Financial Statements of

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Year ended March 31, 2022

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Index to Financial Statements

Year ended March 31, 2022

Management’s Responsibility fo r the Financial Statements

The financial statements of The Sault 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 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. 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 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 Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the 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 financial statements

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INDEPENDENT AUDITORS' REPORT

To the Governors of The Sault College of Applied Arts and Technology

Opinion

We have audited the financial statements of Sault College of Applied Arts and Technologies (the “College”), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains (losses) for the year then ended
- and notes and schedule to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as at Marc

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College’s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

		2022	2021
Revenue (Schedule):			
Grants and reimbursements	$	38,421,443	

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Net Assets

Year ended March 31, 2022, with comparative information for 2021

	Unrestricted	Capital Assets	Invested in Internally Restricted	Restricted for Student Purposes and Endowments	2022 Total	2021 Total
Balance, beginning of year,	$ 21,652,732	11,890,305	147,040	4,378,272	$ 38,068,349	$ 34,199,337

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 1,729,709	$ 3,869,012
Adjustments for:		
Amortization of deferred capital contributions	(6,025,662)	(5,951,127)
Amortization of capital assets	8,350,142	8,253,817
Net remeasurement gains (loss) for the year	(2,158,564)	230,651
	1,895,625	6,402,353
Changes in non-cash working capital:		
Accounts receivable	(780,349)	(574,304)
Grants and reimbursement receivable	926,410	453,996
Inventory	7,690	(18,263)
Prepaid expenses	(1,106,084)	7,056
Accounts payable and accrued liabilities	3,195,038	(532,000)
Accrual for vacation pay	463,059	(363,496)
Payable to Government Agency	(156,130)	(79,347)
Deferred tuition fees	1,124,810	772,358
Deferred contributions related to expenses of future periods	14,893,129	10,851,547
Accrual for employee future benefits	27,000	(4,000)
	20,490,198	16,915,900
Financing activities:		
Receipt of loan receivable	191,523	185,286
Repayment of long-term debt	(445,670)	(431,663)
	(254,147)	(246,377)
Capital activities:		
Purchase of capital assets	(4,405,329)	(3,814,279)
Receipt of deferred capital contributions	2,636,927	2,839,186
	(1,768,402)	(975,093)
Net increase in cash and temporary investments	18,467,649	15,694,430
Cash and temporary investments, beginning of year	75,692,769	59,998,339
Cash and temporary investments, end of year	$ 94,160,418	$ 75,692,769

See accompanying notes to financial statements.

The Sault College of Applied Arts and Technology (the "College") is a provincial community college offering educational programs and upgrading to the accessing communities. The College is considered a Non-profit Schedule III Agency of the Ontario provincial government. The College is a not-for-profit

1. Significant accounting policies (continued):

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

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

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

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain or loss is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of

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

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates Sn1891 Tws ar

[redacted]

4. Loan receivable:

	2022	2021
Health and Wellness building – Sault College Student Union receivable	$ 1,783,427	$ 1,974,9
Current portion of long-term receivable	(197,969)	(191,523)
	$ 1,585,458	$ 1,783,42

Aggregate maturities of long-term receivable for each of the five years subsequent to March 31, 2022, are as follows; 2023 - $197,969, 2024 - $204,632, 2025 - $211,520, 2026 - $218,639, and 2027 - $225,998.

The Sault College Student Union committed to a contribution totalling $3,927,000 towards the construction of the College's Health and Wellness building. The loan has been guaranteed through the collections of the Student Building Trust Fund Ancillary fee. The terms of repayment are 15 years at an interest rate of 3.338%.

5. Capital

7. Long-term debt:

		2022		2021
3.338% term loan to Ontario Financing Authority, unsecured, payable $127,931 semi-annually including interest, due October 31, 2029	$	1,783,426	$	1,974,950
3.420% term loan to Ontario Financing Authority, unsecured, payable $192,934 semi-annually including interest, due April 18, 2033		3,645,206		3,899,352
		5,428,632		5,874,302
Current portion of long-term debt		(461,919)		(445,670)
	$	4,966,713	$	5,428,632

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

2023	$	461,919
2024		477,647
2025		493,630
2026		510,465

8. Deferred capital contributions:

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

	2022	2021
Unamortized capital contributions used to purchase assets	$ 57,499,612	$ 60,496,233
Unspent contributions	1,188,976	1,581,090
	$ 58,688,588	$ 62,077,323

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.

	2022	2021
Balance, beginning of year	$ 62,077,323	$ 65,189,264
Additional contributions received	2,636,927	2,839,186
Less amounts amortized to revenue	(6,025,662)	(5,951,127)
Balance, end of year	$ 58,688,588	$ 62,077,323

9. Employee future benefits:

The employee benefit and other liabilities, reported on the statement of financial position, are made up of the following:

	2022	2021
Post-employment benefits	$ 434,000	$ 470,000
Non-vesting sick leave	1,317,000	1,296,000
Vesting sick leave	56,000	14,000
	$ 1,807,000	$ 1,780,000

9. Employee future benefits (continued):

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

	2022	2021
Accrued benefit obligation	$ 1,787,000	$ 1,988,000
Fair value of plan assets	(115,000)	(105,000)
Funded status – plan deficit	1,672,000	1,883,000
Unamortized actuarial gain (loss)	135,000	(103,000)
Employee future benefit liability	$ 1,807,000	$ 1,780,000
Current service cost	$ 117,000	$ 152,000
Interest on accrued benefit obligation	28,000	26,000
Experienced losses	(29,000)	(13,000)
Benefit payments	(178,000)	(195,000)
Amortization of actuarial losses	89,000	26,000
Employee future benefit expense (recovery)	$ 27,000	$ (4,000)

The unamortized actuarial loss is amortized over the expected average remaining service life.

