

Financial Statements of

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

And Independent Auditor's Report thereon

Year ended March 31, 2024

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

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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 KPMG 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.

A handwritten signature in black ink, appearing to read "Rob Kardas", written over a horizontal line.

Rob Kardas
President & CEO

June 6, 2024

A handwritten signature in black ink, appearing to read "Spencer Dickson", written over a horizontal line.

Spencer Dickson
Senior Vice President of Strategy and
Corporate Services



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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, 2024
- the statement of revenue and expenses for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- the statement of rereasurement losses 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 College as at March 31, 2024, and its results of operations, its cash flows, and its rereasurement losses 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 Auditor's 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.



Other Matter - Comparative Information

The financial statements for the year ended March 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on June 8, 2023.

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

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

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

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

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 the financial statements.

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

We also:

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

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



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- 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 11, 2024

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

As at March 31, 2024 with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	\$ 117,370,177	\$ 175,170,527
Short-term investments (note 4)	36,420,969	37,160,501
Grants receivable (note 16)	2,092,300	6,082,999
Accounts receivable (note 16)	26,668,564	16,286,437
Current portion of long-term receivable (note 5)	223,146	214,411
Inventories	404,798	441,291
Prepaid expenses	1,300,497	666,056
	<u>184,480,451</u>	<u>236,022,222</u>
Long-term receivable (note 5)	4,750,396	4,973,542
Long-term investments (note 4)	68,653,625	47,930,843
Capital assets (note 6)	138,431,487	126,821,163
	<u>\$ 396,315,959</u>	<u>\$ 415,747,770</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 44,438,331	\$ 109,654,130
Accrued payroll and employee deductions	5,850,189	4,836,278
Deferred revenue	84,283,176	74,312,763
Funds held in trust (note 7)	3,653,959	3,339,126
	<u>138,225,655</u>	<u>192,142,297</u>
Asset retirement obligations (note 8)	3,425,092	3,722,100
Post-employment benefits and compensated absences (note 9)	1,991,000	1,938,000
Deferred capital contributions (note 10)	66,582,919	63,994,555
	<u>210,224,666</u>	<u>261,796,952</u>
Net assets:		
Unrestricted:		
Operating	12,563,354	12,173,039
Post-employment benefits and compensated absences	(1,991,000)	(1,938,000)
Vacation pay	(2,267,411)	(2,159,025)
	<u>8,304,943</u>	<u>8,076,014</u>
Invested in capital assets (note 11)	73,397,019	64,292,461
Internally restricted (note 12)	98,630,272	77,840,308
Externally restricted (note 13)	2,238,296	2,026,364
Endowment funds (note 14)	3,853,487	3,722,156
	<u>178,119,074</u>	<u>147,881,289</u>
Accumulated remeasurement losses	(332,724)	(2,006,485)
	<u>186,091,293</u>	<u>153,950,818</u>
Commitment (note 17)		
	<u>\$ 396,315,959</u>	<u>\$ 415,747,770</u>

See accompanying notes to financial statements.

On behalf of the Board:


Tania Lee Chair


Rob Kardas President

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Revenue and Expenses

Year ended March 31, 2024 with comparative information for 2023

	2024	2023
Revenue (schedule 1):		
Grants and reimbursements	\$ 38,706,701	\$ 34,987,097
Student tuition	107,226,030	95,932,558
Ancillary operations	4,175,785	3,804,466
Other income	15,784,090	8,408,509
Amortization of deferred capital contributions (note 10)	4,447,452	4,595,014
	<u>170,340,058</u>	<u>147,727,644</u>
Expenses (schedule 2):		
Post secondary	44,003,333	38,345,958
Contract services	54,346,584	42,751,961
Student services	10,970,574	9,548,464
Administrative services	10,472,260	9,244,972
Physical resources	7,818,143	6,464,580
Ancillary	3,383,033	3,617,048
Depreciation of capital assets	9,222,680	8,799,048
	<u>140,216,607</u>	<u>118,772,031</u>
Excess of revenue over expenses	\$ 30,123,451	\$ 28,955,613

See accompanying notes to financial statements.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

