

Financial Statements of

**THE LAMBTON COLLEGE OF APPLIED
ARTS AND TECHNOLOGY**

March 31, 2023





Management's Responsibility for Financial Reporting

The accompanying financial statements of The Lambton College of Applied Arts and Technology are the responsibility of the Board's management and have been prepared in accordance with Canadian public sector accounting standards including the 4200 series of standards applicable to government not for profit organizations, as described in Note 2 to the financial statements.

The preparation of financial statements involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management. The Board meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The Finance and Property Committee of the Board meets with the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to the board's approval of the financial statements.

The financial statements have been audited by BDO Canada LLP; independent external auditors appointed by the Board. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Board's financial statements.

Handwritten signature of Rob Kardas in black ink.

Rob Kardas
President & CEO

Handwritten signature of Spencer Dickson in black ink.

Spencer Dickson
Senior Vice President of Strategy and
Corporate Services

June 8, 2023



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Independent Auditor's Report

To the Board of Governors of The Lambton College of Applied Arts and Technology

Opinion

We have audited the financial statements of The Lambton College of Applied Arts and Technology (the College), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net assets, cash flows and remeasurement losses for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2023, and results of operations, its measurement 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 responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the College 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 these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Auditor's 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 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
June 8, 2023

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Table of Contents

For the year ended March 31, 2023

	<u>Page</u>
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Statement of Remeasurement Losses	5
Notes to the Financial Statements	6 – 23
Analysis of Operating Revenue – Schedule 1	24

**THE LAMBTON COLLEGE OF APPLIED ARTS
AND TECHNOLOGY**

Statement of Financial Position

As at March 31, 2023

	<u>2023</u>	<u>2022</u> Restated (Note 3)
ASSETS		
CURRENT		
Cash	\$ 175,170,527	\$ 200,512,302
Short-term investments (Note 5)	37,160,501	10,598,857
Grants receivable (Note 4)	6,082,999	1,599,700
Accounts receivable (Note 4)	16,286,437	20,814,182
Current portion of long-term receivable (Note 6)	214,411	389,086
Inventories	441,291	351,282
Prepaid expenses	666,056	656,889
	<u>236,022,222</u>	<u>234,922,298</u>
LONG-TERM RECEIVABLE (Note 6)	4,973,542	5,054,205
LONG-TERM INVESTMENTS (Note 5)	47,930,843	38,782,874
CAPITAL (Note 7)	126,821,163	118,686,907
	<u>\$ 415,747,770</u>	<u>\$ 397,446,284</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued charges	\$ 109,654,130	\$ 116,006,511
Accrued payroll and employee deductions	4,836,278	4,827,450
Deferred revenue	74,312,763	75,115,073
Funds held in trust (Note 8)	3,339,126	3,204,002
Current portion of long-term obligations (Note 9)	-	521,114
	<u>192,142,297</u>	<u>199,674,150</u>
LONG-TERM OBLIGATIONS (Note 9)	-	3,548,130
ASSET RETIREMENT OBLIGATION (Note 10)	3,722,100	3,722,100
POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (Note 11)	1,938,000	1,884,000
DEFERRED CAPITAL CONTRIBUTIONS (Note 12)	63,994,555	63,933,836
	<u>261,796,952</u>	<u>272,762,216</u>
CONTINGENT LIABILITY (Note 18)		
NET ASSETS		
Unrestricted		
Operating	12,173,039	12,049,996
Post-employment benefits and compensated absences	(1,938,000)	(1,884,000)
Vacation pay	(2,159,025)	(2,266,448)
	<u>8,076,014</u>	<u>7,899,548</u>
Invested in capital assets (Note 13)	64,292,461	52,405,018
Internally restricted (Note 14)	77,840,308	60,948,604
Externally restricted (Note 15)	2,026,364	1,639,434
Endowment funds (Note 16)	3,722,156	3,595,927
	<u>147,881,289</u>	<u>118,588,983</u>
Accumulated Remeasurement Losses	(2,006,485)	(1,804,463)
	<u>153,950,818</u>	<u>124,684,068</u>
	<u>\$ 415,747,770</u>	<u>\$ 397,446,284</u>

