represents the outstanding balance of the Kingston Student Association's pledge to contribute approximately \$1,300,000 to partially fund the construction of the Student Life & Innovation Centre on the Kingston campus. The balance of the pledge is an unsecured, interest-free receivable, due in annual instalments of approximately \$60,000 until March 2032.

	2020	2019
Long-term accounts receivable	\$ 686,403	\$ 739,566
Less: Current portion included in grants and accounts receivable	(58,000)	(59,000)
	\$ 628,403	\$ 680,566

4. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 745,393	\$ -	\$ 745,393	\$ 745,393
Buildings	191,979,871	100,962,705	91,017,166	93,728,827
Construction in progress	232,595	-	232,595	386,303
Site improvements and parking	8,029,745	5,524,300	2,505,445	1,278,736
Equipment	61,022,412	51,432,111	9,590,301	9,348,913
	\$ 262,010,016	\$ 157,919,116	\$ 104,090,900	\$ 105,488,172

Cost and accumulated amortization at March 31, 2019 amounted to \$253,719,258 and \$148,231,086 respectively.

5. Deferred revenue:

	2020	2019
Student tuition fees	\$ 17,529,898	\$ 14,288,139
Externally restricted donations	1,671,557	1,645,816
Expenses of future periods	1,764,985	4,013,534
	\$ 20,966,440	\$ 19,947,489

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Notes to Consolidated Financial Statements
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5. Deferred revenue (continued):

(a) Student tuition fees:

Deferred revenue related to student tuition fees represent fees collected by the College for which the term of the program or course extends beyond the fiscal year of the College.

(b) Externally restricted donations:

Deferred contributions related to externally restricted donations represent unspent donations restricted by the donors for special projects, student bursaries and other financial assistance.

	2020	2019
Donations	\$ 564,975	\$ 735,704
Restricted investment income, net of fees	37,721	35,339
	602,696	771,043
Amount recognized as revenue in the year	(431,679)	(452,417)
	171,017	318,626
Donations utilized for additions to capital assets	(45,276)	(30,000)
Donations permanently endowed and transferred to net assets	(100,000)	-
Net increase	25,741	288,626
Balance, beginning of year	1,645,816	1,357,190
Balance, end of year	\$ 1,671,557	\$ 1,645,816
Represented by:		
Foundation fund for bursaries and special projects	\$ 688,246	\$ 933,451
Funds for bursaries	983,311	712,365
	\$ 1,671,557	\$ 1,645,816

(c) Expenses of future periods:

Deferred contributions related to expenses of future periods include unspent grants and reimbursements, the employment stability funds maintained pursuant to the collective union agreements and the unspent investment income earned on assets restricted for endowments (see note 11).

	2020	2019
Balance, beginning of year	\$ 4,013,534	\$ 4,252,942
Amount recognized as revenue in the year	(2,582,526)	(3,007,557)
Amount received related to future years	1,824,597	2,742,180
Restricted investment income (note 11)	497,407	384,968
Unrealized losses on long-term investments	(1,639,311)	(37,783)
Investment income used to pay bursaries (note 11)	(348,716)	(321,216)
Balance, end of year	\$ 1,764,985	\$ 4,013,534

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Notes to Consolidated Financial Statements
Year ended March 31, 2020

6. Trust funds for student enhancement fees:

The College holds student enhancement fees on behalf of student associations. Representatives of the student associations determine the disbursement of the funds.

	2020	2019
Student enhancement fees collected	\$ 1,477,101	\$ 258,767
Portion of student enhancement fees utilized for additions to capital assets (note 9)	(18,893)	(81,802)
Enhancement fees paid to student associations	(1,242,856)	(35,181)
Enhancement fees utilized for student approved activities and recognized as revenue	(34,635)	(34,582)
Net increase	180,717	107,202
Balance, beginning of year	301,134	193,932
Balance, end of year	\$ 481,851	\$ 301,134

7. Employee future benefits and sick leave benefit entitlement:

(a) Pension plan:

All full-time employees of the College, and any part-time employees who opt to participate, are members of the Colleges of Applied Arts and Technology (the "CAAT") Pension Plan (the "Plan"), which is a multi-employer jointly-sponsored defined benefit pension plan. 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.

