

Financial Statements of

**SIR SANDFORD FLEMING
COLLEGE OF APPLIED ARTS
AND TECHNOLOGY**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Sir Sandford Fleming College of Applied Arts and Technology (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and notes 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 Sir Sandford Fleming College of Applied Arts and Technology as at March 31, 2020, and its results of operations, its changes in net assets, its cash flows and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.



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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 Financial Statements***" section of our auditors' report.

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

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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.



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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 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 Entity'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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 24, 2020

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 21,294,367	\$ 17,876,844
Short-term investments (note 10)	33,556,477	40,577,094
Ministry of Colleges and Universities receivables	4,776,648	5,489,537
Accounts receivable	5,004,210	5,759,591
Inventory and prepaid expenses	2,546,725	1,762,657
	<u>67,178,427</u>	<u>71,465,723</u>
Restricted investments for endowments, bursaries and other (note 10)	9,592,988	10,055,958
Long-term investments (note 10)	6,999,870	240,483
Capital assets (note 2)	121,000,179	122,779,523
	<u>\$ 204,771,464</u>	<u>\$ 204,541,687</u>

	2020	2019
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 23,754,375	\$ 25,499,637
Accrued payroll and employee benefits	11,100,335	12,829,415
Ministry of Colleges and Universities grants received in excess of entitlements	1,371,546	2,082,805
Deferred revenue	20,319,805	19,267,070
Current portion of long-term debt (note 4)	1,285,385	1,054,731
	<u>57,831,446</u>	<u>60,733,658</u>
Long-term debt (note 4)	12,609,308	8,990,388
Deferred derivative liability (note 10)	89,000	86,000
Post-employment benefits and compensated absences (note 5)	3,703,000	3,987,000
	<u>16,401,308</u>	<u>13,063,388</u>
Deferred contributions:		
Bursaries and other	2,880,859	3,427,967
Deferred capital contributions (note 3)	85,450,187	87,371,098
	<u>88,331,046</u>	<u>90,799,065</u>
Net assets:		
Unrestricted:		
Operating	19,945,526	14,803,942
Post-employment benefits and compensated absences	(3,703,000)	(3,987,000)
Vacation pay accrual	(5,409,000)	(5,221,000)
	<u>10,833,526</u>	<u>5,595,942</u>
Invested in capital assets (note 6)	23,681,009	26,639,643
Internally restricted (note 7)	1,070,000	1,168,000
Restricted for endowment (note 8)	6,712,129	6,627,991
	<u>42,296,664</u>	<u>40,031,576</u>
Accumulated rereasurement losses	(89,000)	(86,000)
	<u>42,207,664</u>	<u>39,945,576</u>
Commitments (note 13)		
Subsequent event (note 14)		
	<u>\$ 204,771,464</u>	<u>\$ 204,541,687</u>

See accompanying notes to financial statements.

On behalf of the Board of Governors:



Chair of the Board of Governors



President

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

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

	2020	2019
Revenue:		
Student tuition	\$ 57,766,447	\$ 64,392,370
Ministry of Colleges and Universities grants and reimbursements	50,332,355	56,210,433
Other (note 9)	21,064,293	21,287,185
Ancillary operations	5,639,281	6,147,443
Amortization of deferred capital contributions (note 3)	4,498,764	4,397,263
	<u>139,301,140</u>	<u>152,434,694</u>
Expenditures:		
Salaries	72,088,276	72,968,448
Benefits	14,981,698	14,835,690
Contract services and other	14,047,493	14,140,726
Instructional support	7,388,292	8,841,070
Amortization of capital assets	7,573,732	7,069,656
Plant and security	5,355,104	5,484,217
Professional fees and insurance	3,264,076	3,346,755
Utilities	3,176,437	3,219,128
Bursaries	2,555,046	2,696,708
Travel and professional development	2,148,080	2,016,771
Advertising	1,449,665	1,438,183
Rental and taxes	1,446,362	1,329,295
Equipment maintenance	751,424	827,755
Other	486,201	384,077
Interest on long-term debt	408,304	357,836
	<u>137,120,190</u>	<u>138,956,315</u>
Excess of revenue over expenditures	\$ 2,180,950	\$ 13,478,379