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS



Chair, Barry Hogan



President & CEO, Rob Kardas

**THE LAMBTON COLLEGE OF APPLIED ARTS
AND TECHNOLOGY**

Statement of Revenue and Expenditure

For the year ended March 31, 2023

	<u>2023</u>	<u>2022</u> Restated (Note 3)
REVENUE - Schedule 1		
Grants and reimbursements	\$ 34,987,097	\$ 32,621,013
Student tuition	95,932,558	89,722,224
Ancillary operations	3,804,466	2,365,806
Other income	8,408,509	3,562,383
Amortization of deferred capital contributions (Note 12)	4,595,014	4,901,432
	147,727,644	133,172,858
EXPENDITURE		
Salaries and benefits	60,298,275	56,113,706
Academic	35,341,256	36,983,029
Student services	2,244,554	1,305,567
Administrative	4,390,398	4,336,032
Physical resources	4,878,305	4,694,561
Ancillary	2,820,195	2,588,137
Depreciation	8,799,048	8,860,009
	118,772,031	114,881,041
EXCESS OF REVENUE OVER EXPENDITURE	\$ 28,955,613	\$ 18,291,817

**THE LAMBTON COLLEGE OF APPLIED ARTS
AND TECHNOLOGY**

Statement of Changes in Net Assets

For the year ended March 31, 2023

	Unrestricted	Invested in Capital Assets (Note 13)	Internally Restricted (Note 14)	Externally Restricted (Note 15)	Endowment Funds (Note 16)	2023 Total	2022 Total Restated (Note 3)
BALANCE, BEGINNING OF YEAR (Note 3)	\$ 7,899,548	\$ 52,405,018	\$ 60,948,604	\$ 1,639,434	\$ 3,595,927	\$ 126,488,531	\$ 110,448,889
CHANGE IN ACCOUNTING POLICY (Note 3)	-	-	-	-	-	-	(2,628,381)
EXCESS OF REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	33,159,647	(4,204,034)	-	-	-	28,955,613	18,291,817
INVESTED IN CAPITAL ASSETS	(16,091,477)	16,091,477	-	-	-	-	-
APPROPRIATION	(16,891,704)	-	16,891,704	-	-	-	-
CHANGE IN EXTERNALLY RESTRICTED NET ASSETS	-	-	-	386,930	-	386,930	356,757
CHANGE IN ENDOWMENT FUNDS	-	-	-	-	126,229	126,229	19,449
BALANCE, END OF YEAR	\$ 8,076,014	\$ 64,292,461	\$ 77,840,308	\$ 2,026,364	\$ 3,722,156	\$ 155,957,303	\$ 126,488,531

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

For the year ended March 31, 2023

	<u>2023</u>	<u>2022</u> Restated (Note 3)
OPERATING ACTIVITIES		
Excess of revenue over expenditure	\$ 28,955,613	\$ 18,291,817
Items not involving cash		
Depreciation	8,799,048	8,860,009
Amortization of deferred capital contributions	(4,595,014)	(4,901,432)
Post-employment benefits and compensated absences	54,000	(4,000)
	33,213,647	22,246,394
Changes in non-cash operating working capital items (Note 17)	(7,065,469)	33,117,943
	26,148,178	55,364,337
FINANCING ACTIVITIES		
Repayment of long-term obligations	(4,069,244)	(3,098,402)
CAPITAL		
Deferred capital contributions	4,655,733	5,242,700
Acquisition of capital assets	(16,933,305)	(12,275,874)
Loss on disposal of capital assets	-	697,295
	(12,277,572)	(6,335,879)
INVESTING ACTIVITIES		
Collection of long-term receivable	255,340	371,875
Investments	(35,911,636)	(1,028,643)
Net cash provided from externally restricted funds	386,930	356,757
Net cash provided from endowment funds	126,229	19,449
	(35,143,137)	(280,562)
NET CHANGE IN CASH POSITION	(25,341,775)	45,649,494
Cash position, beginning of year	200,512,302	154,862,808
CASH POSITION, END OF YEAR	\$ 175,170,527	\$ 200,512,302