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

The College makes contributions to the Plan equal to those of its 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.

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Notes to Consolidated Financial Statements
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7. Employee future benefits and sick leave benefit entitlement (continued):

(a) Pension plan (continued):

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates related to full-time members. 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, 2020 indicated an actuarial surplus on a going concern basis of \$2.9 billion (January 1, 2019 - \$2.6 billion). Contributions to the Plan and its associated retirement compensation arrangements made during the year by the College on behalf of its employees amounted to \$6,254,756 (2019 - \$5,900,382) and are included as an expense in the Consolidated Statement of Operations.

(b) Employee future benefits:

The College provides extended health care, dental insurance and life insurance benefits to certain of its employees under a multi-employer plan under CAAT. This coverage may be extended to the post-employment period. The most recent actuarial valuation of these employee future benefits was completed February 5, 2020 for the non-pension post-retirement plan and February 11, 2020 for the continuation of medical and dental benefits and the life waiver of premium benefit for employees currently on long-term disability. The results of these valuations have been extrapolated to March 31, 2020. The related benefit liability was determined by independent actuaries on behalf of the college system as a whole.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The College recognizes as expense for current services the amount of its required contribution in a given year and the change in the accrued benefit liability in the year.

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Notes to Consolidated Financial Statements
Year ended March 31, 2020

7. Employee future benefits and sick leave benefit entitlement (continued):

(b) Employee future benefits (continued):

The following tables outline the components of the College's employee future benefits liability and the related recovery:

	2020	2019
Accrued benefit obligations	\$ 736,000	\$ 721,000
Fair value of plan assets	(166,000)	(133,000)
Funded status – plan deficit	570,000	588,000
Unamortized actuarial gains	132,000	130,000
Employee future benefits liability	\$ 702,000	\$ 718,000

	2020	2019
Current service cost	\$ 4,000	\$ 4,000
Interest on accrued benefit obligation	2,000	2,000
Experience (gains) losses	(11,000)	76,000
Benefit payments	(5,000)	(6,000)
Amortized actuarial gains	(6,000)	(6,000)
Employee future benefits (recovery) expense	\$ (16,000)	\$ 70,000

The significant actuarial assumptions adopted in estimating the College's accrued benefit liability are as follows:

	2020	2019
Discount rate	1.60%	2.20%
Dental benefit cost escalation	4.0%	4.0%
Medical benefits cost escalation:		
Hospital and other medical	4.0%	4.0%
Drugs	8.0% decreasing to 4.0% in 2040	8.0%, decreasing to 4.0% in 2040

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Year ended March 31, 2020

7. Employee future benefits and sick leave benefit entitlement (continued):

(c) Sick leave benefit entitlement:

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 leave is paid out at the salary in effect at the time of usage. The most recent actuarial valuation of these sick leave benefits was completed February 11, 2020 and the results of this valuation have been extrapolated to March 31, 2020. The related benefit liability was determined by independent actuaries on behalf of the college system as a whole.

The following tables outline the components of the College's sick leave benefit entitlement:

	2020	2019
Accrued benefit obligation	\$ 3,337,000	\$ 2,409,000
Unamortized actuarial (gains) losses	(919,000)	26,000
Sick leave benefit entitlement liability	\$ 2,418,000	\$ 2,435,000

	2020	2019
Current service cost	\$ 132,000	\$ 124,000
Interest on accrued benefit obligation	49,000	62,000
Benefit payments	(196,000)	(202,000)
Amortized actuarial gains	(2,000)	(9,000)
Sick leave benefit recovery	\$ (17,000)	\$ (25,000)

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% (2019 – 0% to 23.7%) and 0 to 48.0 days (2019 – 0 to 48.0 days) respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

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Notes to Consolidated Financial Statements
Year ended March 31, 2020

7. Employee future benefits and sick leave benefit entitlement (continued):

(c) Sick leave benefit entitlement (continued):

The unamortized actuarial gains and losses are amortized over the expected average remaining service life as listed below:

