The Conestoga College Institute of Technology and Advanced Learning

FINANCIAL STATEMENTS

March 31, 2020

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

INDEX OF CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

Year Ended March 31, 2020

Independent auditor's report

To the Board of Governors of The Conestoga College Institute of Technology and Advanced Learning

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Conestoga College Institute of Technology and Advanced Learning and its subsidiary (together, the Entity) as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited
The Entity's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2020;
- the consolidated statement of revenue and expenditure and change in fund balances for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in fund balances for the year then ended;
- the consolidated statement of remeasurement gains and losses for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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 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.

Auditor's 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 auditor's 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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 auditor's 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 auditor's 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
June 24, 2020

Statement 1

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Consolidated Statement of Financial Position

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

Assets	**2020**	**2019**
Current Assets:		
Cash and short-term deposits	$ 160,057,101	$ 142,486,370
Grants receivable	4,700,540	3,681,195
Accounts receivable	10,949,902	10,258,144
Current portion of pledges receivable (Note 3)	2,700,000	1,874,088
Inventory	1,173,217	1,085,900
Prepaid expenses	724,805	1,012,733
	180,305,565	**160,398,430**
Long-term investments (Note 9)	4,572,775	-
Long-term pledges receivable (Note 3)	14,379,784	17,955,695
Capital assets (Note 4)	292,694,614	245,877,236
	$ 491,952,738	**$ 424,231,361**
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 36,701,361	$ 26,126,038
Vacation pay accrual	11,922,334	11,294,823
Deferred revenue	124,866,139	92,278,397
Current portion of long-term debt (Note 5)	2,289,230	2,226,377
Deferred contributions (Note 6)	2,412,296	2,278,101
	178,191,360	**134,203,736**
Long-term debt (Note 5)	23,777,204	26,066,435
Deferred capital contributions (Note 7)	149,376,239	155,004,463
Post-employment benefits and compensated absences (Note 8)	6,282,000	6,349,000
	357,626,803	**321,623,634**
Fund Balances (Deficits)		
Unrestricted:		
Operations	31,080,334	52,017,551
Vacation	(11,922,334)	(11,294,823)
Post-employment benefits and compensated absences	(6,282,000)	(6,349,000)
	12,876,000	**34,373,728**
Investment in capital assets (Note 4)	116,225,941	62,579,961
Externally restricted fund balances:		
Restricted	439,160	421,774
Endowed	5,505,738	5,232,264
	135,046,839	**102,607,727**
Accumulated Remeasurement Gains	(720,904)	-
	$ 491,952,738	**$ 424,231,361**

Commitments (Note 10)

See accompanying notes to consolidated financial statements

APPROVED BY THE BOARD

Frank Boutzis, Board Chair

John Tibbits, President

Statement 2

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Consolidated Statement of Revenue and Expenditure and Change in Fund Balances

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

Revenue	**2020**	**2019**
Tuition Fees	$ 201,404,022	$ 146,541,032
Grants	84,474,713	97,397,282
Other Student Fees	29,019,171	22,199,403
Ancillary operations	19,368,067	18,035,984
Contracted services	10,026,671	12,663,996
Other	8,893,037	8,253,236
Interest	4,280,378	2,192,397
Restricted revenue	1,043,949	1,732,752
Amortization of deferred capital contributions (Note 7)	7,854,996	7,123,471
Total revenue	**366,365,004**	**$ 316,139,553**
Expenditures		
Salaries and benefits	206,184,958	179,545,741
Professional and contract fees	29,733,768	20,764,584
Student related expenses	21,553,047	16,855,608
Supplies and staff related expenses	8,553,147	5,760,929
Plant related expenses	30,245,230	19,284,070
Other expenses	15,641,449	13,437,403
Specifically reimbursed expenses	3,759,205	3,283,391
Amortization of capital assets	15,177,931	13,565,230
Scholarships, bursaries and work-study	3,350,631	4,406,268
Total expenditures	**334,199,366**	**276,903,224**
Excess of revenue over expenditures	**32,165,638**	**39,236,329**
Fund balances, beginning	102,607,727	63,145,042
Endowment contributions	273,474	226,356
Fund balances, ending	**$ 135,046,839**	**$ 102,607,727**

See accompanying notes to consolidated financial statements

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Consolidated Statement of Cash Flows