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

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

					2020	2019
	Unrestricted	Invested in capital assets (note 6(a))	Internally restricted (note 7)	Restricted for endowment	Total	Total
Net assets, beginning of year	\$ 5,595,942	\$ 26,639,643	\$ 1,168,000	\$ 6,627,991	\$ 40,031,576	\$ 26,427,401
Excess (deficiency) of revenue over expenditures	5,220,313	(3,039,363)	—	—	2,180,950	13,478,379
Endowment contributions	—	—	—	84,138	84,138	125,796
Net change in investment in capital assets (note 6(b))	(80,729)	80,729	—	—	—	—
Interfund transfers (note 7)	98,000	—	(98,000)	—	—	—
Net assets, end of year	\$ 10,833,526	\$ 23,681,009	\$ 1,070,000	\$ 6,712,129	\$ 42,296,664	\$ 40,031,576

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains and Losses

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

	2020	2019
Accumulated remeasurement losses, beginning of year	\$ (86,000)	\$ (92,000)
Unrealized gain (loss) on swap derivatives	(3,000)	6,000
Accumulated remeasurement losses, end of year	\$ (89,000)	\$ (86,000)

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 2,180,950	\$ 13,478,379
Items not involving cash:		
Amortization of capital assets	7,573,732	7,069,656
Amortization of deferred capital contributions	(4,498,764)	(4,397,263)
Gain on disposal of capital assets	(35,605)	(36,896)
	5,220,313	16,113,876
Change in accruals for post-employment benefits and compensated absences	(284,000)	77,000
Change in non-cash operating working capital:		
Ministry of Colleges and Universities receivables	712,889	(56,763)
Accounts receivable	755,381	(566,637)
Inventory and prepaid expenses	(784,068)	(94,097)
Accounts payable and accrued liabilities	(1,745,262)	1,194,923
Accrued payroll and employee benefits	(1,729,080)	1,946,892
Ministry of Colleges and Universities grants received in excess of entitlements	(711,259)	228,854
Deferred revenue	1,052,735	2,187,731
	2,487,649	21,031,779
Capital activities:		
Deferred capital contributions	2,577,853	11,933,055
Purchase of capital assets	(5,802,502)	(16,977,291)
Proceeds on disposal of capital assets	43,719	99,809
	(3,180,930)	(4,944,427)
Financing activities:		
Deferred contributions, bursaries and other	(547,108)	508,054
Endowment contributions	84,138	125,796
Issuance of long-term debt	5,000,000	—
Principal payments on long-term debt	(1,150,426)	(1,020,263)
	3,386,604	(386,413)

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows (continued)

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

	2020	2019
Investing activities:		
Net change in investments	261,230	(22,633,665)
Net change in restricted investments for endowments, bursaries and other	462,970	(633,850)
	<u>724,200</u>	<u>(23,267,515)</u>
Increase (decrease) in cash	3,417,523	(7,566,576)
Cash, beginning of year	17,876,844	25,443,420
Cash, end of year	<u>\$ 21,294,367</u>	<u>\$ 17,876,844</u>
Supplemental cash flow information:		
Interest paid	\$ 408,304	\$ 357,836
Interest received	995,520	1,187,757

See accompanying notes to financial statements.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2020

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

1. Significant accounting policies:

(a) Basis of accounting:

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

(b) Revenue recognition:

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

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

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

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

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

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

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

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

(d) Vacation accrual:

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

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

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

The College provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, vesting sick leave, non-vesting sick leave and compensated absences. The College has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis.
- (ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (iii) The cost of vesting and non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service lives of the employees.
- (iv) The discount rate used in the determination of the above-mentioned liabilities is based on the effective yield of Ontario bonds that approximates the weighted average duration of cash flows for the employee future benefits. This rate is also equal to the College's internal rate of borrowing.
- (v) The cost of compensated absences is determined using management's best estimate of the length of the compensated absences.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(f) Financial instruments:

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

(i) Fair value:

This category includes derivatives and equity instruments quoted in an active market. The College has elected to carry unrestricted and restricted investments that would otherwise be classified into the amortized cost category at fair value as the College reports performance of these on a fair value basis.

