The Conestoga College Institute of Technology and Advanced Learning

FINANCIAL STATEMENTS

March 31, 2017

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

INDEX OF CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

Year Ended March 31, 2017

May 23, 2017

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Conestoga College Institute of Technology and Advanced Learning and its subsidiary, which comprise the consolidated statement of financial position as at March 31, 2017 and the consolidated statements of revenue and expenditure, cash flows, changes in fund balances, and remeasurement gains and losses for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Conestoga College Institute of Technology and Advanced Learning and its subsidiary as at March 31, 2017 and the results of their operations, their remeasurement gains and losses, changes in their fund balances and their cash flow for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Statement 1

Consolidated Statement of Financial Position

March 31, 2017, with comparative figures for 2016

	Operating Fund (Statement 2)	Restricted Fund (Statement 2)	Endowment Fund (Statement 2)	Total March 31 2017	Total March 31 2016
ASSETS					
Current Assets:					
Cash and short term deposits	$ 22,145,713	$ 1,578,832	$ 45,301	$ 23,769,846	$ 15,793,784
Investment	25,000,000	659,284	2,235,984	27,895,268	2,332,645
Grants receivable	3,816,057			3,816,057	3,774,955
Accounts receivable	7,547,580	9,761		7,557,341	5,844,558
Current portion of pledges receivable (Note 4)	1,477,923			1,477,923	640,627
Inventory	1,008,089			1,008,089	668,000
Prepaid expense	530,449			530,449	775,202
	61,525,811	2,247,877	2,281,285	66,054,973	29,829,771
Long term investment			2,330,464	2,330,464	2,330,464
Long term pledges receivable (Note 4)	19,969,382			19,969,382	18,326,620
Capital assets (Note 8)	189,970,316			189,970,316	187,488,475
	$ 271,465,509	$ 2,247,877	$ 4,611,749	$ 278,325,135	$ 237,975,330
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	$ 18,154,460			$ 18,154,460	$ 14,978,837
Vacation pay accrual	10,865,015			10,865,015	10,569,697
Deferred revenue	27,363,469			27,363,469	19,158,258
Current portion of long term debt (Note 5)	2,595,947			2,595,947	1,663,100
Deferred contributions (Note 6)		$ 1,536,168		1,536,168	1,284,440
	58,978,891	1,536,168		60,515,059	47,654,332
Long term debt (Note 5)	30,458,140			30,458,140	11,554,087
Deferred capital contributions (Note 7)	137,085,482			137,085,482	135,076,953
Post-employment benefits and compensated absences (Note 9)	6,565,000			6,565,000	6,575,000
	233,087,513	1,536,168		234,623,681	200,860,372
FUND BALANCES (DEFICITS)					
Unrestricted:					
Operations	35,984,078			35,984,078	10,189,373
Vacation	(10,865,015)			(10,865,015)	(10,569,697)
Post-employment benefits and compensated absences	(6,565,000)			(6,565,000)	(6,575,000)
	18,554,063			18,554,063	(6,955,324)
Investment in capital assets (Note 8)	19,830,747			19,830,747	39,194,335
Externally restricted fund balances		411,334	$ 4,611,749	5,023,083	4,717,659
	38,384,810	411,334	4,611,749	43,407,893	36,956,670
Accumulated Remeasurement Gains (Losses) (Note 3)	(6,814)	300,375		293,561	158,288
	$ 271,465,509	$ 2,247,877	$ 4,611,749	$ 278,325,135	$ 237,975,330

Commitments (Note 10)

See accompanying notes to financial statements.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING Statement 2