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

Net Inflow (Outflow) of Cash Related to the Following Activities	2020	2019
Operating		
Excess of revenue over expenditure – Restricted Fund	$ 17,386	$ (6,190)
Excess of revenue over expenditure – Operating Fund	32,148,252	39,242,519
Items not involving cash:		
Amortization of capital assets	15,177,931	13,565,230
Amortization of deferred capital contributions	(7,854,996)	(7,123,471)
Post-employment benefit and compensated absences expense	425,000	541,000
	39,913,573	**46,219,088**
Cash paid for post-employment benefits and compensated absences	(492,000)	(518,000)
Changes in non-cash working capital items:		
Grants receivable	(1,019,345)	(941,331)
Accounts receivable	(691,758)	(2,427,529)
Inventory	(87,317)	(273,205)
Prepaid expenses	287,928	(552,462)
Accounts payable	10,575,323	(1,756,091)
Vacation pay accrual	627,511	(131,482)
Deferred revenue	31,561,742	47,939,650
	80,675,657	**87,558,638**
Financing		
Net change in deferred contributions	134,195	487,693
Endowment contributions	273,474	226,356
Repayment of long-term debt (Note 5)	(2,226,378)	(2,165,328)
	(1,818,709)	**(1,451,279)**
Capital		
Deferred grants and capital contributions	3,252,772	17,330,972
Purchase of capital assets	(61,995,309)	(39,748,529)
	(58,742,537)	**(22,417,557)**
Investing		
Realized gain recognized as income on endowment fund investment	-	(272,027)
Decrease in pledges receivable	2,749,999	452,440
Sale (purchase) of investments (net)	(5,293,679)	22,433,040
	(2,543,680)	**22,613,453**
Net cash inflow	17,570,731	86,303,255
Cash and short-term deposits, beginning of year	142,486,370	56,183,115
Cash and short-term deposits, end of year	**$ 160,057,101**	**$ 142,486,370**

See accompanying notes to consolidated financial statements

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Consolidated Statement of Changes in Fund Balances

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

	Operations	Vacation	Post-employment benefits and compensated absences	Investment in Capital Assets	Restricted Fund	Endowment Fund	2020 Total	2019 Total
Balances March 31, 2019	$52,017,551	($11,294,823)	($6,349,000)	$62,579,961	$421,774	$5,232,264	$102,607,727	$63,145,042
Excess of revenue over expenditure (expenditure over revenue)	39,471,187	-	-	(7,322,935)	17,386	-	32,165,638	39,236,329
Vacation Pay	627,511	(627,511)	-	-	-	-	-	-
Post employment benefits and compensated absences	(67,000)	-	67,000	-	-	-	-	-
Capital asset additions financed with operating funds	(58,742,537)	-	-	58,742,537	-	-	-	-
Repayment of long-term debt	(2,226,378)	-	-	2,226,378	-	-	-	-
Endowment contributions	-	-	-	-	-	273,474	273,474	226,356
Fund balances (deficits), end of year	**$31,080,334**	**($11,922,334)**	**$(6,282,000)**	**$116,225,941**	**$439,160**	**$5,505,738**	**$135,046,839**	**$102,607,727**

See accompanying notes to consolidated financial statements

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Consolidated Statement of Remeasurement Gains and Losses

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

	2019	**2018**
Accumulated remeasurement gains at beginning of year	-	$ 272,027
Change in unrealized gains on investments	$ (720,904)	(272,027)
Accumulated remeasurement gains at end of year	**$ (720,904)**	**-**

See accompanying notes to consolidated financial statements

The Conestoga College Institute of Technology and Advanced Learning ("Conestoga") was established pursuant to Ontario regulation 34/03 made under the Ontario Colleges of Applied Arts and Technology Act, 2002. Conestoga is an agency of the Crown and provides postsecondary, vocationally oriented education in the areas of applied arts, business, health sciences, and technology.

Conestoga operates on a not-for-profit basis and is a registered charity and, as such, is exempt from income taxes under the Income Tax Act (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURE

BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of Conestoga and its wholly-owned subsidiary, Conestoga College Communications Corp., a not-for-profit corporation that is licensed by the Canadian Radio-Television and Telecommunications Commission to operate a radio station.

BASIS OF PRESENTATION

The consolidated financial statements of Conestoga have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs") and includes the following significant accounting policies.

REVENUE RECOGNITION

Conestoga follows the deferral method of accounting for contributions which include donations and government grants.

Tuition fees are recorded over the term of the semester. Fees received for semesters not yet completed or for semesters commencing in a subsequent fiscal period are recorded as deferred revenue.

