

Financial Statements of

**NORTHERN COLLEGE OF
APPLIED ARTS AND
TECHNOLOGY**

And Independent Auditor's Report thereon

Year ended March 31, 2024

Management's Responsibility for Financial Reporting

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



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of The Northern College of Applied Arts and Technology (the Entity), which comprise:

- the statement of financial position as at March 31, 2024
- the statement of operations and changes in net assets (deficit) 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 the notes and schedules to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2024, and its results of operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements ” section of our auditor’s 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.

Page 2

Responsibility 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

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 138,817,096	\$ 164,683,228
Investments - short-term	25,398,361	
Investments - portfolio (note 3)	8,609,412	15,562,410
Accounts receivable	5,698,174	6,763,549
Grants receivable	1,648,583	2,431,221
Inventories and prepaid expenses	57,056	288,198
	180,228,682	189,728,606
Long-term investments	-	24,000,000
Capital assets (note 4)		

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations and Changes in Net Assets (Deficit)

Year ended March 31, 2024, with comparative information for 2023

	Operating (Schedules)	Employment- related	Equity in capital assets	Restricted and endowment (Schedule)	2024 Total	2023 Total
Revenue:						
Grants	\$ 25,289,291	\$ -	\$ -	\$ -	\$ 25,289,291	\$ 25,577,987
Tuition fees	33,529,356	-	-	-	33,529,356	21,930,437
Ancillary	2,802,654	-	-	-	2,802,654	2,768,285
International programs and other	98,169,739	-	-	-	98,169,739	84,041,657
Amortization of deferred capital contributions (note 9)	-	-	2,610,330	-	2,610,330	2,378,039
Restricted	-	-	-	7,739,422	7,739,422	3,407,737
Investment income	7,385	-	-	2,897,214	2,904,599	2,757,561
	159,798,425	-	2,610,330	10,636,636	173,045,391	142,861,703
Expenses:						
Academic	101,653,358	-	-	-	101,653,358	81,213,639
Administration	8,290,238	-	-	-	8,290,238	6,389,857
Student services	12,813,519	-	-	-	12,813,519	10,356,763
Plant and property	3,725,810	-	-	-	3,725,810	2,810,314
Community services	538,461	-	-	-	538,461	574,071
Employment training programs	3,116,770	-	-	-	3,116,770	3,245,448
Ancillary	2,891,861	-	-	-	2,891,861	2,753,089
Amortization of capital assets	-	-	4,466,901	-	4,466,901	3,923,835
Restricted	-	-	-	2,262,259	2,262,259	1,565,484
Employee future benefits	-	115,986	-	-	115,986	103,733
	133,030,017	115,986	4,466,901	2,262,259	139,875,163	112,936,233

Excess (deficiency) of

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains and Losses

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Accumulated remeasurement gains at beginning of year	\$ 219,332	\$ 554,082
Realized losses attributable to:		
Equity investments	(189,025)	(73,732)
Unrealized gains (losses) attributable to:		
Equity investments	744,669	(261,018)
Net remeasurement gain (loss) for the year	555,644	(334,750)
Accumulated remeasurement gains at end of year	\$ 774,976	\$ 219,332

See accompanying notes to financial statements.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

2024

2023

Cash provided by (used in):

Operating activities:

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2024

Northern College of Applied Arts and Technology (the “College”) is an Ontario College established as a Community College under The Department of Education Act of the Province of Ontario. The College is a registered charity and is exempt from income taxes under the Income Tax Act.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements reflect the assets, liabilities, revenues and expenses of the unrestricted, capital and restricted and endowed funds of the College.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(b) Revenue recognition:

The College accounts for contributions under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grant amounts relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Grants approved but not received are accrued.

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

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the period in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at rates corresponding to those of the related capital assets.

Contributions received for endowment are reported as an increase in the endowment fund balance.

Tuition fees, contract training and international program revenues are recognized as the performance obligations are provided on the basis of teaching days incurred during the fiscal year.

Sales and services revenue which includes ancillary revenues is recognized as the performance obligations are provided and the goods or services are provided.