Year ended March 31, 2024 with comparative information for 2023

	Unrestricted	Invested in capital assets (note 11)	Internally restricted (note 12)	Externally restricted (note 13)	Endowment funds (note 14)	2024 Total	2023 Total
Balance, beginning of year	\$ 8,076,014	\$ 64,292,461	\$ 77,840,308	\$ 2,026,364	\$ 3,722,156	\$ 155,957,303	\$ 126,488,531
Excess of revenue over expenses	34,898,679	(4,775,228)	-	-	-	30,123,451	28,955,613
Invested in capital assets	(13,879,786)	13,879,786	-	-	-	-	-
Appropriation	(20,789,964)	-	20,789,964	-	-	-	-
Change in externally restricted net assets	-	-	-	211,932	-	211,932	386,930
Change in endowments funds	-	-	-	-	131,331	131,331	126,229
Balance, end of year	\$ 8,304,943	\$ 73,397,019	\$ 98,630,272	\$ 2,238,296	\$ 3,853,487	\$ 186,424,017	\$ 155,957,303

See accompanying notes to financial statements.

THE LAMBTON 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:		
Excess of revenue over expenses	\$ 30,123,451	\$ 28,955,613
Items not involving cash:		
Depreciation	9,222,680	8,799,048
Amortization of deferred capital contributions	(4,447,452)	(4,595,014)
Post-employment benefits and compensated absences	53,000	54,000
	<u>34,951,679</u>	<u>33,213,647</u>
Change in non-cash operating working capital items (note 15)	(60,906,017)	(7,065,469)
	<u>(25,954,338)</u>	<u>26,148,178</u>
Financing activities:		
Repayment of long-term obligations	-	(4,069,244)
Capital:		
Deferred capital contributions	7,035,816	4,655,733
Acquisition of capital assets	(21,130,013)	(16,933,305)
	<u>(14,094,197)</u>	<u>(12,277,572)</u>
Investing activities:		
Collection of long-term receivable	214,411	255,340
Investments	(18,309,489)	(35,911,636)
Net cash provided from externally restricted funds	211,932	386,930
Net cash provided from endowment funds	131,331	126,229
	<u>(17,751,815)</u>	<u>(35,143,137)</u>
Decrease in cash	(57,800,350)	(25,341,775)
Cash, beginning of year	175,170,527	200,512,302
Cash, end of year	<u>\$ 117,370,177</u>	<u>\$ 175,170,527</u>

See accompanying notes to financial statements.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Losses

Year ended March 31, 2024 with comparative information for 2023

	2024	2023
Balance, beginning of year	\$ (2,006,485)	\$ (1,804,463)
Unrealized gains (losses) attributable to:		
Investments	1,673,761	(202,022)
Balance, end of year	\$ (332,724)	\$ (2,006,485)

See accompanying notes to financial statements.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2024

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. Significant 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 (“PSAS for Government NPOs”) and include the following significant accounting policies:

(a) 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.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

2. Significant accounting policies (continued):

(b) 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.

(c) Vacation pay:

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

(d) 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:

- (i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis.
- (ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (iii) The 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.

(e) Inventories:

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

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

2. Significant accounting policies (continued):

(f) 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. Any unamortized deferred capital contribution amount related to the capital asset is recognized in revenue in the Statement of Revenue and Expenses, provided that all restrictions have been complied with. Depreciation is provided on a straight-line basis over the following periods:

Asset	Useful life
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

(g) 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.

(h) 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.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

2. Significant accounting policies (continued):

(i) Management estimates:

The preparation of financial statements in conformity with PSAS 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 investments, allowance for doubtful accounts, amortization of capital assets, amortization of deferred capital contributions, estimated costs of asset retirement obligations and actuarial estimation of post-employment benefits and compensated absences liabilities.

(j) Student organizations:

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

(k) Private career colleges:

Lambton College has entered into contractual agreements with private career colleges to deliver programming as stipulated within the agreement. The agreement allows for revenues to be earned and retained for delivery of the programming and certain commissions. Certain revenue and related expenses paid to the private partner have been reflected in the statement of operations. Revenues recognized and expenses incurred by the private career college in fulfilling their contractual obligations are not included in the financial statements of the College.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

2. Significant accounting policies (continued):

(I) 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:

(i) 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.

Financial instruments classified at fair value are initially recognized at cost and subsequently carried at 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.