For unrestricted investments, 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.

Unrealized changes in fair value of a financial asset in a fair value category that is externally restricted are recorded in deferred contributions - bursaries and other.

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

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

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(ii) Amortized cost:

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

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

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations.

(g) Derivative financial instrument:

A derivative financial instrument is utilized by the College in the economic management of its interest rate exposure. The College does not enter into derivative financial instruments for trading or speculative purposes. The College uses an interest rate swap agreement to economically manage the floating interest rate of a portion of the debt portfolio and the related overall cost of borrowing.

(h) Inventory:

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

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(i) Contaminated sites:

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

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

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the organization is directly responsible or accepts responsibility for the liability;
- (iv) future economic benefits will be given up; and
- (v) a reasonable estimate of the liability can be made.

(j) Capital donations:

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

(k) Use of estimates:

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

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,083,687	\$ –	\$ 2,083,687	\$ 2,083,687
Buildings	167,221,341	60,993,488	106,227,853	107,856,329
Site improvements	5,350,443	4,479,741	870,702	1,072,850
Furniture and equipment	32,582,156	26,438,935	6,143,221	5,699,257
Computer equipment	9,853,276	8,243,655	1,609,621	1,794,202
Residence furniture	1,086,301	1,086,301	–	–
Fibre optic system	1,560,459	1,204,832	355,627	433,650
Enterprise Resource Planning System	4,014,447	3,965,300	49,147	67,131
Leasehold improvements	686,939	598,124	88,815	15,905
Sport and Wellness Centre	2,470,079	731,150	1,738,929	1,788,379
Sports fields	2,711,111	878,534	1,832,577	1,968,133
	\$ 229,620,239	\$ 108,620,060	\$ 121,000,179	\$ 122,779,523

Included in buildings and site improvements is construction in progress in the amount of \$1,515,443 (2019 - \$722,747) and nil (2019 - \$106,160), respectively.

During 2020, construction in progress of \$522,314 (2019 - nil) was completed, transferred to capital assets and amortization commenced.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

3. Deferred capital contributions:

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

	2020	2019
Balance, beginning of year	\$ 87,371,098	\$ 79,835,306
Less amounts amortized to revenue	4,498,764	4,397,263
	82,872,334	75,438,043
Contributions received for capital purposes	2,577,853	11,933,055
Balance, end of year	\$ 85,450,187	\$ 87,371,098

As at March 31, 2020, there was \$2,025,710 (2019 - \$1,276,337) of deferred capital contributions received that were not spent.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Long-term debt:

	2020	2019
Health Sciences Cluster Project loan, payable \$116,420 semi-annually including interest at 2.64%, due August 2039	\$ 3,531,100	\$ —
Less principal repayments due within one year	140,542	—
	<u>3,390,558</u>	<u>—</u>
GeoCentre and Environmental Sciences project loan, payable \$45,275 semi-annually including interest at 2.64%, due August 2039	1,373,205	—
Less principal repayments due within one year	54,655	—
	<u>1,318,550</u>	<u>—</u>
Brealey Student residence loan, payable \$630,940 semi-annually, including interest at 3.218%, due July 2027, secured by specific property	8,349,388	9,319,119
Less principal repayments due within one year	1,001,188	969,731
	<u>7,348,200</u>	<u>8,349,388</u>
The Peterborough Sport and Wellness Centre loan payable, secured by specific property (a)	641,000	726,000
Less principal repayments due within one year	89,000	85,000
	<u>552,000</u>	<u>641,000</u>
	<u>\$ 12,609,308</u>	<u>\$ 8,990,388</u>

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Long-term debt (continued):

- (a) The College negotiated a term bank loan, by way of a bankers' acceptance loan, to finance the Peterborough Sport and Wellness Centre on June 13, 2006 with an initial notional amount of \$1,500,000. The loan is repayable by blended quarterly payments maturing June 13, 2026.