		2020	2019
Accumulated sick leave benefit	Academic	10.0 years	10.8 years
entitlements	Support	10.2 years	11.4 years
Employee future benefits		11.3 years	11.4 years

The significant actuarial assumptions adopted in estimating the College's accrued benefit liability are as follows:

		2020	2019
Discount rate		1.6%	2.2%
Salary escalation - Academic		1.0% in 2021 and thereafter	2.0% in 2020 and 1.5% thereafter
Salary escalation - Support		2% in 2021, 1.25% in 2022 and 1% thereafter	1.5% in 2020 and thereafter

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Notes to Consolidated Financial Statements
Year ended March 31, 2020

8. Long-term debt:

(a) Long-term debt is comprised of the following:

	2020	2019
Bankers' acceptance loans due on demand (note 8(b)):		
5.997%, repayable approximately \$133,000 quarterly including interest, maturing September 10, 2021	\$ 798,115	\$ 1,289,248
6.01%, repayable approximately \$28,000 monthly including interest, maturing July 4, 2028	2,227,882	2,427,929
6.02%, repayable approximately \$21,000 monthly including interest, maturing August 1, 2028	1,684,705	1,834,000
6.06%, repayable approximately \$13,000 monthly including interest, maturing September 1, 2028	1,031,027	1,121,120
Fixed rate term loans (note 8(c)):		
5.12%, repayable \$9,466 monthly including interest, maturing February 1, 2030	881,839	948,416
5.29%, repayable \$15,522 monthly including interest, maturing November 1, 2030	1,515,831	1,618,924
5.35%, repayable \$67,895 monthly including interest, maturing March 1, 2031	6,763,343	7,203,391
2.94%, repayable \$251,663 semi-annually including interest, maturing February 15, 2029	3,955,716	4,334,581
	18,858,458	20,777,609
Current portion	(2,023,127)	(1,919,106)
Bankers' acceptance loans due on demand	(4,751,594)	(5,741,774)
	\$ 12,083,737	\$ 13,116,729

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Notes to Consolidated Financial Statements
Year ended March 31, 2020

8. Long-term debt (continued):

- (b) The 5.997% and 6.01% bankers' acceptance loans due on demand were used to finance the construction of the student residence on the Kingston campus. The 6.02% and 6.06% bankers' acceptance loans due on demand were used to finance the construction of a fitness facility and the expansion of the cafeteria, respectively, on the Kingston campus. It is the intention of the College to repay these loans based on the payment schedules in note 8(a), unless payment is required earlier by the lender. These loans are economically hedged through interest rate swaps to the fixed interest rates noted above. The College also incurs a bank stamping fee of 0.30% to 0.32% on the outstanding principal balance of each loan which is paid quarterly for the 5.997% loan and monthly for the remaining loans. No specific security has been pledged for these loans.

Based on a detailed analysis and feasibility study it is expected that operational costs of the student residence, including the principal and interest payments on the related bankers' acceptance loans, will be financed from operational revenue generated by the residence as required by the MCU. If an operating deficit is incurred, it will be financed by the excess of revenue over expenses from other ancillary operations.

It is expected that the management fees, utilities and other costs of the fitness facility, including the principal and interest payments on the related bankers' acceptance loan, will be financed from student fees.

Assuming early repayment of the bankers' acceptance loans is not required by the lender, principal due on the bankers' acceptance loans in each of the next five years and thereafter is as follows:

2021	\$	990,135
2022		770,075
2023		526,180
2024		558,765
2025		593,368
Thereafter		2,303,206
Total	\$	5,741,729

Loan interest and stamping fees totalling \$369,881 (2019 - \$433,692) have been recorded as interest on long-term debt in the Consolidated Statement of Operations.

- (c) The 5.12% fixed rate term loan was used to finance the construction of the Cornwall student residence, the 5.29% loan was used to finance the construction of the Brockville student residence, the 5.35% loan was used to finance the construction of an addition to the Kingston student residence and the 2.935% loan was used to finance construction related to the College's Hello Future project in Kingston. The College incurs a monthly bank stamping fee of 0.25% on the outstanding principal balance of the student residence loans which have been economically hedged through interest rate swaps to the fixed interest rates noted above.