Contracted services and ancillary revenues including parking, bookstore, residence, and other sundry revenues are recognized when products are delivered or services are provided to the student or client, the sales prices are fixed and determinable, and collection is reasonably assured.

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.

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

Restricted contributions for the purchase of depreciable capital assets are deferred and recognized as revenue over the useful life of the related asset.

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

Restricted investment income that must be maintained as an endowment is credited to net assets. Unrestricted investment income is recognized as revenue when earned.

USE OF ESTIMATES

The preparation of the consolidated financial statements, in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Areas of key estimation include determination of allowance for doubtful accounts, amortization of capital assets, amortization of deferred capital contributions, vacation pay accrual, and actuarial estimation of post-employment benefits and compensated absences liabilities.

RETIREMENT AND POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES

Conestoga provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, vesting sick leave and non-vesting sick leave. Conestoga 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. Adjustment to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis.

ii. The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.

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

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

VALUATION OF INVENTORY

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis.

PLEDGES RECEIVABLE

Pledges receivable includes corporate pledges for major capital projects as well as the portion of the student capital development fee receivable which is applied to Conestoga's building assets. Pledges receivable are recognized if the amount to be received is reasonably estimated and the ultimate collection is reasonably assured.

CAPITAL ASSETS

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to Conestoga'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 an impaired capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Construction in progress costs are capitalized as incurred. Once put in use, the assets are transferred to their appropriate capital asset category and are amortized on a basis consistent with the policy below.

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

Site Improvements	10 years
Buildings & building improvements	20 to 40 years
Furniture and Equipment	5 years
Information Technology	2 to 5 years
Leasehold improvements	Term of the lease

VACATION PAY

Conestoga recognizes vacation pay as an expense on an accrual basis.

FINANCIAL INSTRUMENTS

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

Fair value

This category includes derivatives, cash, short term deposits and investments. They are initially recognized at cost and subsequently carried at fair value. 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 of the appropriate fund.

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.

Amortized cost
This category includes grants receivable, accounts receivable, long-term receivable, accounts payable and accrued liabilities, bank loans and 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 included in the carrying value of the instrument.

Write-downs on the 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.

2. FINANCIAL INSTRUMENTS CLASSIFICATION

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

	Fair Value	Amortized Cost	2020 Total
Cash and short-term deposits	$160,057,101	-	$160,057,101
Investments	4,434,775	-	4,434,775
Grants receivable	-	$4,700,540	4,700,540
Accounts receivable	-	10,949,903	10,949,903
Pledges receivable	-	17,079,784	17,079,784
Accounts payable and accrued liabilities	-	36,701,361	36,701,361
Long term debt	-	26,066,434	26,066,434

	Fair Value	Amortized Cost	2019 Total
Cash and short-term deposits	$142,486,370	-	$142,486,370
Grants receivable	-	$3,681,195	3,681,195
Accounts receivable	-	10,258,144	10,258,144
Pledges receivable	-	19,829,783	19,829,783
Accounts payable and accrued liabilities	-	26,126,038	26,126,038
Long term debt	-	28,292,812	28,292,812

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

Observable:
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 date (unobservable inputs).

				2020
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and short-term deposits	$160,057,101	-	-	$160,057,101
Investments	1,284,854	$3,287,921	-	4,572,775
Total	$161,341,955	$3,287,921	-	$164,629,876

				2019
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and short-term deposits	$142,486,370	-	-	$142,486,370

			2020		**2019**
	Level	**Fair Value**	**Book Value**	**Fair Value**	**Book Value**
Canadian Equities	1	$237,076	$265,383	-	-
Foreign Equities	1	1,047,778	1,189,869	-	-
Money Market Mutual Funds	2	138,000	138,000	-	-
Canadian Fixed Income Mutual Funds	2	2,355,605	2,500,181	-	-
Foreign Equity Mutual Funds	2	184,128	250,091	-	-
Other	2	610,188	950,155	-	-
		$4,572,775	$5,293,679	-	-

3. PLEDGES RECEIVABLE

Pledges receivable includes corporate pledges of $2,800,000 (2019-$3,200,000) for major capital projects, as well as the student capital development fees which are related to the Recreation Centre building assets and the Waterloo Campus assets of $14,279,784 (2019-$16,629,783).