The College has since entered into an interest rate swap agreement to modify the floating rate of interest (note 10(c)) on this loan to a fixed rate of 5.04% plus stamping fee of 0.45% for a total fixed rate of 5.49%.

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

2021	\$ 1,285,385
2022	1,328,049
2023	1,371,905
2024	1,416,990
2025	1,464,344
Thereafter	7,028,020
	<hr/>
	\$ 13,894,693

The College also has a revolving credit facility for an operating line of credit to a maximum of \$5,000,000. The operating line of credit is unsecured and bears interest at the College's bank prime lending rate minus 0.50%. As at March 31, 2020, no amounts have been drawn on this facility (2019 - nil).

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

5. Post-employment benefits and compensated absences:

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

				2020	2019
	Post- employment benefits	Non-vesting sick leave	Compensated absences	Total liability	Total liability
Accrued employee future benefits	\$ 748,000	\$ 2,976,000	\$ 340,000	\$ 4,064,000	\$ 3,788,000
Value of plan assets	(167,000)	–	–	(167,000)	(138,000)
Unamortized actuarial gains (losses)	51,000	(245,000)	–	(194,000)	337,000
Total liability	\$ 632,000	\$ 2,731,000	\$ 340,000	\$ 3,703,000	\$ 3,987,000

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

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

					2020	2019
	Post- employment benefits	Non-vesting sick leave	Vesting sick leave	Compensated absences	Total expense	Total expense
Current year benefit costs	\$ (24,000)	\$ 146,000	\$ 3,000	\$ 340,000	\$ 465,000	\$ 503,000
Interest on accrued benefit obligation	2,000	54,000	1,000	–	57,000	71,000
Amortized actuarial gains	(6,000)	(2,000)	(255,000)	–	(263,000)	(17,000)
Total expenses	\$ (28,000)	\$ 198,000	\$ (251,000)	\$ 340,000	\$ 259,000	\$ 557,000

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

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

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

(a) Retirement benefits:

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 Pension Plan (the "Plan"), a multi-employer jointly-sponsored defined benefit plan for public colleges in Ontario and other employers across Canada. The College makes contributions to the Plan equal to those of employees. Contribution rates are set by the Plan's governors to ensure the long-term viability of the Plan. Since the Plan is a multi-employer plan, the College's contributions are accounted for as if the Plan were a defined contribution plan with the College's contributions being expensed in the period they come due.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates 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. The College made contributions to the Plan of \$6,808,078 (2019 - \$6,655,658), which has been included in the statement of operations.

The College makes contributions to a Retirement Compensation Arrangement ("RCA") to triple the qualifying employee contributions. In 2020, the College's contributions to RCA amounted to \$40,556 (2019 - \$82,956), and has been included in the statement of operations.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

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

(b) Post-employment benefits:

The College extends post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The College recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

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

(i) Discount rate:

The present value, as at March 31, 2020, of the future benefits was determined using a discount rate of 1.60%.

(ii) Drug costs:

Drug costs were assumed to increase at a rate of 8.0% in 2018 and decrease proportionately thereafter to an ultimate rate of 4.0% in 2040.

(iii) Hospital and other medical:

Hospital and other medical costs were assumed to increase at 4.0% per annum.

Medical premium increases were assumed to increase at 6.55% per annum and decrease proportionately thereafter to an ultimate rate of 4.0% in 2040.

(iv) Dental costs:

Dental costs were assumed to increase at 4.0% per annum.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

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

(c) Compensated absences:

(i) Vesting sick leave:

The College has provided for vesting sick leave benefits during the year. Eligible employees, after 10 years of service, are entitled to receive 50% of their accumulated sick leave credit on termination or retirement to a maximum of 6 months' salary. The program to accumulate sick leave credits ceased for employees hired after March 31, 1991. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council. The College has a liability of nil (2019 - \$267,000). Future expenses related to this benefit are not expected.