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Notes to Consolidated Financial Statements
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8. Long-term debt (continued):

(c) (continued):

Based on a detailed analysis and feasibility study it is expected that operational costs of the student residences, including the principal and interest payments on the related loans, will be financed from operational revenue generated by the residences as required by the MCU. If an operating deficit is incurred, it will be financed by the excess of revenue over expenses from other ancillary operations.

No specific security has been pledged for these loans.

Principal due on the fixed rate term loans in each of the next five years and thereafter is as follows:

2021	\$ 1,032,992
2022	1,079,539
2023	1,128,334
2024	1,179,493
2025	1,233,133
Thereafter	7,463,238
Total	<u>\$ 13,116,729</u>

(d) The College is party to interest rate swap contracts to manage interest rate exposures for economic hedging and risk management purposes.

The interest rate swap contracts convert the floating rate interest obligations of certain loans into fixed rate obligations and thus manage the College's exposure to interest rate risk. The specific loans with interest rate swaps and the fixed rates payable under those interest rate swaps are disclosed in notes 8(b) and 8(c). The maturity dates of the interest rate swaps are the same as the maturity dates of the associated long-term debt, ranging from 2022 to 2031. The fair value of the interest rate swaps will vary based on prevailing market interest rates and the remaining term to maturity. The change in fair value of the interest rate swaps was an unrealized loss of \$320,259 (2019 – gain of \$74,632) for the year ended March 31, 2020.

The interest rate swaps are level 3 financial instruments and are measured at fair value using a valuation technique, taking into account market interest rates. The fair value of interest rate swaps is based on broker quotes.

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Notes to Consolidated Financial Statements
Year ended March 31, 2020

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of contributions, enhancement fees and donations utilized for additions to capital assets. The amortization of capital contributions is recorded as revenue in the Consolidated Statement of Operations.

	2020	2019
Balance, beginning of year	\$ 58,528,204	\$ 51,807,991
Amounts used for capital purposes:		
Contributions from MCU	1,849,609	6,027,170
Student levies receivable	-	3,721,368
Donations	760,768	2,261,858
Other contributions	207,614	187,206
Enhancement fees (note 6)	18,893	81,802
Contributions from federal government	11,513	-
Amortization of deferred capital contributions	(5,671,325)	(5,559,191)
Balance, end of year	\$ 55,705,276	\$ 58,528,204

The balance of deferred capital contributions consists of the following:

	2020	2019
Unamortized capital contributions	\$ 54,218,488	\$ 57,524,196
Unspent capital contributions	1,486,788	1,004,008
	\$ 55,705,276	\$ 58,528,204

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Notes to Consolidated Financial Statements
Year ended March 31, 2020

10. Invested in capital assets:

(a) The College's investment in capital assets is calculated as follows:

	2020	2019
Capital assets	\$ 104,090,900	\$ 105,488,172
Less amounts financed by:		
Bankers' acceptance loans	(5,741,729)	(6,672,297)
Term bank loans	(13,116,729)	(14,105,312)
Deferred capital contributions	(54,218,488)	(57,524,196)
	<u>\$ 31,013,954</u>	<u>\$ 27,186,367</u>

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

	2020	2019
Excess of expenses over revenue:		
Amortization of deferred capital contributions	\$ 5,671,325	\$ 5,559,191
Amortization of capital assets	(10,496,835)	(9,759,293)
	<u>\$ (4,825,510)</u>	<u>\$ (4,200,102)</u>
Net change in investment in capital assets:		
Additions to capital assets	\$ 9,099,563	\$ 26,934,874
Amount funded by deferred capital contributions	(2,365,617)	(14,401,560)
Amount funded by issuance of new term bank loans	-	(4,334,581)
Repayment of:		
Bankers acceptance loans	930,568	874,504
Term bank loans	988,583	578,227
	<u>\$ 8,653,097</u>	<u>\$ 9,651,464</u>

11. Net assets restricted for endowments:

	2020	2019
Ontario Student Opportunity Trust Fund (OSOTF):		
Phase I	\$ 943,751	\$ 943,751
Phase II	1,103,095	1,103,095
Ontario Trust for Student Support (OTSS)	4,901,309	4,901,309
Endowed Bursaries	4,258,586	3,667,961
	<u>\$ 11,206,741</u>	<u>\$ 10,616,116</u>