4. CAPITAL ASSETS

(a) Capital assets consist of the following:

	Capital Costs	Accumulated Amortization	2020 Net Book Value
Land	$44,151,001	-	$44,151,001
Site Improvements	8,061,645	$5,815,352	2,246,293
Buildings and Building Improvements	298,309,796	82,279,949	216,029,847
Furniture and Equipment	37,637,184	25,527,983	12,109,201
Information Technology	24,756,691	22,784,514	1,972,177
Other Assets	17,162,737	2,936,835	14,225,902
Construction in Progress	1,960,193	-	1,960,193
	$432,039,247	$139,344,633	$292,694,614

	Capital Costs	Accumulated Amortization	2019 Net Book Value
Land	$21,812,001	-	$21,812,001
Site Improvements	8,061,645	$5,462,728	2,598,917
Buildings and Building Improvements	280,232,745	75,130,183	205,102,562
Furniture and Equipment	38,318,815	26,031,527	12,287,288
Information Technology	25,628,996	22,953,633	2,675,363
Other Assets	3,057,984	1,656,879	1,401,105
	$377,112,186	$131,234,950	$245,877,236

(b) Investment in capital assets

The net book value of capital assets is financed by:

	2020	2019
Capital assets	$292,694,614	$245,877,236
Deferred capital contributions	(149,376,239)	(155,004,463)
Deferred grants related to construction in progress	(1,026,000)	-
Long-term debt	(26,066,434)	(28,292,812)
Investment in capital assets ending balance	$116,225,941	$62,579,961

Excess of expenditure over revenue	2020	2019
Amortization of deferred capital contributions	$7,854,996	$7,123,471
Amortization of capital assets	(15,177,931)	(13,565,230)
Excess of expenditure over revenue for the year	($7,322,935)	($6,441,759)

5. LONG TERM DEBT

	2020	2019
Ontario government Residence Loan bearing interest at 3.511%. Repayable in May and November each year in a blended payment of $634,494, due May 4, 2027.	$8,303,912	$9,256,202
Student Rec Centre Loan from Ontario Financing Authority bearing interest at 2.273%. Repayable in April and October each year in a blended payment of $849,795, due October 6, 2031.	17,762,522	19,036,610
	26,066,434	28,292,812
Less: Current portion	2,289,230	2,226,377
	$23,777,204	$26,066,435

The Consolidated Statements of Revenue and Expenditure and Changes in Fund Balances include interest expense related to long term debt in the amount of $715,726 (2019-$777,583).

The estimated principal portion of long-term debt payments are as follows:

2021	$2,289,230
2022	2,353,944
2023	2,420,575
2024	2,489,183
Thereafter	16,513,502
Total	$26,066,434

6. DEFERRED CONTRIBUTIONS

Deferred contributions reported in the Restricted Fund relate to donations received for student bursaries and interest earned on related endowed and unspent funds. Changes in the deferred contributions balance in the Restricted Fund are as follows:

	2020	2019
Beginning balance	$2,278,101	$1,790,408
Add: donations and grant received during year	968,160	1,424,954
Add: interest earned on endowed and unspent funds	192,598	308,231
Less: amounts recognized as revenue in the year	(1,026,563)	(1,245,492)
Ending balance	$2,412,296	$2,278,101

7. DEFERRED CAPITAL CONTRIBUTIONS

Contributions restricted for the purpose of capital purchases are deferred and then amortized over the life of the asset at the corresponding rate to amortization.

	Ministry Funded Grants	Other	2020 Total	2019 Total
Opening balance	$119,940,960	$35,063,503	$155,004,463	$144,796,962
Deferred	1,801,469	425,303	2,226,772	17,330,972
Amortization	(6,429,177)	(1,425,819)	(7,854,996)	(7,123,471)
Ending balance	$115,313,252	$34,062,987	$149,376,239	$155,004,463

The majority of Other Deferred Capital Contributions include funding received from federal funding agencies, municipal agencies, corporate entities, etc.

8. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY

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

2020	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$1,735,000	$2,753,000	$196,000	$4,684,000
Value of plan assets	(399,000)	-	-	(399,000)
Unamortized actuarial gains (losses)	-	2,045,000	(48,000)	1,997,000
Total liability	$1,336,000	$4,798,000	$148,000	$6,282,000

2019	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$1,623,000	$5,332,000	$205,000	$7,160,000
Value of plan assets	(305,000)	-	-	(305,000)
Unamortized actuarial gains (losses)	(1,000)	(497,000)	(8,000)	(506,000)
Total liability	$1,317,000	$4,835,000	$197,000	$6,349,000