(ii) Non-vesting sick leave:

The College allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that the employees' illness or injury exceeds the current year's allocation of days. Sick days are paid out at the salary in effect at the time of usage. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

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

	2020	2019
Wage and salary escalation	1.00% - 2.00%	1.50% - 2.00%
Discount rate	1.60%	2.20%

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0.0% to 26.2% and nil to 51 days, respectively, for age groups ranging from 20 and under to 65 and over in bands of five years.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

6. Net assets invested in capital assets:

(a) Invested in capital assets represent the following:

	2020	2019
Capital assets, at cost (note 2)	\$ 229,620,239	\$ 223,975,919
Accumulated amortization (note 2)	(108,620,060)	(101,196,396)
Long-term debt:		
Long-term portion (note 4)	(12,609,308)	(8,990,388)
Current portion (note 4)	(1,285,385)	(1,054,731)
Deferred contributions related to capital assets excluding unspent portion (note 3)	(83,424,477)	(86,094,761)
Balance, end of year	\$ 23,681,009	\$ 26,639,643

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

	2020	2019
Excess (deficiency) of revenue over expenditures:		
Amortization of deferred capital contributions	\$ 4,498,764	\$ 4,397,263
Amortization of capital assets	(7,573,732)	(7,069,656)
Gain on disposal of capital assets	35,605	36,896
	\$ (3,039,363)	\$ (2,635,497)
Net change in investment in capital assets:		
Purchased capital assets	\$ 5,802,502	\$ 16,977,291
Amounts funded by deferred capital contributions	(1,828,480)	(11,499,352)
Issuance of long-term debt	(5,000,000)	-
Principal payments on long-term debt	1,150,426	1,020,263
Proceeds on disposal of capital assets	(43,719)	(99,809)
	\$ 80,729	\$ 6,398,393

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

7. Internally restricted net assets:

	2020	2019
Residence and other direct student services	\$ 1,010,000	\$ 1,118,000
Sports Field Capital Reserve Fund	60,000	50,000
	\$ 1,070,000	\$ 1,168,000

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

Effective March 31, 2020, the Board approved a transfer of \$108,000 to unrestricted from internally restricted net assets for the purpose of residence and other direct student services. A further transfer of \$10,000 from unrestricted to internally restricted net assets was approved for the purpose of capital repairs and improvements to the sports field complex. The net transfer of \$98,000 was made from internally restricted net assets to unrestricted net assets for the above two items. The balance now represents funds available for future reinvestment.

8. Restricted for endowments:

Externally restricted net assets include endowment funds which have been donated for specific purposes. The principal sum must be held for investment, while the income earned is expendable for the specific purposes outlined when the funds are donated. 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 are provided.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Restricted for endowments (continued):

Endowed funds include the following:

(a) Ontario Student Opportunity Trust Funds:

These funds were provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund Phase 1 and Phase 2 ("OSOTF") matching program to award student aid as a result of raising an equal amount of endowed donations.

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

(i) OSOTF - Phase 1:

Schedule of changes in endowment fund balance:

	2020	2019
Fund balance, beginning of year	\$ 1,418,455	\$ 1,418,420
Preservation of capital	36	35
Fund balance, end of year	\$ 1,418,491	\$ 1,418,455

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Restricted for endowments (continued):

Schedule of changes in expendable funds available for awards:

	2020		2019	
	Market	Cost	Market	Cost
Balance, beginning of year	\$ 278,862	\$ 209,339	\$ 258,039	\$ 200,462
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	(60,655)	30,744	64,218	52,272
Bursaries awarded (2020 - 25; 2019 - 51)	(14,530)	(14,530)	(43,395)	(43,395)
Balance, end of year	\$ 203,677	\$ 225,553	\$ 278,862	\$ 209,339

(ii) OSOTF - Phase 2:

Schedule of changes in endowment fund balance:

	2020	2019
Fund balance, beginning of year	\$ 473,814	\$ 473,741
Preservation of capital	74	73
Fund balance, end of year	\$ 473,888	\$ 473,814

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Restricted for endowments (continued):