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 expensed for financial instruments measured at fair value.

(ii) Amortized cost:

This category includes all accounts receivable, accounts payable and accrued charges, accrued payroll and employee deductions, and funds held in trust. 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.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

2. Significant accounting policies (continued):

(m) 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, 2023, Lambton 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.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

4. Investments:

Investments consist of cash and equivalents of \$1,506,046 (2023 - \$309,897), Guaranteed Investment Certificates of \$34,818,440 (2023 - \$35,861,933) due within 12 months and \$nil (2023 - \$5,209,762) between 2 to 5 years, equity instruments in public companies of \$2,942,517 (2023 - \$2,440,356), and bonds \$65,807,591 (2023 - \$41,269,396). Investments include \$3,853,487 (2023 - \$3,722,156) of investments externally restricted for endowment purposes (see note 14).

Maturity profile of bonds held is as follows:

					2024	
		Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
Carrying value	\$	96,483	\$33,779,563	\$31,584,146	\$ 347,399	\$65,807,591
Percentage of total		0.2%	51.3%	48.0%	0.5%	100%

					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	\$ 303,213	\$41,269,396
Percentage of total		2.5%	40.7%	56.1%	0.7%	100%

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)

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

4. Investments (continued):

	Level 1	Level 2	Level 3	2024 Total
Portfolio cash	\$ 1,506,046	\$ –	\$ –	\$ 1,506,046
Investments	37,760,957	65,807,591	–	103,568,548
	39,267,003	65,807,591	–	105,074,594
Current portion				36,420,969
				\$ 68,653,625

	Level 1	Level 2	Level 3	2023 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

There were no investments classified as Level 3 for the year ended March 31, 2024 and no transfers between levels for any investments during the year.

5. Long-term receivable:

	2024	2023
Long-term receivable, variable rate, due in equal, consecutive, blended, monthly instalments of \$34,837, due in August 2043	\$ 4,973,542	\$ 5,187,953
Current portion	223,146	214,411
	\$ 4,750,396	\$ 4,973,542

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

5. Long-term receivable (continued):

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

2025	\$ 223,146
2026	232,237
2027	241,699
2028	251,546
2029	261,795
Thereafter	3,763,119
	\$ 4,973,542

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 Lambton College's bank deposit rate or 4%, whichever is less.

6. Capital assets:

	Cost	Accumulated depreciation	2024 Net book value	2023 Net book value
Land	\$ 4,099,658	\$ –	\$ 4,099,658	\$ 4,099,658
Buildings	152,130,871	50,014,765	102,116,106	85,180,302
Buildings asset retirement obligation (note 10)	3,722,100	2,833,452	888,648	957,005
Site and leasehold improvements	25,699,625	10,652,217	15,047,408	13,719,144
Major equipment, equipment and vehicles	24,765,981	15,353,336	9,412,645	7,608,677
Computer hardware	2,112,828	1,184,720	928,108	611,819
Construction in progress	5,938,914	–	5,938,914	14,644,558
	\$ 218,469,977	\$ 80,038,490	\$ 138,431,487	\$ 126,821,163

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

7. 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 2024 of 5.4% (2023 - average rate of 3.4%) and consist of the following:

	2024	2023
Due to The Lambton College Foundation	\$ 1,259,010	\$ 1,423,553
Due to The Students Association of Lambton College	2,394,949	1,915,573
	<u>\$ 3,653,959</u>	<u>\$ 3,339,126</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 \$186,865 and cash of \$1,986,443 during the year (2023 - equipment of \$43,807 and cash of \$832,806). 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.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

8. Asset retirement obligations:

Lambton 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 \$3,425,092 (2023 - \$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 estimated total undiscounted future expenditures.

	2024	2023
Balance, beginning of year	\$ 3,722,100	\$ 3,722,100
Less: obligations settled during the year	(297,008)	—
Balance, end of year	\$ 3,425,092	\$ 3,722,100

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

9. 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.