**THE LAMBTON COLLEGE OF APPLIED ARTS
AND TECHNOLOGY**

Statement of Remeasurement Losses

For the year ended March 31, 2023

	<u>2023</u>	<u>2022</u>
		Restated (Note 3)
BALANCE, BEGINNING OF YEAR	\$ (1,804,463)	\$ (265,570)
UNREALIZED LOSSES ATTRIBUTABLE TO: INVESTMENTS	(202,022)	(1,538,893)
BALANCE, END OF YEAR	\$ (2,006,485)	\$ (1,804,463)

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The Lambton College of Applied Arts and Technology (“Lambton College”) was incorporated as a college in 1966 under the laws of the Province of Ontario. Lambton College is dedicated to providing high quality education and training as well as contributing to the social and economic well being of the community.

Lambton College is exempt from income taxes under Section 149 of the Income Tax Act.

Lambton College has an economic interest in The Lambton College Foundation. The Foundation was incorporated without share capital on March 29, 1994 under the Ontario Corporations Act. The operations of the Foundation are not included in these financial statements. The objectives of the Foundation are to promote interest in and awareness of Lambton College and to establish and administer funds for the support of students, research and development in the areas of curriculum and instruction, facilities and equipment and new initiatives.

2. ACCOUNTING POLICIES

The financial statements of Lambton College 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 include the following significant accounting policies:

Revenue recognition

Lambton College follows the deferral method of accounting for contributions, which includes donations and government grants. Deferred contributions are recognized as revenue in the year in which the related expenses are recognized. Other contributions are recognized as revenue when received or receivable.

Donations of assets are recorded at fair value when a fair value can be reasonably estimated. Endowment contributions are recognized as direct increases in net assets.

Revenue from student fees, overseas and in-country licensing and servicing agreements and from the sale of services and products is recognized at the time the products are delivered or the services provided.

Investment income earned on endowment funds is recognized as a direct increase in net assets. Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Accrual accounting

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

2. ACCOUNTING POLICIES - continued

Vacation pay

Lambton College recognizes vacation pay as an expense on the accrual basis.

Retirement and post-employment benefits and compensated absences

Lambton 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 and non-vesting sick leave. Lambton College has adopted the following policies with respect to accounting for these employee benefits:

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.

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

The costs 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.

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

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in-first-out basis.

Capital assets

Capital assets are recorded at cost with the exception of donated assets which are recorded at their fair market value at the date of acquisition. Construction in progress is not amortized until the asset is placed into service. When a capital asset no longer contributes to Lambton College's ability to provide services, its carrying value is written down to its residual value. Depreciation is provided on a straight-line basis over the following periods:

Buildings	30 - 40 years
Asset Retirement Obligation - Buildings	55 years
Site improvements	10 years
Leasehold improvements	5 years
Major equipment	10 years
Equipment and vehicles	5 years
Computer hardware	3 years

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

2. ACCOUNTING POLICIES - continued

Deferred capital contributions

Contributions received to fund capital asset acquisitions are deferred and amortized over the same term and on the same basis as the related capital asset.

Endowment funds

The endowment funds receive all revenue designated by the benefactors to be held in trust to generate income. Funds received from the Province of Ontario and private donors are held in Lambton College's bank account. Interest earned from these funds is to be used to fund projects meeting the guidelines provided by the funding body. As the funds are held in a high interest bank account, the funds are not subject to market rate fluctuations.

Management estimates

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Actual results could differ from these estimates. Areas of key estimation include determination of fair value for deferred revenues, allowance for doubtful accounts, amortization of capital assets, amortization of deferred capital contributions, vacation pay and actuarial estimation of post-employment benefits and compensated absences liabilities.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

2. ACCOUNTING POLICIES - continued

Asset retirement obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

3. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2022 the College adopted new Public Sector Accounting Handbook Standard, Section PS 3280, Asset Retirement Obligations. As a result of the adoption, the presentation of the financial statements changed from the prior year.