Schedule of changes in expendable funds available for awards:

	2020		2019	
	Market	Cost	Market	Cost
Balance, beginning of year	\$ 82,225	\$ 59,552	\$ 77,660	\$ 59,046
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	(17,995)	10,168	20,560	16,501
Bursaries awarded (2020 - 3; 2019 - 12)	(2,610)	(2,610)	(15,995)	(15,995)
Balance, end of year	\$ 61,620	\$ 67,110	\$ 82,225	\$ 59,552

(b) Ontario Trust for Student Support:

These monies were provided by the Government of Ontario from the Ontario Trust for Student Support matching program to award student aid.

Schedule of changes in endowment fund balances during the year:

	2020	2019
Fund balance, beginning of year	\$ 3,813,079	\$ 3,813,064
Preservation of capital	15	15
Fund balance, end of year	\$ 3,813,094	\$ 3,813,079

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Restricted for endowments (continued):

Schedule of changes in expendable funds available for awards:

	2020		2019	
	Market	Cost	Market	Cost
Balance, beginning of year	\$ 493,212	\$ 319,240	\$ 411,744	\$ 266,286
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	(140,990)	78,380	156,603	128,089
Bursaries awarded (2020 - 57; 2019 - 103)	(42,543)	(42,543)	(75,135)	(75,135)
Balance, end of year	\$ 309,679	\$ 355,077	\$ 493,212	\$ 319,240

9. Investment income:

Investment income is earned from the following sources:

	2020	2019
Income from unrestricted investments	\$ 1,256,894	\$ 870,141
Income (loss) from endowment and restricted investments	(261,374)	317,616
	\$ 995,520	\$ 1,187,757

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Investment income (continued):

The College has certain agreements for bursaries that do not have stipulations on the investment income earned from these restricted funds. The income earned from these investments is unrestricted and reported as part of other revenue as noted above.

10. Financial instrument classification:

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

2020	Fair value	Amortized cost
Cash	\$ 21,294,367	\$ –
Short-term investments (a)	33,556,477	–
MCU receivables	–	4,776,648
Accounts receivable	–	5,004,210
Restricted investments endowments, bursaries and other (b)	9,592,988	–
Long-term investments (a)	6,999,870	–
Accounts payable and accrued liabilities	–	(23,754,375)
Accrued payroll and employee benefits	–	(11,100,335)
MCU grants received in excess of entitlements	–	(1,371,546)
Long-term debt	–	(13,894,693)
Deferred derivative liability (c)	(89,000)	–
	\$ 71,354,702	\$ (40,340,091)

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Financial instrument classification (continued):

2019	Fair value	Amortized cost
Cash	\$ 17,876,844	\$ –
Short-term investments (a)	40,577,094	–
MCU receivables	–	5,489,537
Accounts receivable	–	5,759,591
Restricted investments for endowments, bursaries and other (b)	10,055,958	–
Long-term investments (a)	240,483	–
Accounts payable and accrued liabilities	–	(25,499,637)
Accrued payroll and employee benefits	–	(12,829,415)
MCU grants received in excess of entitlements	–	(2,082,805)
Long-term debt	–	(10,045,119)
Deferred derivative liability (c)	(86,000)	–
	\$ 68,664,379	\$ (39,207,848)

All investments follow the Government of Ontario Binding Policy Directive on Banking, Investments and Borrowing.

(a) Excess of operating funds are invested in liquid securities that are accessible when required. Short-term investments consist of guaranteed investment certificates with maturities of less than one year. Long-term investments consist of guaranteed investment certificates with maturities that are greater than one year.

Excess of operating funds held in short-term investments have yields varying from 2.20% to 2.55% (2019 - 1.60% to 2.72%) with maturity dates ranging from August 3, 2019 to December 17, 2020 (2019 - March 24, 2019 to May 24, 2019).

Excess of operating funds held in long-term investments have yields varying from 1.75% to 3.16% (2019 - 2.20% to 3.16%) with maturity dates ranging from January 14, 2022 to June 2, 2023 (2019 - May 1, 2020 to January 14, 2022).