	2024			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 523,000	\$ 2,329,000	\$ –	\$ 2,852,000
Unamortized actuarial (gains) losses	35,000	(769,000)	–	(734,000)
Value of plan assets	(127,000)	–	–	(127,000)
	\$ 431,000	\$ 1,560,000	\$ –	\$ 1,991,000

	2023			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 495,000	\$ 1,979,000	\$ –	\$ 2,474,000
Unamortized actuarial (gains) losses	40,000	(456,000)	–	(416,000)
Value of plan assets	(120,000)	–	–	(120,000)
	\$ 415,000	\$ 1,523,000	\$ –	\$ 1,938,000

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

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

	2024			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expenditure
Current year benefits cost	\$ 22,000	\$ 147,000	\$ –	\$ 169,000
Interest on accrued benefits obligation	1,000	68,000	–	69,000
Amortized actuarial (gains) losses	(5,000)	53,000	–	48,000
Benefit payments	(2,000)	(231,000)	–	(233,000)
	\$ 16,000	\$ 37,000	\$ –	\$ 53,000

	2023			
	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expenditure
Current year benefits cost	\$ 38,000	\$ 145,000	\$ 1,000	\$ 184,000
Interest on accrued benefits obligation	1,000	52,000	1,000	54,000
Amortized actuarial (gains) losses	(5,000)	17,000	(14,000)	(2,000)
Benefit payments	(2,000)	(174,000)	(6,000)	(182,000)
	\$ 32,000	\$ 40,000	\$ (18,000)	\$ 54,000

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

(a) Retirement benefits:

(i) 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. Lambton 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 multiemployer plan, Lambton College's contributions are accounted for as if the Plan were a defined contribution plan with Lambton College's contributions being expensed in the period, they come due.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

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

(a) Retirement benefits (continued):

(i) CAAT Pension Plan (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, 2024 indicated an actuarial surplus on a going concern basis of \$5.3 billion. Lambton College made contributions to the Plan and its associated retirement compensation arrangement of \$5,449,516 (2023 - \$4,583,544), which has been included in the statement of revenue and expenses.

(b) 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:

(i) Discount rate:

The present value as at March 31, 2024 of the future benefits was determined using a discount rate of 3.50% (2023 - 3.40%).

(ii) Drug costs:

Drug costs were assumed to increase at 6.16% (2023 - 6.16%) and decrease proportionately thereafter to an ultimate rate of 4% in 2040.

(iii) Medical costs:

Medical premiums were assumed to increase at 6.16% per annum (2023 - 6.16%) and decrease proportionately thereafter to an ultimate rate of 4% in 2040.

(iv) Dental costs:

Dental costs were assumed to increase at 4% per annum (2023 - 4%).

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

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

(c) Compensated absences:

(i) 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.

(ii) 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:

	2024	2023
Wage and salary	1.00%	1.00 - 1.25%
Discount rate	3.50%	3.40%

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 23.5% (2023 – 0% to 26.2%) and 0 to 54 days (2023 - 0 to 51 days) respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

10. 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 expenses. Changes in the deferred capital contributions balance are as follows:

	2024	2023
Balance, beginning of year	\$ 63,994,555	\$ 63,933,836
Contributions received or receivable for capital purposes	7,035,816	4,655,733
Amortization of deferred capital contributions	(4,447,452)	(4,595,014)
Balance, end of year	\$ 66,582,919	\$ 63,994,555

11. Invested in capital assets:

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

	2024	2023
Excess of expense over revenue		
Amortization of deferred contributions related to capital assets	\$ 4,447,452	\$ 4,595,014
Depreciation of capital assets	(9,222,680)	(8,799,048)
	\$ (4,775,228)	\$ (4,204,034)

(b) Net investment in capital assets:

	2024	2023
Capital assets acquired	\$ 21,130,013	\$ 16,933,305
Repayment of long-term obligations related to capital assets	-	4,069,244
Long-term receivable payment received	(214,411)	(255,339)
Amounts funded by deferred capital contributions	(6,689,253)	(4,608,584)
Amounts funded by foundation pledges realized	(346,563)	(47,149)
	\$ 13,879,786	\$ 16,091,477

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

11. Invested in capital assets (continued):

(c) Net assets invested in capital assets are represented by:

	2024	2023
Capital assets, net book value	\$ 138,431,487	\$ 126,821,163
Less:		
Deferred capital contributions	66,582,919	63,994,555
Asset retirement obligation	3,425,092	3,722,100
Long-term receivable	(4,973,543)	(5,187,953)
	65,034,468	62,528,702
Net assets invested in capital assets	\$ 73,397,019	\$ 64,292,461

12. 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.