(c) Cash and cash equivalents:

Cash and cash equivalents includes cash on hand, cash held with chartered banks and guaranteed investment certificates with a maturity date of 90 days or less from the date of purchase.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(d) Investments:

The investments are recorded at market value.

(e) Capital assets:

Capital asset purchases are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution when the fair value is reasonably determinable. Otherwise, contributed capital assets are recorded at a nominal value. Repairs and maintenance costs are charged to expenditures. Betterments, which extend the estimated life of a capital asset, are capitalized. When a capital asset no longer contributes to the College's ability to provide services, it is written down to its residual value. Amortization of capital assets is recorded on the straight-line basis over the following periods:

Buildings	40 years
Site improvements and betterments	20 years
Leasehold improvements	over the term of the lease
Furniture and equipment	5 years

Construction in progress is not amortized until the assets are put in use.

(f) Works of art:

Purchased works of art and collectibles are recorded at cost. Contributions are recorded at fair value at the date of contribution. No amortization is taken on the artwork and collectibles due to the nature of these assets, made up of various artwork and treasures which are being preserved by the Gallery.

(g) Employment-related obligations:

Vacation entitlements are accrued for as entitlements are earned (note 5).

The College is a member of the Colleges of Applied Arts and Technology ("CAAT") Pension Plan, which is a multi-employer, defined benefit plan. The College also provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental and non-vesting sick leave. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service. The most recent actuarial valuation of the benefit plans for funding purposes was as of January 1, 2023. See note 11 for additional information.

The College has adopted the following policies with respect to accounting for these employee benefits:

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(i) Student organizations:

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

(j) Financial instruments:

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

Fair Value

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

Financial instruments classified as fair value are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations.

Transaction costs related to financial instruments classified as fair value are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the Statement of Operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed and recognized in the Statement of Operations.

Amortized cost

This category includes accounts receivable

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

2. Change in accounting policies:

On April 1, 2023, the College adopted Canadian public sector accounting standard PS 3400 Revenue. The new accounting standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. As at March 31, 2024, the College determined that the adoption of this new standard did not have an impact on the amounts presented in the financial statements.

3. Investments:

	Fair value hierarchy	2024	2023
Canadian and foreign equities	Level 1	\$ 4,965,990	\$ 4,192,650
Fixed income	Level 2	3,202,916	2,949,455
Pooled funds	Level 2	440,506	420,305
Guaranteed investment certificate	Level 1	25,398,361	8,000,000
		<u>\$ 34,007,773</u>	<u>\$ 15,562,410</u>

The long-term investments include a guaranteed investment certificate in the amount of \$24

NORTHERN COLLEGE OF APPLIED ARTS

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

6. Employment related obligations (continued):

Employee future benefits (continued)

Other Employee Future Benefits:

The College provides extended health care, dental insurance and life insurance benefits to certain of its employees under a multi-employer plan under CAAT. This coverage may be extended to the post-employment period. The most recent actuarial valuation of these employee future benefits was completed February 5, 2020 for the non-pension post-retirement plan and February 11, 2020 for the continuation of medical and dental benefits and the life waiver of premium benefit for employees currently on long-term disability. The results of these valuations have been extrapolated to March 31, 2024.

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

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

	2024	2023
Accrued benefit obligations	\$ 299,000	\$ 405,000
Fair value of plan assets	(70,000)	(98,000)
Funded status - plan deficit	229,000	307,000
Unamortized actuarial loss	22,000	27,000
Employee future benefits liability		

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

6. Employment related obligations (continued):

Employee future benefits (continued)

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

	2024	2023
Discount rate	3.4%	2.9%
Dental benefit cost escalation	4.0%	4.0%
Medical benefits cost escalation:		
Hospital and other medical drugs	4.0%	4.0%
Drugs	6.16% decreasing to 4.0% in 2040	6.16% decreasing to 4.0% in 2040

7. Bank borrowing facilities:

The College's bank borrowing facilities provide for the following:

- (i) \$1,000,000 operating line of credit bearing interest at prime less 0.5%
- (ii) \$1,000,000 lease line of credit for equipment financing, with the interest rate determined at time the financing is drawn

There has been \$Nil amounts drawn on either line of credit noted above at March 31, 2024 (2023 - \$Nil). The bank borrowing facilities are secured by a general security agreement.