Consolidated Statement of Revenue and Expenditure and Change in Fund Balances

Year ended March 31, 2017, with comparative figures for 2016

	Operating Fund	Restricted Fund	Endowment Fund	Total 2017	Total 2016
Revenue:					
Grants	$87,166,265			$87,166,265	$84,640,237
Student tuition	75,473,179			75,473,179	64,445,951
Contracted services	10,656,878			10,656,878	9,862,973
Ancillary operations	15,491,193			15,491,193	15,472,815
Other	22,705,527			22,705,527	19,414,709
Restricted Revenue		$ 1,434,533		1,434,533	1,117,368
Amortization of deferred capital contributions (Note 7)	6,569,100			6,569,100	6,437,844
Total revenue	218,062,142	1,434,533		219,496,675	201,391,897
Expenditure:					
Salaries and benefits	143,649,645			143,649,645	134,785,738
Non salary expenses	52,761,484			52,761,484	46,852,106
Amortization of capital assets	12,331,725			12,331,725	11,712,871
Scholarships, bursaries and work-study	3,173,489	1,414,540		4,588,029	4,059,348
Total expenditure	211,916,343	1,414,540		213,330,883	197,410,063
Excess of revenue over expenditure	6,145,799	19,993		6,165,792	3,981,834
Fund balances, beginning	32,239,011	391,341	$4,326,318	36,956,670	32,727,315
Endowment contributions			285,431	285,431	247,521
Fund balances, ending	$38,384,810	$411,334	$4,611,749	$43,407,893	$36,956,670

See accompanying notes to financial statements.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING Statement 3

Consolidated Statement of Cash Flows

Year Ended March 31, 2017, with comparative figures for 2016

	Operating Fund	Restricted Fund	Endowment Fund	Total 2017	Total 2016
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES					
Operating					
Excess of revenue over expenditure - Restricted Fund		$ 19,993		$ 19,993	$ 29,858
Excess of revenue over expenditure - Operating Fund	$ 6,145,799			6,145,799	3,951,976
Items not involving cash:					
Amortization of capital assets	12,331,725			12,331,725	11,712,871
Amortization of deferred capital contributions	(6,569,100)			(6,569,100)	(6,437,844)
Post-employment benefit and compensated absences expense	281,000			281,000	368,000
	12,189,424	19,993	-	12,209,417	9,624,861
Cash paid for post-employment benefits and compensated absences	(291,000)			(291,000)	(530,000)
Changes in non-cash working capital items:					
Grants receivable	(41,102)			(41,102)	(1,189,859)
Accounts receivable	(1,715,120)	2,337		(1,712,783)	1,795,472
Inventory	(340,089)			(340,089)	(61,642)
Prepaid expenses	244,753			244,753	(96,827)
Accounts payable	3,175,623			3,175,623	161,385
Vacation pay accrual	295,318			295,318	477,367
Deferred revenue	8,205,211			8,205,211	(2,362,956)
	21,723,018	22,330	-	21,745,348	7,817,801
Financing					
Deferred Contribution		251,728		251,728	176,325
Endowment contributions			$ 285,431	285,431	247,521
Accumulated remeasurement gain(losses) interest rate swap	39,325			39,325	71,935
New long term debt	21,500,000			21,500,000	-
Repayment of long term debt (Note 5)	(1,663,100)			(1,663,100)	(1,591,975)
	19,876,225	251,728	285,431	20,413,384	(1,096,194)
Capital					
Deferred capital contributions	8,577,629			8,577,629	15,124,094
Disposal of capital assets	462,266			462,266	47,583
Purchase of capital assets:					
College operating funds	(6,440,646)			(6,440,646)	(7,556,391)
Government grants	(5,280,777)			(5,280,777)	(1,346,521)
Other restricted amounts	(3,554,409)			(3,554,409)	(13,813,306)
	(6,235,937)	-	-	(6,235,937)	(7,544,541)
Investing					
Realized gain recognized as income on endowment fund investment		(139,921)		(139,921)	(100,167)
Net change in pledges receivable	(2,480,058)			(2,480,058)	(12,964,681)
Purchase of investments	(25,000,000)		(326,754)	(25,326,754)	(2,538,453)
	(27,480,058)	(139,921)	(326,754)	(27,946,733)	(15,603,301)
Net cash inflow (outfow)	7,883,248	134,137	(41,323)	7,976,062	(16,426,235)
Cash and short term deposits, beginning of year	14,262,465	1,444,695	86,624	15,793,784	32,220,019
Cash and short term deposits, end of year	$ 22,145,713	$ 1,578,832	$ 45,301	$ 23,769,846	$ 15,793,784