	Balance, beginning of year	Additions	Transfers, adjustments, disbursements	Balance, end of year
Appropriations	\$ 77,840,308	\$ 32,869,814	\$ 12,079,850	\$ 98,630,272

13. Net assets externally restricted:

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

	Balance, beginning of year	Additions	Transfers, adjustments, disbursements	Balance, end of year
Bursaries and awards	\$ 867,589	\$ 306,687	\$ 327,103	\$ 847,173
Financial assistance fund	645,840	950,000	756,432	839,408
Employment stability fund	78,524	4,386	-	82,910
Conferences and external projects	434,411	1,301,366	1,266,972	468,805
	\$ 2,026,364	\$ 2,562,439	\$ 2,350,507	\$ 2,238,296

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

14. Net assets endowments funds:

Endowment funds are restricted donations received by Lambton 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. Lambton College ensures, as part of its fiduciary responsibilities, that all funds received and transferred to Lambton College 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:

	Balance, beginning of year	Additions	Transfers, adjustments, disbursements	Balance, end of year
OSOTF and OTSS	\$ 3,624,040	\$ 206,636	\$ 78,287	\$ 3,752,389
Other scholarships and bursaries	98,116	6,482	3,500	101,098
	\$ 3,722,156	\$ 213,118	\$ 81,787	\$ 3,853,487

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

14. Net assets endowments 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.

	OSOTF	OSOTF II	OTSS	Other	Total
Changes in endowment fund balances:					
Fund balances, beginning of years	\$ 1,071,656	\$ 139,544	\$ 1,904,787	\$ 57,500	\$ 3,173,487
Cash donations	–	–	5,000	1,000	6,000
Fund balances, end of year	1,071,656	139,544	1,909,787	58,500	3,179,487
Changes in expendable fund available for awards:					
Fund balances, beginning of year	134,286	18,443	355,325	40,615	548,669
Investment income	66,943	8,800	125,892	5,483	207,118
Bursaries awarded	29,087	2,000	47,200	3,500	81,787
Fund balances, end of year	172,142	25,243	434,017	42,598	674,000
Total endowment fund balances and market value	\$ 1,243,798	\$ 164,787	\$ 2,343,804	\$ 101,098	\$ 3,853,487
Awards issued in 2024	31	1	38	7	77

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

15. Changes in non-cash operating working capital items:

	2024	2023
Grants receivable	\$ 3,990,699	\$ (4,483,299)
Accounts receivable	(10,382,127)	4,527,745
Inventories	36,493	(90,009)
Prepaid expenses	(634,441)	(9,167)
Accounts payable and accrued charges	(64,201,887)	(6,343,553)
Deferred revenue	9,970,413	(802,310)
Funds held in trust	314,833	135,124
	<u>\$ (60,906,017)</u>	<u>\$ (7,065,469)</u>

16. Risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. Lambton College is exposed to this risk relating to its cash, grants and accounts receivable, and current and long-term investments. 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 (2023 - \$100,000).

Accounts receivable are comprised of government, student receivables, and other receivables. Student receivables are ultimately due from students, and credit risk is mitigated by financial approval processes before a student is enrolled. Government receivables are ultimately due primarily from MCU, as well as other government entities, and credit risk is mitigated by the governmental nature of the funding source. Other receivables arise during the course of Lambton College's normal operations and are due from a diverse customer base. 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.

Student and other receivables not impaired are collectible based on Lambton College's assessment and past experience regarding collection rates. The maximum exposure to credit risk of Lambton College at March 31, 2024 is the carrying value of these assets.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

16. Risk management (continued):

(a) Credit risk (continued):

The amounts outstanding at year end were as follows:

As at March 31, 2024	Total	Current	Past due		
			60 days	61-90 days	91+ days
Government receivables	\$ 3,830,784	\$ 3,830,784	\$ -	\$ -	\$ -
Student receivables	18,540,938	17,989,000	48,229	89,237	414,472
Other receivables	6,600,499	4,172,040	219,904	595,986	1,612,569
Gross receivables	28,972,221	25,991,824	268,133	685,223	2,027,041
Less: impairment allowance	(211,357)	-	-	-	(211,357)
Net receivables	\$28,760,864	\$25,991,824	\$ 268,133	\$ 685,223	\$ 1,815,684

As at March 31, 2023	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

The maximum exposure to investment credit risk is the amount of the investments as shown in note 4.