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Notes to Consolidated Financial Statements
Year ended March 31, 2020

11. Net assets restricted for endowments (continued):

Ontario Student Opportunity Trust Fund:

The externally restricted endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund 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 program:

(a) Phase I:

Schedule of Changes in Endowment Fund Balance for the year ended March 31, 2020

Fund balance, beginning of year	\$	943,751
Cash donations received		-
Fund balance, end of year (A)	\$	943,751

Schedule of Changes in Expendable Funds Available for Awards for the year ended March 31, 2020

Balance, beginning of year	\$	89,393
Realized investment income, net of direct investment-related expenses and preservation of capital contributions		52,233
Bursaries awarded (total number 36, 27 OSAP recipients)		(29,629)
Balance, end of year (B)	\$	111,997
Endowment total based on book value (A+B)	\$	1,055,748

The fair value of this endowment as at March 31, 2020 is \$889,290 (2019 - \$1,019,096).

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Notes to Consolidated Financial Statements
Year ended March 31, 2020

11. Net assets restricted for endowments (continued):

Ontario Student Opportunity Trust Fund (continued):

(b) Phase II:

Schedule of Changes in Endowment Fund Balance for the year ended March 31, 2020

Fund balance, beginning of year	\$ 1,103,095
Cash donations received	
Fund balance, end of year (A)	\$ 1,103,095

Schedule of Changes in Expendable Funds Available for Awards for the year ended March 31, 2020

Balance, beginning of year	266,168
Realized investment income, net of direct investment- related expenses and preservation of capital contributions	78,103
Bursaries awarded (total number 42, 29 OSAP recipients)	(68,993)
Balance, end of year (B)	\$ 275,278
Endowment total based on book value (A+B)	\$ 1,378,373

The fair value of this endowment as at March 31, 2020 is \$1,194,242 (2019 - \$1,376,686).

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Notes to Consolidated Financial Statements
Year ended March 31, 2020

11. Net assets restricted for endowments (continued):

Ontario Trust for Student Support:

(c) Ontario Trust for Student Support:

Schedule of Changes in Endowment Fund Balance for the year ended March 31, 2020

Fund balance, beginning of year	\$ 4,901,309
Cash donations received	-
Fund balance, end of year (A)	\$ 4,901,309

Schedule of Changes in Expendable Funds Available for Awards for the year ended March 31, 2020

Balance, beginning of year	\$ 458,327
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	198,204
Bursaries awarded (total number 151, 100 OSAP recipients)	(165,978)
Balance, end of year (B)	\$ 490,553
Endowment total based on book value (A+B)	\$ 5,391,862

The fair value of this endowment as at March 31, 2020 is \$4,574,783 (2019 - \$5,294,658).

12. Net assets internally restricted:

	Funds for student assistance	College residences	Pay parking	Strategic Initiatives	2020 Total
Balance, beginning of year	\$ 9,911	\$ 2,239,583	\$ 2,597,454	\$ -	\$ 4,846,948
Transfer from (to) unrestricted surplus	-	(312,649)	(922,587)	763,653	(471,583)
Balance, end of year	\$ 9,911	\$ 1,926,934	\$ 1,674,867	\$ 763,653	\$ 4,375,365

	Funds for student assistance	College residences	Pay parking	2019 Total
Balance, beginning of year	\$ 9,911	\$ 1,893,384	\$ 2,395,735	\$ 4,299,030
Transfer from unrestricted surplus	-	346,199	201,719	547,918
Balance, end of year	\$ 9,911	\$ 2,239,583	\$ 2,597,454	\$ 4,846,948

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Notes to Consolidated Financial Statements
Year ended March 31, 2020

13. Unrestricted surplus:

	2020	2019
Unrestricted surplus:		
Operating	\$ 25,887,834	\$ 21,211,654
Vacation pay accrued liability	(4,837,534)	(4,577,216)
Sick leave entitlement	(2,418,000)	(2,435,000)
Employee future benefits	(702,000)	(718,000)
	<u>\$ 17,930,300</u>	<u>\$ 13,481,438</u>