This change in accounting policy has been applied retroactively with restatement of prior periods, using the modified retrospective approach. The opening adjustment was made against the invested in capital assets in line with the purpose of this fund. The impact of the adoption of this standard was as follows:

	<u>2022</u>
<u>Statement of Operations</u>	
Increase in depreciation expense	\$ 68,357
Decrease in excess of revenue over expenditures for the year	(68,357)
<u>Statement of Financial Position</u>	
Increase in capital assets (cost net of accumulated depreciation)	1,025,362
Increase in asset retirement obligations	3,722,100
Decrease in invested in capital assets	(2,696,738)
<u>Statement of Changes in Net Assets</u>	
Decrease in invested in capital assets (as at April 1, 2021)	(2,628,381)
Decrease in invested in capital assets	(68,357)
Decrease in excess of revenue over expenditures for the year	(68,357)

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

4. FINANCIAL INSTRUMENTS

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

Fair value

This category includes derivatives, GICs, bonds and equity instruments quoted in an active market. Lambton College has designated that cash is classified as fair value.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Amortized cost

This category includes all accounts receivable, accounts payable and accrued charges, accrued payroll, vacation pay and employee deductions, funds held in trust, and long-term obligations. 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.

Credit risk

Credit risk is the risk of financial loss to Lambton College if a debtor fails to make payments of interest and principal when due. Lambton College is exposed to this risk relating to its cash and accounts receivable. Lambton College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, Lambton College's cash accounts are insured up to \$100,000 (2022 - \$100,000).

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

4. FINANCIAL INSTRUMENTS - continued

Credit risk of student receivables is mitigated by financial approval processes before a student is enrolled.

Lambton College measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on Lambton College's historical experience regarding collections. The amounts outstanding at year end were as follows:

	Total	Current	Past Due		
			60 days	61-90 days	91+days
Government receivables	\$ 7,981,576	\$ 7,981,576	\$ -	\$ -	\$ -
Student receivables	10,672,570	9,761,898	100,148	71,379	739,145
Other receivables	4,029,423	2,690,124	190,822	60,399	1,088,078
Gross receivables	22,683,569	20,433,598	290,970	131,778	1,827,223
Less: impairment allowance	(314,133)	-	-	-	(314,133)
Net receivables	\$ 22,369,436	\$ 20,433,598	\$ 290,970	\$ 131,778	\$1,513,090

Student receivables are impacted by increased enrolment through existing licensing agreements.

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 other price risk.

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.

Currency risk

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

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.

Lambton College is exposed to this risk through its interest-bearing investments.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

4. FINANCIAL INSTRUMENTS - continued

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through the fair value of financial instruments and how they are affected by changes in the market price of equity instruments.

The organization manages its other price risk by limiting their investment in instruments that have fluctuating fair values.

Liquidity risk

Liquidity risk is the risk that Lambton College will not be able to meet all cash outflow obligations as they come due. Lambton College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting.

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

5. INVESTMENTS

Investments consist of cash and equivalents of \$309,897 (2022 - \$96,669), Guaranteed Investment Certificates of \$35,861,933 (2022 - \$10,000,000) due within 12 months and \$5,209,762 (2022 - \$10,526,534) between 2 to 5 years, equity instruments in public companies of \$2,440,356 (2022 - \$2,754,849), and bonds \$41,269,394 (2022 - \$26,003,679). Investments include \$4,059,831 (2022 - \$4,293,347) of investments externally restricted for endowment purposes (see Note 14).