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

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

16. Risk management (continued):

(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 other price risk.

The investment policies of Lambton 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 exposure to risk or policies, procedures and methods used to measure the risk.

(i) 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.

(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.

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

(iii) 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.

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

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2024

16. Risk management (continued):

(c) 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 and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable and accrued liabilities and accrued payroll and employee deductions are all current.

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.

17. Commitment:

Lambton College entered into a lease for the period of January 1, 2024 to August 31, 2026 and September 1, 2026 to June 30, 2033 with annual payments of \$493,050 and \$565,050 respectively. On each anniversary, rent shall increase by 3.5%.

18. International student cap:

On January 22, 2024, the Government of Canada (the "Government") announced an intake cap on international student permit applications for a period of two years, resulting in a reduction of approximately 35% of approved study permits from 2023 across the country. At the end of 2024, the Government will re-assess the number of new study permits that will be processed in 2025.

In addition, as a result of these policy changes, international students at public-private partnership campuses in Ontario will no longer be eligible for post-graduate work permits, which affects the sustainability of these partnerships.

The extent of the impact of the intake cap on Lambton College's business, operational and financial performance for the upcoming year is uncertain and difficult to assess at this time. The impacts will depend on future developments, including the Government's re-assessment at the end of the 2024 calendar year. Management has considered the potential impacts of the intake cap on its approved capital and operating budget for the year ending March 31, 2025. Management has also assessed its operational and liquidity risks and believes there are no significant issues, given Lambton College has a strong working capital base and access to liquid resources to support continued operations in the coming year.

19. Comparative information:

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2024 financial statements.

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule 1 - Operating Revenue

Year ended March 31, 2024 with comparative information for 2023

	2024	2023
Grants and reimbursements:		
Basic operating and supplemental grants	\$ 21,383,500	\$ 22,461,402
Federal grants	6,005,813	3,814,564
Other provincial grants	5,018,544	3,571,880
Employment services	2,483,931	2,179,725
Municipal grants	1,442,431	963,815
Apprentice training	1,364,575	1,017,700
Literacy and basic skills	540,036	537,890
Capital support grants	248,939	122,683
Municipal taxes	140,025	141,975
Bursaries	78,907	175,463
	<u>38,706,701</u>	<u>34,987,097</u>
Student tuition:		
International education - license and service agreements	50,190,230	45,285,232
International education	36,444,292	31,479,447
Sundry fees	7,688,591	5,970,738
Full-time	7,034,898	6,470,349
Contract education	4,452,389	5,361,700
Part-time	1,415,630	1,365,092
	<u>107,226,030</u>	<u>95,932,558</u>
Ancillary operations:		
Residence and event centre	1,961,657	1,755,744
Campus shop	1,610,038	1,520,921
Parking	604,090	527,801
	<u>4,175,785</u>	<u>3,804,466</u>
Other income:		
Other sources	15,392,076	8,163,193
Donations from The Lambton College Foundation	392,014	245,316
	<u>15,784,090</u>	<u>8,408,509</u>
Amortization of deferred capital contributions	4,447,452	4,595,014
	<u>\$ 170,340,058</u>	<u>\$ 147,727,644</u>

THE LAMBTON COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Schedule 2 - Operating Expenses

Year ended March 31, 2024 with comparative information for 2023

	2024	2023
Expenditures:		
Salaries and benefits	\$ 70,839,888	\$ 60,298,275
Contract services and professional fees	27,070,832	21,828,602
Non-instructional	10,912,722	9,051,916
Depreciation of capital assets	9,222,680	8,799,048
Utilities and maintenance	9,106,911	7,221,305
Instructional	8,382,600	6,547,388
Ancillary cost of sales	2,559,261	2,820,195
Student assistance	1,336,386	1,394,268
Insurance and taxes	785,327	811,034
	\$ 140,216,607	\$ 118,772,031