14. Commitments:

The College rents equipment and premises under long-term operating leases expiring up to the March 31, 2024 fiscal year. Future minimum payments, by year and in aggregate, under these operating leases as at March 31, 2020 are as follows:

2021	\$ 353,048
2022	162,503
2023	139,125
2024	134,431
2025	-
	<u>\$ 789,107</u>

15. Contingent liabilities:

(a) Letters of credit:

The College is contingently liable under letters of credit amounting to \$515,000 (2019 - \$265,000), which have been issued in the normal course of business.

(b) Contingencies:

The College is involved with outstanding and pending litigation and claims which arise in the normal course of operations, primarily as a result of grievances filed under the provisions of the union collective agreements. In management's opinion any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of the College. Losses in excess of the provision recorded in the consolidated financial statements, if any, arising from these contingencies will be accounted for in the year in which they are determined.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements
Year ended March 31, 2020

16. Financial risks and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. The College is exposed to credit risk relating to its cash, grants and accounts receivable and current and long-term investments. The College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up to \$300,000 (2019 - \$300,000).

Accounts receivable are comprised of government, student receivables, the current portion of long-term receivables and other receivables. Student receivables are ultimately due from students, and credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population. Government receivables are ultimately due primarily from MCU, as well as other government entities, and credit risk is mitigated by the governmental nature of the funding source. Other receivables arise during the course of the College's normal operations and are due from a diverse customer base. 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.

Student and other receivables not impaired are collectible based on the College's assessment and past experience regarding collection rates. The maximum exposure to credit risk of the College at March 31, 2020 is the carrying value of these assets.

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Notes to Consolidated Financial Statements
Year ended March 31, 2020

16. Financial risks and concentration of risk (continued):

(a) Credit risk (continued):

The amounts outstanding at year end were as follows:

As at March 31, 2020	Current	1 - 30 days	31 - 60 days	61 - 90 days	91+ days	Total
Government receivables	\$ 1,478,341	\$ -	\$ -	\$ -	\$ -	\$ 1,478,341
Student receivables	1,011	5,130	2,767	258,379	54,334	321,621
Current portion of long-term receivables	806,900	-	-	-	-	806,900
Other receivables	4,011,893	600,100	141,362	36,123	129,753	4,919,231
Gross receivables	6,298,145	605,230	144,129	294,502	184,087	7,526,093
Impairment allowances	-	-	-	(131,373)	(42,986)	(174,359)
Net receivables	\$ 6,298,145	\$ 605,230	\$ 144,129	\$ 163,129	\$ 141,101	\$ 7,351,734

As at March 31, 2019	Current	1 - 30 days	31 - 60 days	61 - 90 days	91+ days	Total
Government receivables	\$ 2,184,569	\$ -	\$ -	\$ -	\$ -	\$ 2,184,569
Student receivables	-	27,339	4,319	71,244	177,133	280,035
Current portion of long-term receivables	800,610	-	-	-	-	800,610
Other receivables	3,040,108	1,125,631	116,555	69,884	89,528	4,441,706
Gross receivables	6,025,287	1,152,970	120,874	141,128	266,661	7,706,920
Impairment allowances	-	-	-	-	(83,544)	(83,544)
Net receivables	\$ 6,025,287	\$ 1,152,970	\$ 120,874	\$ 141,128	\$ 183,117	\$ 7,623,376

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements
Year ended March 31, 2020

16. Financial risks and concentration of risk (continued):

(a) Credit risk (continued):

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

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

(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 policies of the College and the Foundation operate within the constraints of the investment guidelines issued by the MCU. The policies' application is monitored by management, the investment managers and the Board of Governors. Diversification techniques are utilized to minimize risk.

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

(i) Currency risk:

Currency risk arises from the College's operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The College does not have any material transactions or financial instruments denominated in foreign currencies.

(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, bankers' acceptance loans and long-term debt.