	Post-employment benefits	**Non-vesting sick leave**	**Vesting sick leave**	**2020 Total expense**
Current year benefit cost	$37,000	$292,000	$9,000	$338,000
Interest on accrued benefit obligation	3,000	109,000	4,000	116,000
Amortized actuarial (gains) losses	(11,000)	(4,000)	(14,000)	(29,000)
Total expense	$29,000	$397,000	($1,000)	$425,000

	Post-employment benefits	**Non-vesting sick leave**	**Vesting sick leave**	**2019 Total expense**
Current year benefit cost	$7,000	$273,000	$9,000	$289,000
Interest on accrued benefit obligation	3,000	137,000	6,000	146,000
Amortized actuarial (gains) losses	125,000	(20,000)	1,000	106,000
Total expense	$135,000	$390,000	$16,000	$541,000

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

Retirement Benefits

CAAT 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 Pension Plan (the “Plan”), a multi-employer jointly sponsored defined benefit plan for public colleges in Ontario and other employers. The College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan’s governors to ensure the long-term viability of the Plan. Since the Plan is a multi-employer plan, the College’s 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 the regulators as at January 1, 2019 indicated an actuarial surplus of $2.6 billion. The College made contributions to the Plan and its associated retirement compensation arrangement of $15,629,542 (2019- $13,900,757), which has been included in the statement of operations.

Post- Employment Benefits

Conestoga extends post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. Conestoga 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:

a) Discount rate

   The present value as at March 31, 2020 of the future benefits is determined using a discount rate of 1.6% (2019-2.20%).

b) Drug costs

   Drug costs are assumed to increase 8.0% per annum in 2020 (2019-8.00%), grading down to 4.0% per annum by 2040.

c) Hospital and other medical

   Hospital and other medical costs are assumed to increase at 4.0% per annum in 2020 (2019-4.0%)

   Medical premiums are assumed to increase 6.55% per annum in 2020 (2019-6.8%), grading down to 4.0% per annum by 2040.

d) Dental costs

   Dental costs are assumed to increase at 4.0% per annum in 2020 (2019-4.0%).

Compensated Absences

Non-Vesting Sick Leave

Conestoga 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.

Vesting Sick Leave

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

	2020	2019
Wage and salary escalation	1.0-2.0%	0.50%-1.8%
Discount rate	1.6%	2.2%

9. ENDOWED AND RESTRICTED FUND BALANCES

The Union Employment Stability Fund is required under the terms of the collective agreements for academic and support staff and is to be used to enhance employment stability. Under the agreements Conestoga makes annual contributions on a per capita basis. Disbursements must be authorized by a joint Union/College Committee.

	Student Bursary/ Scholarship/ Loan	Union Employment Stability	2020 Total	2019 Total
Restricted Fund Balance	$36,125	$403,035	$439,160	$421,774

Included in cash, short term deposits, and investments are amounts restricted for endowments, bursaries, scholarships, and restricted funds. Endowed assets represent funds held by Conestoga which have been permanently endowed. The annual income earned on the endowed funds may be used only for the externally restricted purpose specified by the donor. Restricted funds may be expended only for the purpose specified by the donor. The changes during the year in endowed and restricted fund assets are noted below:

	Endowment Fund	Restricted Fund	2020 Total	2019 Total
Opening balance included in cash and short-term deposits, and investments	$5,232,264	$2,699,875	$7,932,139	$7,496,307
Unrealized investment losses	(720,904)	-	(720,904)	-
Contributions	273,474	1,088,842	1,362,316	1,424,454
Bursary and scholarship activity	-	(937,261)	(937,261)	(988,622)
Ending balance included in cash, short term deposits, and investments	4,784,834	2,851,456	7,636,290	7,932,139
Deferred contributions and unrealized investment losses	720,904	(2,412,296)	(1,691,392)	(2,278,101)
Ending fund balance	$5,505,738	$439,160	$5,944,898	$5,654,038

10. COMMITMENTS

Conestoga has entered into various agreements to lease premises. The minimum payments required to the maturity dates of existing leases are as follows:

2021	$3,731,258
2022	3,585,692
2023	3,479,611
2024	3,486,412
2025-2030	3,911,417

11. FINANCIAL INSTRUMENTS RISK MANAGEMENT

CREDIT RISK

Accounts receivable and certain long-term pledges receivable are ultimately due from students. Credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population. Students with funds owing to Conestoga are not able to receive marks, a T2202a tax form or register for the next term. Continuing education students are required to pay in advance before they can be registered in a course.