See accompanying notes to financial statements.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Statement 4

Consolidated Statement of Changes in Fund Balances

Year Ended March 31, 2017, with comparative figures for 2016

	Operations	Vacation	Post-employment benefits and compensated absences	Total	Investment in Capital Assets	Operating Fund Total	Restricted Fund	Endowment Fund	Total 2017	Total 2016
Balances March 31, 2016	$10,189,373	($10,569,697)	($6,575,000)	($6,955,324)	$39,194,335	$32,239,011	$391,341	$4,326,318	$36,956,670	$32,727,315
Excess of revenue over expenditure (expenditure over revenue)	11,650,867			11,650,867	(5,505,068)	6,145,799	19,993		6,165,792	3,981,834
Vacation Pay	295,318	(295,318)		-						
Post employment benefits and compensated absences	(10,000)		10,000	-						
Capital asset additions financed with College funds	(6,440,646)			(6,440,646)	6,440,646					
Repayment of long term debt	(1,663,100)			(1,663,100)	1,663,100					
New Long Term Debit	21,500,000			21,500,000	(21,500,000)					
Proceeds on Disposal of Capital Assets	462,266			462,266	(462,266)					
Endowment contributions				-				285,431	285,431	247,521
Fund balances (deficits), end of year	$ 35,984,078	$ (10,865,015)	$ (6,565,000)	$ 18,554,063	$19,830,747	$ 38,384,810	$ 411,334	$ 4,611,749	$ 43,407,893	$36,956,670

See accompanying notes to financial statements.

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING Statement 5

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2017, with comparative figures for 2016

	Operating Fund	Restricted Fund	Total 2017	Total 2016
Accumulated remeasurement gains (losses) at beginning of year	$ (46,139)	$ 204,427	$ 158,288	$ 208,434
Adjustment due to reclassification of fair value of interest rate swap				
Unrealized gains attributable to interest rate swap	39,325		$ 39,325	71,935
Unrealized gains attributable to endowment fund short term investment		95,948	$ 95,948	(122,081)
Accumulated remeasurement gains (losses) at end of year	$ (6,814)	$ 300,375	$ 293,561	$ 158,288

See accompanying notes to financial statements.

Year Ended March 31, 2017

The Conestoga College Institute of Technology and Advanced Learning ("Conestoga") was established under the Ontario Colleges of Applied Arts and Technology Act as a corporation. Conestoga is a Crown agency. Its principal activity is to provide quality education, training, and related services.

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

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURE

The Consolidated Financial Statements of Conestoga have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

(a) BASIS OF CONSOLIDATION

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

(b) BASIS OF PRESENTATION

In order to ensure observance of limitations and restrictions placed on the use of resources available to Conestoga, the accounts are presented as follows:

i) The Operating Fund is used to account for all revenues, expenditures and capital assets related to the operations of Conestoga.

ii) The Restricted Fund is used to account for funds received for specific purposes. These include student bursaries, scholarships, loans and joint employment stability funds.

iii) The Endowment Fund is used to account for the principal amount of funds held in trust from which only the income earned is expendable.

(c) REVENUE RECOGNITION

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

Tuition fees are recorded in the fiscal year in which the semester commences. Fees received for semesters commencing in a subsequent fiscal period are recorded as deferred revenue.

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

Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in the Endowment Fund balance. Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

(d) USE OF ESTIMATES

The preparation of the consolidated financial statements, in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

(e) RETIREMENT AND POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES

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

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

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

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

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

(f) VALUATION OF INVENTORY

Inventory is valued at the lower of cost and net realizable value. Cost is determined based on average cost.