Maturity profile of bonds held is as follows:

	2023				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying value	\$ 1,036,473	\$16,786,351	\$23,143,359	\$ 303,211	\$ 41,269,394
Percentage of Total	2.5%	40.7%	56.1%	0.7%	100%

	2022				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying value	\$ 520,238	\$4,817,618	\$20,397,523	\$268,300	\$26,003,679
Percentage of Total	1%	18%	80%	1%	100%

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

5. INVESTMENTS - continued

The following table provides an analysis of investments 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 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – 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)

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	2023			
	Level 1	Level 2	Level 3	Total
Portfolio cash	\$ 309,897	\$ -	\$ -	\$ 309,897
Investments	43,512,051	41,269,396	-	84,781,447
	\$ 43,821,948	\$ 41,269,396	\$ -	\$ 85,091,344
Current portion				37,160,501
				\$ 47,930,843

	2022			
	Level 1	Level 2	Level 3	Total
Portfolio cash	\$ 96,669	\$ -	\$ -	\$ 96,669
Investments	23,281,383	26,003,679	-	49,285,062
	\$ 23,378,052	\$ 26,003,679	\$ -	\$ 49,381,731
Current portion				10,598,857
				\$ 38,782,874

There were no investments classified as Level 3 for the year ended March 31, 2023.

6. LONG-TERM RECEIVABLE

	2023	2022
Long-term receivable, variable rate, due in equal, consecutive, blended, monthly instalments of \$34,837, due in Aug 2043	\$ 5,187,953	\$ 5,443,291
Current portion	214,411	389,086
	\$ 4,973,542	\$ 5,054,205

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

6. LONG-TERM RECEIVABLE - continued

Principal amounts receivable in the next five years are as follows:

2024	\$ 214,411
2025	\$ 223,146
2026	\$ 232,237
2027	\$ 241,699
2028	\$ 251,546

By way of agreement, the Students Association of Lambton College (SAC) agreed to fund \$6.6 million of the capital cost of the Athletics & Fitness Complex through an increase in the compulsory student building fee over a term not to exceed 30 years. The interest rate charged on the balance receivable is equal to the College's bank deposit rate or 4%, whichever is less.

7. CAPITAL

	2023			2022
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 4,099,658	\$ -	\$ 4,099,658	\$ 4,099,658
Buildings	131,766,053	46,585,751	85,180,302	84,659,220
Buildings – Asset Retirement Obligation (Note 10)	3,722,100	2,765,095	957,005	1,025,362
Site and leasehold improvements	22,468,703	8,749,559	13,719,144	13,518,308
Major equipment, equipment and vehicles	22,325,109	14,716,432	7,608,677	7,901,952
Computer hardware	1,660,013	1,048,194	611,819	467,217
Construction in progress	14,644,558	-	14,644,558	7,015,190
	\$200,686,194	\$ 73,865,031	\$126,821,163	\$118,686,907

Certain prior year comparatives have been restated. See Note 3 for details.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

8. FUNDS HELD IN TRUST

The funds held in trust are unsecured, due on demand, bear interest at the applicable bank rate plus 0.03% with an average rate in 2023 of 3.4 (2022 – average rate of 1.0%) and consist of the following:

	<u>2023</u>	<u>2022</u>
Due to The Lambton College Foundation	\$ 1,423,553	\$ 1,459,707
Due to The Students Association of Lambton College	1,915,573	1,744,295
	<u>\$ 3,339,126</u>	<u>\$ 3,204,002</u>

The Lambton College Foundation was created for the purpose of raising funds for capital and other purposes to assist the College to provide outstanding applied education. The Lambton College Foundation has transferred to Lambton College gift-in-kind equipment at fair market value of \$43,807 and cash of \$832,806 during the year (2022 – equipment of \$74,745 and cash of \$2,343,508). All transactions are recorded at fair value. The College provides office space, computer and other equipment, services of certain College departments and accounting and financial systems processes. The Foundation is not controlled and therefore is not consolidated in these financial statements.

During the year the student fees and building fees are collected on behalf of the Students Association and the balance of those fees are held by the College and payable to the Students Association.

9. LONG-TERM OBLIGATIONS

	<u>2023</u>	<u>2022</u>
Demand loan, 6.20%, due in equal, consecutive, blended, monthly instalments of \$61,283, secured by land and building	\$ -	\$ 3,740,595
Demand loan, prime, due in equal, consecutive, monthly instalments of \$2,414 plus interest	-	190,728
Demand loan, prime, due in equal, consecutive, monthly instalments of \$1,022 plus interest	-	137,921
	-	4,069,244
Current portion	-	521,114
	<u>\$ -</u>	<u>\$ 3,548,130</u>

Lambton College has an operating line of credit with its bankers which is due on demand and bears interest at prime less 1.0%. As at March 31, 2023 the balance was \$nil.