	Total	Current	Past Due 31-60 days	Past Due 61-90 days	Past Due Over 90
Government receivables	$4,700,540	$4,700,540	-	-	-
Pledges receivable	17,079,784	17,079,784	-	-	-
Student receivables	3,083,840	59,839	$196,825	$679,231	$2,147,945
Other receivables	9,428,062	8,787,685	167,423	105,994	366,960
Less: bad debt allowance	(1,562,000)	-	-	-	(1,562,000)
Net receivables	$32,730,226	$30,627,848	$364,248	$785,225	$952,905

Conestoga estimates its aggregate exposure to credit risk as the sum of its reported balances owing from third parties recorded on the Consolidated Statement of Financial Position.

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

INTEREST RATE RISK

From time to time, Conestoga enters interest rate swap contracts as part of its risk management strategy to minimize exposure to interest rate fluctuations related to floating rate loans and mortgages. Conestoga has fixed the interest rate on $26,066,434 of long-term debt and therefore is not exposed to any interest rate risk on these financial instruments.

CURRENCY RISK

Conestoga 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 risk or policies procedures and methods used to measure the risk.

LIQUIDITY RISK

Liquidity risk arises through an excess of financial obligations over available financial assets at any point in time. Conestoga's objective in managing liquidity risk is to maintain sufficient readily available resources in order to meet its financial obligations as they fall due. Management monitors rolling forecasts of Conestoga's liquidity reserve (comprises undrawn borrowing facility, cash and cash equivalents) on the basis of expected cash flow. Conestoga currently settles its financial obligations out of cash and cash equivalents. The following table sets out the contractual maturities at the fiscal year end (representing undiscounted contractual cash-flows of financial liabilities).

	Up to 1 year	**1-5 years**	**>5 years**
Accounts payable	$36,701,361	-	-
Term debt	2,289,230	$12,456,110	$11,321,094

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

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

13. SIGNIFICANT 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 the COVID-19 outbreak, 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 17, 2020, the College closed its campuses and learning sites and they remain closed to the date of the auditor's report. The plan for continuing education throughout the summer and fall semesters offered by the College will be through remote learning options which could have implications on the number of course offerings, enrolment, and ancillary revenues.

A significant portion of the College's tuition revenue is derived from international students. If the Canadian border remains closed, the College will be impacted by the ability to earn revenue from International students who choose to defer their studies until in-class sessions resume and travel restrictions are lifted.

As the impacts of COVID-19 continue, there could be further impacts on the College, its students, and funding sources. Management is actively monitoring the effect on the College's financial condition, liquidity, operations, suppliers, and workforce. Given the daily changes in 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.

Schedule 1

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Analysis of Operating Fund Revenue

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

	2020	2019
Grants and government contracts:		
Operating – basic and enrolment growth	$ 51,567,640	$ 56,809,986
Operating – second career	1,180,030	1,141,615
Operating – performance	894,049	894,050
Operating – supplementary	1,099,130	1,278,872
Operating – premise rental	208,061	210,101
Operating – per capita tax	689,250	683,100
Operating – student outcomes and program quality	-	8,000,000
Apprentice related	8,628,639	7,536,101
Employment services	3,757,778	4,439,365
Literacy basic skills	2,727,252	2,709,270
Student support services and special business	2,020,102	2,230,456
Other Ontario	1,294,305	1,760,102
Municipal grants	832,115	894,280
Non-Government grant	3,007,980	3,008,131
Federal grants	6,568,382	5,801,853
	84,474,713	**97,397,282**
Tuition:		
Full time post secondary programs	187,944,066	135,131,301
Part-time courses and seminars	9,478,967	7,612,435
Full fee recovery programs	72,820	201,100
Apprentice	1,095,840	1,047,634
Student assistance program	2,812,329	2,548,562
	201,404,022	**146,541,032**
Other student fees	**29,019,171**	**22,199,403**
Contracted services	**10,026,671**	**12,663,996**
Other:		
Day-care revenue	1,885,076	1,714,591
Ancillary operations	19,368,067	18,035,984
Donation revenue	1,223,148	2,125,874
Interest revenue	4,280,378	2,192,397
Application fees	2,995,992	1,852,423
Miscellaneous fees	2,788,821	2,560,348
	32,541,482	**28,481,617**
Amortization of deferred capital contributions:		
Grant	6,429,177	5,619,050
Other	1,425,819	1,504,421
	7,854,996	**7,123,471**
	$ 365,321,055	**$ 314,406,801**

See accompanying notes to consolidated financial statements