Post-employment benefits:

The College extends the opportunity to acquire post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The College recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study on behalf of the Ontario College systems as a whole as at March 31, 2022.

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

(i) Discount rate:

The present value as at March 31, 2022 of the future benefits was determined using a discount rate of 2.9% (2021 – 1.70%).

(ii) Drug costs:

Drug costs were assumed to increase at a rate of 6.29% for 2022 (2021 – 6.42%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2040.

9. Employee future benefits (continued):

Post-employment benefits (continued):

(iii) Hospital and other medical:

Hospital and other medical costs were assumed

10. Pension plan (continued):

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan’s pension surplus or deficit as insufficient info

12. Internally restricted net assets:

The College, by resolution of the Board of Governors, internally restricts certain amounts from net assets that can only be used upon approval of the Board, as follows:

	2022	2021
Strategic Investments	$ 13,178,000	$ –
Joint Employment Stability Reserve Fund	135,804	147,040
	$ 13,313,804	$ 147,040

13. 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.

14. Commitments and contingencies:

The College is involved with pending litigation and claims which arise in the normal course of operations. In the opinion of the administration, a liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the College. Losses, if any, arising from these matters will be accounted for in the year in which they are resolved.

The College has committed to the purchase of two ZLIN Aircrafts with an estimated purchase price of $1,073,000. Included in prepaid assets at March 31, 2022 is a down payment of $327,429 with the remainder to be paid in fiscal year 2023.

The College has also committed to spend $585,000 as part of the Facilities Renewal Fund Program's fiscal year 2022 allocation. These funds are being held in trust with the College's legal counsel for payment related to a construction project to be paid out on or before June 30, 2022. As at March 31, 2022, $585,000 is included in prepaid assets for the project which has been delayed due to shortages of certain supplies of goods and availability of labour.

15. Risk management:

(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 with respect to the accounts receivable, cash and temporary investments.

The College assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the College at March 31, 2022 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the income statement. The balance of the allowance for doubtful accounts at March 31, 2022 is $476,035 (2021 - $487,422).

As at March 31, 2022, $75,904 (2021 - $142,973) of trade accounts receivable were past due greater than 90 days, but not impaired.

There have been no significant changes to the credit risk exposure from 2021.

(b) Liquidity risk:

Liquidity risk is the risk that the College will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The College manages its liquidity risk by monitoring its operating requirements. The College prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2021.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the College's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(i) Foreign exchange risk:

The College is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the College makes purchases denominated in U.S. dollars. The College does not currently enter into forward contracts to mitigate this risk. The College does not have any material transactions during the year or financial instruments denominated in foreign currencies at year end.

There have been no significant changes to the foreign exchange risk exposure from 2021.

15. Risk management (continued):

(c) Market risk (continued):

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the College to cash flow interest rate risk. The College is exposed to this risk through to its interest bearing investments.

The College's investments, including bonds and debentures, are disclosed in note 3.

There has been no change to the interest rate risk exposure from 2021.

(d) Other risk:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus and Public Health Ontario recommendations resulting in modification of employee work arrangements and student activities.

The continuation of COVID-19 may impact College operations, its students and funding sources for a duration that cannot be reasonably predicted. Further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time.

Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Corporation is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

16. Endowment funds:

The following information outlines the activity of the Ontario Student Opportunity Trust Fund 1 (OSOTF I), the Ontario Student Opportunity Trust Fund II (OSOTF II) and Ontario Trust for Student Support Fund (OTSS) matching program. These amounts are reflected in the net assets restricted for student purposes.

Schedule of changes in Endowment Fund balances
Year ended March 31

	OSOTF I	OSOTF II	OTSS	2022 Total	2021 Total
Balance, beginning and end of year	$ 664,172	$ 331,340	$ 2,346,515	$ 3,342,027	$ 3,342,027

Schedule of changes in expendable funds available for awards
Year ended March 31

	OSOTF I	OSOTF II	OTSS	2022 Total	2021 Total
Balance, beginning of year	$ 469,740	$ 83,490	$ 737,414	$ 1,290,644	$ 1,292,314
Investment income net, of expenses	24,516	18,463	80,564	123,543	148,080
Bursaries awarded	(45,950)	(8,500)	(99,150)	(153,600)	(149,750)
Balance, end of year	$ 448,306	$ 93,453	$ 718,828	$ 1,260,587	$ 1,290,644
Bursaries awarded #	57	8	131	196	170

17. Comparative information:

Certain 2021 comparative information have been reclassified to conform to the financial statement presentation of 2022.

THE SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Revenue

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Grants and reimbursements:		
Operating grant:		
General purpose	$ 9,564,119	$ 11,520,130
Special purpose	18,903,871	18,937,086
Apprentice training	1,264,010	1,093,300
Ontario training strategies	6,475,043	5,164,364
Other	2,214,400	246,321
	38,421,443	36,961,201
Tuition fees:		
Full-time post-secondary	45,955,213	27,108,843
Other	929,117	864,730
	46,884,330	27,973,573
Ancillary operations	2,539,214	1,319,769
Other:		
Contract educational services	845,996	561,369
Sale of course products and services	120,235	103,980
Investment Income	1,691,142	1,004,864
Recoveries	4,725,011	2,489,332
Miscellaneous	1,491,867	1,132,545
	8,874,251	5,292,090
Restricted for student purposes	1,735,367	1,901,914
Amortization of deferred contributions	6,025,662	5,951,127