Interest expense incurred on long-term obligations has been recorded as an expense in Academic and Ancillary operations expenditure. These payments amounted to \$356,697 (2022 - \$824,475).

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

10. ASSET RETIREMENT OBLIGATIONS

The College's financial statements include an asset retirement obligation for the remediation of asbestos contained within campus buildings. The related asset retirement costs are being amortized on a straight-line basis. The estimated total undiscounted future expenditures are \$3,722,100 (2022 - \$3,722,100), which are to be incurred over the remaining productive useful life of the buildings. The liability is expected to be settled at the end of the buildings' productive useful life.

Note that the total amount of the liability may change due to changes in estimates noted above, such as the discount rate, estimated total undiscounted future expenditures, and expected remediation date.

11. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY

The following tables outline the components of Lambton College's post-employment benefits and compensated absences liabilities and related expenditure.

	2023			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 535,000	\$ 1,523,000	\$ -	\$ 2,058,000
Value of plan assets	(120,000)	-	-	(120,000)
	\$ 415,000	\$ 1,523,000	\$ -	\$ 1,938,000

	2022			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 511,000	\$ 1,483,000	\$ 18,000	\$ 2,012,000
Value of plan assets	(128,000)	-	-	(128,000)
	\$ 383,000	\$ 1,483,000	\$ 18,000	\$ 1,884,000

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

11. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY – continued

	2023			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expenditure
Current year benefits cost	\$ 33,000	\$ 40,000	\$ (18,000)	\$ 55,000
Interest on accrued benefits obligation	1,000	-	-	1,000
Amortized actuarial losses	(2,000)	-	-	(2,000)
	\$ 32,000	\$ 40,000	\$ (18,000)	\$ 54,000

	2022			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expenditure
Current year benefits cost	\$ (27,000)	\$ 31,000	\$ (7,000)	\$ (3,000)
Interest on accrued benefits obligation	1,000	-	-	1,000
Amortized actuarial losses	(2,000)	-	-	(2,000)
	\$ (28,000)	\$ 31,000	\$ (7,000)	\$ (4,000)

These 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 Lambton 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.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

11. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY

– continued

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates related to full-time members. Lambton College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify Lambton College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2023 indicated an actuarial surplus on a going concern basis of \$4.7 billion. Lambton College made contributions to the Plan and its associated retirement compensation arrangement of \$4,583,544 (2022 - \$4,402,800), which has been included in the statement of revenue and expenditure.

Post-employment benefits

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

a) Discount rate

The present value as at March 31, 2023 of the future benefits was determined using a discount rate of 3.40% (2022 – 2.90%).

b) Drug costs

Drug costs were assumed to increase at 6.16% (2022 – 6.29%) and decrease proportionately thereafter to an ultimate rate of 4% in 2040.

c) Medical costs

Medical premiums were assumed to increase at 6.16% per annum (2022 – 6.29%) and decrease proportionately thereafter to an ultimate rate of 4% in 2040.

d) Dental costs

Dental costs were assumed to increase at 4% per annum (2022 - 4%).

Compensated absences

Vesting sick leave

Lambton 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 LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

11. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY – continued

Non-vesting sick leave

Lambton 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 actuarial best estimates of expected rates of:

	<u>2023</u>	<u>2022</u>
Wage and salary escalation	1.0 – 1.25%	1.0 – 1.25%
Discount rate	3.4%	2.9%

The probability that an employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 26.2% and 0 to 51 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

12. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received to fund the purchase of capital assets. The amortization of the deferred capital contributions is recorded as revenue in the statement of revenue and expenditure. Changes in the deferred capital contributions balance are as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 63,933,836	\$ 63,592,568
Contributions received or receivable for capital purposes	4,655,733	5,242,700
Amortization of deferred capital contributions	(4,595,014)	(4,901,432)
Balance, end of year	<u>\$ 63,994,555</u>	<u>\$ 63,933,836</u>

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

13. INVESTED IN CAPITAL ASSETS

a. Change in net assets invested in capital assets is calculated as follows:

	2023	2022
		Restated
Excess of expenditure over revenue		
Amortization of deferred contributions related to capital assets	\$ 4,595,014	\$ 4,901,432
Depreciation of capital assets (Note 3)	(8,799,048)	(8,860,009)
	\$ (4,204,034)	\$ (3,958,577)

b. Net investment in capital assets:

Capital assets acquired	\$ 16,933,305	\$ 12,275,874
Capital assets disposition	-	(697,295)
Repayment of long-term obligations related to capital assets	4,069,244	3,098,402
Long-term receivable payment received	(255,338)	(371,875)
Amounts funded by deferred capital contributions	(4,655,733)	(5,242,700)
	\$ 16,091,478	\$ 9,062,406

c. Net assets invested in capital assets are represented by:

Capital assets, net book value (Note 3)	\$126,821,163	\$ 118,686,907
Less:		
Deferred capital contributions	63,994,555	63,933,836
Asset retirement obligation (Note 3)	3,722,100	3,722,100
Long-term receivable	(5,187,953)	(5,443,291)
Long-term obligations related to capital assets	-	4,069,244
	62,528,702	66,281,889
Net assets invested in capital assets (Note 3)	\$ 64,292,461	\$ 52,405,018

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

14. NET ASSETS INTERNALLY RESTRICTED

Internally restricted net assets are funds committed for specific purposes which represent allocations primarily related to major capital additions and other campus renewal projects intended to be completed in future years.

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Transfers, Adjustments, Disbursements</u>	<u>Balance, End of Year</u>
Appropriations	\$ 60,948,604	\$ 27,248,783	\$ 10,357,079	\$ 77,840,308

15. NET ASSETS EXTERNALLY RESTRICTED

Externally restricted net assets are funds committed for specific purposes as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Transfers, Adjustments, Disbursements</u>	<u>Balance, End of Year</u>
Bursaries and awards	\$ 730,434	\$ 364,076	\$ (226,921)	\$ 867,589
Financial assistance fund	462,615	950,000	(766,775)	645,840
Employment Stability Fund	75,902	2,622	-	78,524
Conferences and external projects	370,483	1,395,617	(1,331,689)	434,411
	<u>\$ 1,639,434</u>	<u>\$ 2,712,315</u>	<u>\$ (2,325,385)</u>	<u>\$ 2,026,364</u>

16. NET ASSETS ENDOWMENT FUNDS

Endowment funds are restricted donations received by the College where the endowment principal is required to be maintained. The investment income generated from these endowments must be used in accordance with various purposes established by donors. The College ensures, as part of its fiduciary responsibilities, that all funds received and transferred to the Foundation with a restricted purpose are expended for the purpose for which they were provided.

The endowment funds are funds committed for specific purposes as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Transfers, Adjustments, Disbursements</u>	<u>Balance, End of Year</u>
OSOTF and OTSS	\$ 3,499,130	\$ 247,436	\$ (122,526)	\$ 3,624,040
Other scholarships and bursaries	96,797	3,969	(2,650)	98,116
	<u>\$ 3,595,927</u>	<u>\$ 251,405</u>	<u>\$ (125,176)</u>	<u>\$ 3,722,156</u>

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

16. NET ASSETS ENDOWMENT FUNDS - continued

Endowment funds include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund (OSOTF) and the Ontario Trust for Student Success (OTSS). Under these programs, the government matched funds raised by Lambton College to be maintained as endowment principal. The purpose of these programs is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend a post-secondary institution.