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Financial instrument classification (continued):

- (b) Restricted investments for endowments, bursaries and other consist of cash, pooled fund investments in money market, guaranteed investment certificates, fixed term bonds and Canadian equities. The maturity profile of the bonds included in restricted investments is as follows:

2020	Within 1 year	2 - 5 years	6 - 10 years	Over 10 years	Total
Carrying value	\$ 273,074	\$ 891,631	\$ 21,260	\$ –	\$ 1,185,965
Percentage of total	23	75	2	–	100

2019	Within 1 year	2 - 5 years	6 - 10 years	Over 10 years	Total
Carrying value	\$ 303,091	\$ 1,167,818	\$ 21,258	\$ –	\$ 1,492,167
Percentage of total	20	78	2	–	100

- (c) The College entered into an interest rate swap agreement in a prior year to economically manage the floating interest rate of the bankers' acceptance loan (note 4(a)).

Under the terms of the interest rate swap agreement, the College has contracted with the counter-party to pay a fixed rate of interest including stamping fee of 0.45% of 5.49% (2019 - 5.49%), while receiving interest at a variable rate to be set quarterly based on the bankers' acceptance rates of 5.49%. The maturity date of the interest rate swap agreement is June 13, 2026.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Financial instrument classification (continued):

The notional value of the interest rate swap agreement at March 31, 2020 is \$641,000 (2019 - \$726,000) and is amortized quarterly during the term of the interest rate swap agreement.

The fair value of the interest rate swap agreement at March 31, 2020 is \$89,000 (2019 - \$86,000) and is recorded as a deferred derivative liability on the statement of financial position.

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

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

There were no transfers between levels for the years ended March 31, 2020 and 2019. For a sensitivity analysis of financial instruments recognized in Level 3, see note 11 - interest rate risk, as the prevailing interest rate is the most significant input into the fair value of the instrument.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

11. Financial instrument risk management:

(a) Credit risk:

Credit risk is the risk of financial loss to the College if a debtor fails to make payments of interest and principal when due. The College is exposed to this risk relating to its cash, debt holdings in its investment portfolio and accounts receivable. The College holds its cash accounts with federally regulated chartered banks which are insured by the Canadian Deposit Insurance Corporation. In the event of default, each of the College's cash accounts are insured up to \$100,000 (2019 - \$100,000).

The College's investment policy operates within the constraints of the investment guidelines issued by MCU. The College policy puts limits on the bond portfolio, including portfolio composition, issuer type, bond quality, aggregate issuer, corporate sector and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a semi-annual basis and monitored by management on a monthly basis. Externally restricted and endowment funds, which are generally money and donations for scholarships and bursaries are invested in corporate bonds with a credit rating of A(R-1) or better. All other College funds are restricted to Corporate bonds with a rating of AAA.

The maximum exposure to investment credit risk is outlined in note 10.

The College measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the College's historical experience regarding collections. The maximum exposure to credit risk from receivables of the College at March 31, 2020 is the carrying value of these assets.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

11. Financial instrument risk management (continued):

Accounts receivable includes student receivables and other receivables as noted in the table below. Student receivables are ultimately due from students. Credit risk is mitigated by financial approval processes before a student is enrolled and due to the highly diversified nature of the student population.

	2020	2019
MCU receivables	\$ 4,776,648	\$ 5,489,537
Accounts receivable:		
Student receivables	537,735	540,043
Other receivables	4,767,475	5,517,548
	5,305,210	6,057,591
Less allowance for doubtful accounts	301,000	298,000
	5,004,210	5,759,591
	\$ 9,780,858	\$ 11,249,128

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

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

(b) Market risk:

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

The College's investment policy operates within the constraints of the investment guidelines issued by MCU. The policy's application is monitored by management, the investment managers and the Board. Diversification techniques are utilized to minimize risk.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

11. Financial instrument and risk management (continued):

The investment policy outlines an asset mix comprising:

Fixed income	55% - 75%
Equities	20% - 40%
Cash and short-term investments	0% - 10%

The policy sets limits and the maximum amount allowable per investment grade non-government fixed income issue at the greater of 15% of the total portfolio or 20% of the fixed income portfolio.