The College mitigates interest rate risk on its long-term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the bankers' acceptance loans and long-term debt for a fixed rate as described in note 8(d). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements
Year ended March 31, 2020

16. Financial risks and concentration of risk (continued):

(b) Market risk (continued):

(ii) Interest rate risk (continued):

The College's fixed income portfolio has interest rates ranging from 0.43% to 4.10% with maturities ranging from 2021 to 2024. The fixed income investments include both variable and fixed rates with a weighted average effective interest rate of 1.48% (2019 – 2.70%). At March 31, 2020 a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of fixed income investments of \$169,515 (2019 - \$184,496).

(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 mutual fund holdings within its investment portfolio. At March 31, 2020, 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 equity and mutual fund holdings of \$921,066 (2019 - \$823,477).

(c) Liquidity risk:

Liquidity risk is the risk that the College will not be able to meet all of its 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 College also maintains an unsecured line of credit with a Canadian chartered bank in the amount of \$3,500,000 (2019 - \$3,500,000) to cover short-term funding needs. There was no balance outstanding on the line of credit at March 31, 2020 (2019 – \$nil). Accounts payable are all current and the terms of the long-term debt are disclosed in note 8.

Derivative financial liabilities mature as described in note 8(d).

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

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements
Year ended March 31, 2020

16. Financial risks and concentration of risk (continued):

(c) Liquidity risk (continued):

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities, assuming early repayment of the bankers' acceptance loans is not required by the lender:

As at March 31, 2020	Within 6 months	6 - 12 months	1 - 5 years	5+ years	Total
Accounts payable	\$ 18,697,709	\$ -	\$ -	\$ -	\$ 18,697,709
Bankers' acceptance loans	487,383	502,752	3,078,502	1,673,092	5,741,729
Long-term debt	510,813	522,178	5,909,880	6,173,858	13,116,729
Lease commitments	176,524	176,524	436,059	-	789,107
	\$ 19,872,429	\$ 1,201,454	\$ 9,424,441	\$ 7,846,950	\$ 38,345,274

As at March 31, 2019	Within 6 months	6 - 12 months	1 - 5 years	5+ years	Total
Accounts payable	\$ 20,645,915	\$ -	\$ -	\$ -	\$ 20,645,915
Bankers' acceptance loans	458,040	472,483	3,438,523	2,303,251	6,672,297
Long-term debt	488,870	499,713	5,653,491	7,463,238	14,105,312
Lease commitments	196,444	232,618	509,579	-	938,641
	\$ 21,789,269	\$ 1,204,814	\$ 9,601,593	\$ 9,766,489	\$ 42,362,165

17. Fundraising campaigns:

This year marked the fourth and final year of the College's most successful fundraising campaign, the Uncommon campaign, which was a tri-campus campaign to raise funds for both capital asset acquisitions and program development. The College continues to collect funds for pledges made to the Uncommon campaign, as well as The Difference We Make fundraising campaign, which raised funds to finance capital asset acquisitions and program development with a focus on the Cornwall campus. As at March 31, 2020 pledges arising from these campaigns amounted to \$366,615 (2019 - \$680,692), which will not be recorded in the College's consolidated financial statements until collected.

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Consolidated Financial Statements
Year ended March 31, 2020

18. Impact of COVID-19:

Effective March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and physical distancing impact.

At the time of approval of these consolidated financial statements, the College has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Closure of all campus facilities to staff and students based on public health recommendations, including administrative and academic buildings (effective March 18th) and residence buildings (effective March 25th with the exception of a limited number of students) to the date of the auditors' report;
- Transitioned all possible academic programming to alternate online delivery, which allowed the majority of Winter 2020 term students to complete their course requirements within the original term schedule;
- Issued partial refunds to Winter 2020 term students for certain compulsory ancillary fees, residence fees and parking permit sales;
- Received \$912,157 in special COVID-19 funding from the MCU to help offset costs incurred by the College due to the COVID-19 pandemic and related public health measures;
- Offered emergency financial assistance to domestic and international students experiencing financial hardship through funds available from external College donors, the tuition set-aside fund, MCU COVID-19 grant funding and the reallocation of operating funds;
- Deferred most Spring 2020 new program starts to the Fall semester and transitioned all possible Spring semester academic programming for returning students to alternate delivery;
- Instituted mandatory working from home requirements for all employees;
- Renegotiated certain contract service agreements to reduce costs from the date of closure until the College is able to resume on-campus operations;
- Experienced a reduction in employees working on contract basis as some expiring contracts have not been renewed due to reduced College operations;
- Revised initial 2021 budget projections to estimate the financial impact of various potential scenarios for the Fall 2020 term, and consider the impacts on the College's liquidity and financial health indicators; and
- Experienced temporary declines in the fair value of investments and investment income.