8. Deferred contributions:

	2024	2023
Student tuition fees	\$ 15,606,128	\$ 67,871,444
Externally restricted contributions	97,071	174,498
Expenses for future periods	407,829	2,224,021
	<u>\$ 16,111,028</u>	<u>\$ 70,269,963</u>

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

8. Deferred contributions (continued):

Details of the continuity of these funds are as follows:

	2024	2023
Balance, beginning of year	\$ 70,269,963	\$ 20,830,941
Additional contributions received	15,693,012	69,762,290
Amounts taken into revenue	(69,851,947)	(20,323,268)
Balance, end of year	\$ 16,111,028	\$ 70,269,963

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized balances of donations and grants received for capital asset acquisitions. Details of the continuity of these funds are as follows:

	2024	2023
Balance, beginning of year	\$ 37,821,383	\$ 36,657,829
Additional contributions received	3,372,624	3,541,593
Amounts amortized into revenue	(2,610,330)	(2,378,039)
Balance, end of year	\$ 38,583,677	\$ 37,821,383

10. Capital fund:

(a) The equity in capital assets is calculated as follows:

	2024	2023
Capital assets	\$ 64,230,707	\$ 59,738,399
Amounts financed by:		
Unamortized deferred capital contributions	(38,583,677)	(37,821,383)
	\$ 25,647,030	\$ 21,917,016

(b) Transfer for capital assets:

	2024	2023
Purchase of capital assets	\$ 8,959,209	\$ 8,746,798
Amounts funded by deferred capital contributions	(3,372,623)	(3,541,593)
	\$ 5,586,586	\$ 5,205,205

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

11. Pension plan:

Contributions made by the College during the year amounted to \$ 3,669,429 (2023 - \$3,016,938).

Substantially all of the employees of the College are members of the Colleges of Applied Arts and Technology ("CAAT") Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the CAAT. 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.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension asset and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2024 the CAAT pension plan had increased its funding reserve to \$5.3 billion and is currently funded on a going-concern basis.

12. Restricted funds: ficit as insue't3 40's exprtind had-.4(g 0 0 Tm ee)5.e3(7 4awards1.234 TDOntario S4.178820

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

18. Risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations,

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

18. Risk management (continued):

(a) Credit risk (continued):

As at March 31, 2023	Current	31 - 60 days	60 - 90 days	91+ days	Total
Grants receivable	\$ 2,431,221	\$ -	\$ -	\$ -	\$ 2,431,221
Accounts receivable	2,327,453	2,410,997	2,410,997	511,212	7,660,659
Gross receivables	4,758,674	2,410,997	2,410,997	511,212	10,091,880
Impairment allowances	(332,117)	(269,720)	(269,720)	(25,553)	(897,110)
Net receivables	\$ 4,426,557	\$ 2,141,277	\$ 2,141,277	\$ 485,659	\$ 9,194,770

The maximum exposure to investment credit risk is outlined in note 3.

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

(b) Market risk:

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

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

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

(i) Currency risk:

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

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

18. Risk management (continued):

(b) Market risk (continued):

(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.

The College's bond portfolio has interest rates ranging from 1.5% to 3.5% with maturities ranging from 2024 to 2029. At March 31, 2024, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of fixed income investments of \$32,029 (2023 - \$29,495).

(iii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The College is exposed to this risk through its mutual fund holdings within its investment portfolio. At March 31, 2024, a 10% movement in the stock markets, with all other variables held constant, would have an estimated effect on the fair values of the College's equity holdings of \$496,599 (2023 - \$419,265).

(c) Liquidity risk:

Liquidity risk is the risk that the College will not be able to meet all of its cash outflow obligations as they come due. The College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. The College also maintains an unsecured line of credit with a Canadian chartered bank in the amount of \$1 million (2023 - \$1 million) to cover short-term funding needs. There was no balance outstanding on the line of credit at March 31, 2024 (2023 - \$Nil). Accounts payable are all current.