(g) LONG TERM PLEDGES RECEIVABLE

Long term pledges receivable includes corporate pledges for major capital projects as well as the agreed portion of the student capital development fee which will go towards the partial funding of the Student Life Centre and Recreation Centre building assets. Pledges receivable are recognized if the amount to be received is reasonably estimated and the ultimate collection is reasonably assured.

(h) CAPITAL ASSETS

Capital assets are initially recorded at cost. Capital assets which are donated are recorded at their fair market value at the date of acquisition. Capital assets purchased through debt financing are recorded as an asset and liability. The liability is reduced as the debt is repaid. Conestoga records amortization on its capital assets at the following straight line rates: Site Improvements–10%; Buildings–2.5%; Furniture and Equipment–20%; Information Technology-33%; Other Assets-20%. Disposals of capital assets are recorded in the accounts by removing the original acquisition cost and accumulated amortization. Any gain or loss on disposal is recorded in the Consolidated Statements of Revenue and Expenditure and Changes in Fund Balances. Construction in Process costs are capitalized and amortization is not recognized until construction is complete and the assets are ready for productive use at which time they are transferred to their appropriate asset class.

(i) PENSION COSTS

Employees of Conestoga are members of the Colleges of Applied Arts and Technology Pension Plan (the “Plan”), which is a multi-employer jointly-sponsored defined benefit plan for eligible employees public colleges and related employers in Ontario. The College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan’s governors to ensure the long term viability of the Plan.

(j) VACATION PAY ACCRUAL

Vacation pay is accrued as entitlement is earned.

(k) FINANCIAL INSTRUMENTS

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

Fair value
This category includes derivatives, cash, short term deposits and investments. They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized when they are transferred to the statement of operations of the appropriate fund.

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

Amortized cost
This category includes grants receivable, accounts receivable, long-term receivable, accounts payable and accrued liabilities, bank loans and term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

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

Impairments on balances carried at amortized cost are recognized when there is a significant adverse change in the expected timing or amount of future cash flows. The balance is then written down to the highest of the present value of cash flows expected from holding the asset and the value of any associated collateral. The impairment is recognized on the statement of revenue and expenditure.

2. FINANCIAL INSTRUMENTS CLASSIFICATION

The following table provides cost and fair value information of financial instruments by category for 2017. The maximum exposure to credit risk would be the carrying value as shown below.

	Fair Value	Amortized Cost	Total
Assets:			
Cash and short term deposits	$23,769,846		$23,769,846
Investment	30,225,732		30,225,732
Grants receivable		$3,816,057	3,816,057
Accounts receivable		7,547,580	7,547,580
Pledges receivable		21,419,305	21,419,305
Liabilities:			
Accounts payable and accrued liabilities		18,154,460	18,143,460
Long term debt		33,054,087	33,054,087
Interest rate swap	6,814		6,814

Investments include an investment pooling arrangement and a non-redeemable 17 month GIC with a Canadian financial institution.

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

-Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

-Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (ie derived from prices); and

-Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
Cash and short term deposits	$23,769,846			$23,769,846
Investment	27,330,464	$2,895,268		30,225,732
Interest rate swap liability			$(6,814)	(6,814)
Total	$51,100,310	$2,895,268	$(6,814)	$53,988,764

3. FINANCIAL INSTRUMENTS RISK MANAGEMENT

CREDIT RISK

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

	Total	Current	Past Due 31-60 days	Past Due 61-90 days	Past Due Over 90
Government receivables	$3,816,057	$3,816,057			
Pledges receivable	21,419,305	21,419,305			
Student receivables	1,735,864	73,222	418,617	311,698	932,327
Other receivables	7,907,527	7,662,392	147,697	48,067	49,371
Less: bad debt allowance	(400,085)				(400,085)
Net receivables	$34,478,668	$32,970,976	$566,314	$359,765	$581,613