19. Comparative information:

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

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Analysis of Revenue
Year ended March 31, 2020, with comparative figures for 2019

Schedule 1

	2020	2019
Grants and reimbursement:		
Ministry of Colleges & Universities:		
Operating and supplemental grants	\$ 39,131,764	\$ 43,081,604
Employment Services, Youth Job Link and Canada-Ontario Job Grant programs	4,166,962	4,739,866
Literacy and Basic Skills program	1,305,915	1,337,550
Apprentice Training grants:		
Per diem rates	2,145,419	2,018,369
Administrative support	41,644	41,644
Enhancement	51,248	64,216
Co-op diploma	308,921	787,329
Contract educational services	2,478,056	1,807,044
Federal training	350,830	644,853
Other government grants	1,627,220	1,846,764
	\$ 51,607,979	\$ 56,369,239
Ancillary operations:		
Residences	\$ 4,626,941	\$ 4,639,053
Parking lots	1,108,532	1,184,759
Event and banquet services	809,886	754,064
Food services contract	527,001	721,725
Facilities rent	245,137	271,883
Bookstores commission	273,037	265,120
Licensed premises	10,717	14,589
	\$ 7,601,251	\$ 7,851,193

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Analysis of Salaries, Wages and Benefits Expenses
Year ended March 31, 2020, with comparative figures for 2019

Schedule 2

	2020	2019
Salaries:		
Academic:		
Full-time	\$ 21,123,277	\$ 19,541,684
Partial load and part-time	14,613,148	14,601,427
Excluded/sessional	286,643	679,347
Coordinators' allowance	316,908	277,700
Bonus/overtime	190,593	147,277
Administrative	12,317,255	11,596,919
Support:		
Full-time	13,178,725	12,078,426
Part-time	5,560,386	5,832,456
Bonus/overtime	143,901	120,392
Professional development leave	60,894	184,872
Benefits:		
Academic	6,920,944	6,953,381
Administrative	2,978,917	2,799,941
Support	5,095,342	4,310,096
	\$ 82,786,933	\$ 79,123,918

THE ST. LAWRENCE COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Consolidated Analysis of Non-Payroll Expenses
Year ended March 31, 2020, with comparative figures for 2019

Schedule 3

	2020	2019
Other contract services	\$ 9,848,551	\$ 8,622,393
Scholarships, bursaries and student assistance	3,380,521	3,750,806
Building and ground maintenance	2,589,857	2,121,005
Software licenses and maintenance	2,394,191	1,954,061
Contracted cleaning and garbage removal services	2,214,200	1,979,220
Other supplies	1,956,246	2,051,406
Instructional supplies and equipment	1,879,536	1,771,804
Contract teaching services	1,733,920	1,532,656
Promotion/public relations	1,692,944	1,806,610
Utilities	1,442,601	2,601,625
Equipment purchase and rental	1,118,951	1,107,194
Participant wages, benefits and support allowances	1,092,717	1,538,811
Interest on long-term debt	1,070,957	1,008,425
Travel	1,031,450	1,330,989
Contracted security services	934,547	935,041
Professional fees	668,540	621,472
Taxes	553,634	527,767
Equipment maintenance	531,004	588,791
Insurance	395,865	318,151
Telecommunications	382,619	351,306
Rent	372,321	375,177
Professional development	339,854	360,053
Staff employment	280,275	142,760
Bad debts	232,272	74,299
Other interest and bank charges	196,849	115,648
Membership fees and dues	130,739	117,670
Cost of sales	19,254	15,394
	\$ 38,484,415	\$ 37,720,534



St. Lawrence
College