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

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

18. Risk management (continued):

(c) Liquidity risk (continued):

As at March 31, 2023	Within 6 months	6 – 12 months	1 – 5 years	5+ years	Total
Accounts payable	\$ 38,893,797	\$ –	\$ –	\$ –	\$ 38,893,797
Deferred contributions	35,134,981	35,134,982	–	–	70,269,963
Lease commitments	218,131	218,130	259,826	–	696,087
	\$ 74,246,909	\$ 35,353,112	\$ 259,826	\$ –	\$ 109,859,847

19. Capital disclosures:

The College considers its operating capital to consist of net assets invested in capital assets, internally restricted net assets and unrestricted net assets. The College's overall objective for its capital is to fund capital assets, future projects and ongoing operations. The College manages its capital by appropriating amounts to internally restricted net assets for anticipated future projects, contingencies and other capital requirements.

The College also considers its endowments, as part of its capital. The College's objective with regards to endowments is to grow the endowment principal and maximize investment income to increase funding for student aid.

The College may not incur a deficit without the approval of the Minister of Colleges and Universities of Ontario. The College would be required to eliminate any accumulated deficit within a prescribed period of time.

The College is not subject to any other externally imposed capital requirements and its approach to capital management remains unchanged from the prior year.

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Continuity of Restricted and Endowment Funds

Year ended March 31, 2024

Restricted Funds

	Balance,	Additions, transfers and	BursariesBalanc3 31,
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NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Fund Revenues

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Grants:		
Post secondary:		
General operating grant	\$ 5,778,104	\$ 5,299,882
International student recovery	(1,050,000)	(423,750)
Special support grants	8,954,669	9,124,308
Second Career / WSIB grants	125,520	92,548
Grant for municipal taxation	46,275	50,625
Premise rental grant	-	100,800
	13,854,568	14,244,413
Employment and literacy:		
Apprenticeship	962,826	1,247,081
Literacy and Basic Skills	2,407,162	2,398,321
Employment programs	3,576,896	3,719,740
	6,946,884	7,365,142
Special purpose grants:		
Indigenous projects	566,656	532,695
Capital support grants	309,253	6,267
Accessibility grants	261,814	343,142
Daycare	422,679	425,624

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Operating Expenses by Cost Object

Year ended March 31, 2024, with comparative information for 2023

	Academic	Administration	Student Services	Plant and Property	Community Services	Employment Training Programs	Total 2024	Total 2023
Academic salaries	\$ 17,374,179	\$ -	\$ 20,508	\$ -	\$ -	\$ -	\$ 17,394,687	\$ 14,734,349
Administration salaries	1,995,060	2,337,174	522,957	111,346	-	356,353	5,322,890	4,464,611
Support salaries	4,580,214	1,673,803	4,250,459	873,348	390,777	1,347,109	13,115,710	11,508,768
Stipends and allowances	-	-	209,312	-	-	542,289	751,601	1,315,032
Fringe benefits	5,032,164	1,016,895	1,206,525	251,761	89,599	496,418	8,093,362	6,928,599
Instructional supplies	1,978,282	14,374	341,782	-	4,497	52,321	2,391,256	2,588,580
Field work	35,710	-	-	-	15,269	-	50,979	43,992
Staff employment	-	159,879	-	-	-	-	159,879	31,764
Professional development	56,983	57,784	148,088	-	-	15,064	277,919	147,010
Travel	183,927	128,450	243,363	25,808	-	37,766	619,314	532,517
Promotion and advertising	709,313	834,889	1,685,858	-	-	(134)	3,229,926	1,913,132
Equipment maintenance	75,526	262	-	89,701	5,090	-	170,579	302,723
Telecommunications	196,616	57,089	-	-	-	33,108	286,8	

33,108

NORTHERN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule of Ancillary Revenue and Expenses

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Bookstore Operations		
Revenue	\$ 96,633	\$ 46,892
Operating expense	31,041	9,358
Excess of revenue over expense	\$ 65,592	\$ 37,534