	<u>OSOTF</u>	<u>OSOTF II</u>	<u>OTSS</u>	<u>Other</u>	<u>Total</u>
<i>Changes in Endowment Fund Balances</i>					
Fund balances, beginning of year	\$ 1,071,656	\$ 139,544	\$ 1,904,787	\$ 57,500	\$ 3,173,487
Cash donations	-	-	-	-	-
Fund balances, end of year	<u>1,071,656</u>	<u>139,544</u>	<u>1,904,787</u>	<u>57,500</u>	<u>3,173,487</u>

Changes in Expendable Funds Available for Awards

Fund balances, beginning of year	79,181	11,889	292,074	39,296	422,440
Expendable donations	-	-	-	-	-
Investment income	80,797	10,754	155,885	3,969	251,405
Bursaries awarded	(25,692)	(4,200)	(92,634)	(2,650)	(125,176)
Fund balances, end of year	<u>134,286</u>	<u>18,443</u>	<u>355,325</u>	<u>40,615</u>	<u>548,669</u>
Total endowment fund balances and market value	<u>\$ 1,205,942</u>	<u>\$ 157,987</u>	<u>\$ 2,260,111</u>	<u>\$ 98,115</u>	<u>\$ 3,722,156</u>

Awards issued in 2023	<u>25</u>	<u>4</u>	<u>52</u>	<u>7</u>	<u>88</u>
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17. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	<u>2023</u>	<u>2022</u>
Grants receivable	\$ (4,483,299)	\$ 262,717
Accounts receivable	4,527,745	(5,295,610)
Inventories	(90,009)	(29,264)
Prepaid expenses	(9,167)	(158,318)
Accounts payable and accrued charges	(6,343,553)	17,456,134
Deferred revenue	(802,310)	20,630,054
Funds held in trust	135,124	252,230
	<u>\$ (7,065,469)</u>	<u>\$ 33,117,943</u>

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

For the year ended March 31, 2023

18. CONTINGENT LIABILITY

Effective June 2019, the Province of Ontario enacted Bill 124 “Protecting a Sustainable Public Sector for Future Generations Act, 2019”. This legislation limited compensation increases to 1.0% per year for a three-year moderation period for both unionized and non-unionized employees in the Ontario public sector. The starting dates of the moderation period varied across entities and employee groups. On November 29, 2022, the Ontario Superior Court of Justice struck down Bill 124, finding it unconstitutional and declaring it to be “void and of no effect”. On December 29, 2022, the Ontario government filed a Notice of Appeal with the Ontario Court of Appeal. The impact, if any, to the organization as a result of the Ontario Superior Court decision is not determinable at this time. As such, no provision has been made in the financial statements.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Operating Revenue

For the year ended March 31, 2023

Schedule 1

	<u>2023</u>	<u>2022</u> Restated (Note 3)
GRANTS AND REIMBURSEMENTS		
Basic operating and supplemental grants	\$ 22,461,402	\$ 21,140,087
Apprentice training	1,017,700	735,446
Municipal taxes	141,975	160,800
Capital support grants	122,683	190,443
Employment Services	2,179,725	2,154,449
Literacy and Basic Skills	537,890	531,411
Bursaries	175,463	65,803
Other provincial grants	3,571,880	2,725,541
Federal grants	3,814,564	3,989,529
Municipal grants	963,815	927,504
	34,987,097	32,621,013
STUDENT TUITION		
Full-time	6,470,349	6,801,997
Part-time	1,365,092	1,610,708
Contract education	5,361,700	4,173,596
International education	31,479,447	25,069,408
International education - license and service agreements	45,285,232	47,827,546
Sundry fees	5,970,738	4,238,969
	95,932,558	89,722,224
ANCILLARY OPERATIONS		
Campus Shop	1,520,921	1,202,211
Parking	527,801	262,442
Residence and event centre	1,755,744	901,153
	3,804,466	2,365,806
OTHER INCOME		
Other sources	8,163,193	2,787,346
Donations from The Lambton College Foundation	245,316	775,037
	8,408,509	3,562,383
AMORTIZATION OF DEFERRED CAPITAL CONTRIBUTIONS		
	4,595,014	4,901,432
	\$ 147,727,644	\$ 133,172,858