(i) Currency risk:

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

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

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The College is exposed to this risk through its interest-bearing investments and long-term debt.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

11. Financial instrument and risk management (continued):

The College mitigates interest rate risk on its long-term debt through a derivative financial instrument that exchanges the variable rate inherent in the long-term debt for a fixed rate (note 4). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

The College's bond portfolio has interest rates ranging from 1.60% to 3.32% (2019 - 2.07% to 3.32%) with maturities ranging from April 8, 2020 to November 22, 2027 (2019 - June 2, 2019 to November 22, 2027).

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 bonds and the interest rate swap of \$330 and \$22,000 (2019 - \$4,000 and \$27,600), respectively. The College's long-term debt, as described in note 4, would not be impacted as the inherent variable rate of the debt has been fixed with the use of the aforementioned derivative interest rate swap.

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

(iii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The College is exposed to this risk through its equity holdings within its investment portfolio. At March 31, 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 equities of \$212,000 (2019 - \$247,000).

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

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

11. Financial instrument and risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the College will not be able to meet all cash outflow obligations as they come due. The College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near term if unexpected cash outflows arise. The following table sets out the contractual maturities (representing undiscounted contractual cash flows of financial liabilities):

	Within 6 months	6 months to 1 year	1 - 5 years	Greater than 5 years
Accounts payable and accrued liabilities	\$ 21,205,138	\$ 2,549,237	\$ –	\$ –
Accrued payroll and employee benefits	10,773,808	203,264	123,263	–
Long-term debt	637,557	647,828	5,581,288	7,028,020

Derivative financial liabilities mature as described in note 4.

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

12. Fleming College Foundation:

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

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

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

12. Fleming College Foundation (continued):

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

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

	2020	2019
Financial position		
Total assets	\$ 5,951	\$ 5,249
Total liabilities	5,951	5,249
Fund balances	\$ –	\$ –
Results of operations		
Total revenue	\$ 19,432	\$ 22,628
Total expenses	5,951	5,249
Transfers to Fleming College	13,481	17,379
Excess of expenditures over revenue	\$ –	\$ –

The net resources of the Foundation amount to nil (2019 - nil).

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

13. Commitments:

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

2021	\$ 501,232
2022	250,104
2023	178,613
2024	54,625

14. Subsequent event:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus, the “COVID-19 outbreak”. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As a result of this, on March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020. In addition, the Canadian government has imposed travel restrictions to Canada until further notice.

On March 16, the College closed its campuses, learning sites and residences, and they remain closed to the date of the auditor’s report. The College finished the winter term virtually and final exams were completed, with the exception of a small number of labs and applied learning sessions that will be made up in small groups during the fall semester.

The plan for academic programming throughout the summer and fall semesters offered by the College will be to deliver them through alternative methods including online and small groups, labs or field work when permitted by health authorities. This shift could have implications on the number of course offerings, enrollment and ancillary revenues.

SIR SANDFORD FLEMING COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2020

14. Subsequent event (continued):

A significant portion of the College's tuition revenues is derived from international students. If the Canadian border remains closed, this will impact the College's ability to earn revenue from International students who choose to defer their studies until in class sessions resume and travel restrictions are lifted. The College is currently assessing the viability and acceptance of online courses for International students, although it is expected that enrolment will decline if in-class opportunities are not permitted by the start of the fall semester.

The College also received relief funding from the government immediately after year-end to cover costs associated with early and ongoing responses to the COVID-19 outbreak. These costs can include, but are not limited to: existing and emerging efforts in the areas of support for student and staff transitions or accommodations; infrastructure related to the provision of online-enabled learning and testing or telework; increased use of cleaning or medical supplies; increased reliance on physical or mental health services; and increased security costs.

As the impacts of COVID-19 continue, there could be further impact on the College, its students and funding sources. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the College is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

15. Comparative information:

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