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

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

INTEREST RATE RISK

Conestoga entered into an interest rate swap contract as part of its risk management strategy to minimize exposure to interest rate fluctuations related to the financing of the student life building. The interest rate swap contract involves an exchange of floating rate and fixed rate interest payments between Conestoga and a financial institution. The swap transactions are completely independent from and have no direct effect on the relationship between Conestoga and its lender. The notional amount of the interest rate at March 31, 2017 is detailed in Note 5 at 5.34%

At March 31, 2017, the fair value of the interest rate swap was $6,814 (2016-$46,139) in favour of the financial institution. The change in fair value of the interest rate swap is recorded in the Consolidated Statement of Remeasurement Gain and Losses.

CURRENCY RISK

Conestoga does not have any material transactions or financial instruments denominated in foreign currencies.

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

LIQUIDITY RISK

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

	Up to 1 year	1-5 years	>5 years
Accounts payable	$18,154,460		
Term debt	2,595,947	$11,455,454	$19,002,686

Derivative financial liabilities which relate to the Student Life Building Loan matures as described in Note 5.

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.

4. PLEDGES RECEIVABLE

Pledges receivable includes corporate pledges of $84,000 (2016-$219,000) for major capital projects, as well as the student capital development fees which will go towards the Student Life Centre and Recreation Centre building assets of $21,363,305 (2016-$18,748,247).

5. LONG TERM DEBT

	2017	2016
Ontario government Residence Loan bearing interest at 3.511%. Repayable in May and November each year in a blended payment of $634,494.36, due May 4, 2027.	$11,064,171	$11,922,041
Student Life Building Loan, bearing interest at 5.34%. Repayable in blended monthly payments of $71,239, due on September 1, 2017.	489,916	1,295,146
Student Rec Centre Loan from Ontario Financing Authority bearing interest at 2.273%. 15 Year Maturity, due October 6, 2031.	21,500,000	
	33,054,087	13,217,187
Less: Current Portion	2,595,947	1,663,100
	$30,458,140	$11,554,087

The blended monthly payment of $71,239 on the 5.34% mortgage is a result of Conestoga having entered into an interest rate swap agreement to convert floating rate debt to fixed rate debt until stated due date.

The Consolidated Statements of Revenue and Expenditure and Changes in Fund Balances include interest expense related to long term debt in the amount of $680,884 (2016-$516,694).

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

2018	$2,595,947
2019	2,165,328
2020	2,226,377
2021	2,289,230
Thereafter	23,777,205
Total	$33,054,087

6. DEFERRED CONTRIBUTIONS

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

	2017	2016
Beginning balance	$1,284,440	$1,108,115
Add donations and grant received during year	873,347	642,154
Add interest earned on endowed and unspent funds	245,477	184,554
Less amounts recognized as revenue in the year	(867,096)	(650,383)
Ending Balance	$1,536,168	$1,284,440

7. DEFERRED CAPITAL CONTRIBUTIONS

Contributions restricted for the purpose of capital purchases are deferred and then amortized over the life of the asset at the corresponding rate to amortization as disclosed in Note 1 (h).

The sources of deferred capital contributions are as follows:

	Ministry Funded Grants	Other	2017	2016
Opening Balance	$104,716,487	$30,360,466	$135,076,953	$126,390,703
Deferred	5,280,777	3,554,409	8,835,186	15,124,094
Written Off		(257,557)	(257,557)	
Amortization	(5,100,646)	(1,468,454)	(6,569,100)	(6,437,844)
Ending Balance	$104,896,618	$32,188,864	$137,085,482	$135,076,953

Year Ended March 31, 2017

8. CAPITAL ASSETS

(a) Capital assets consist of the following

	Capital Costs	Accumulated Amortization	2017 Net Book Value
Land	$20,157,501		$20,157,501
Site Improvements	5,591,040	$4,918,056	672,984
Buildings	217,902,652	63,171,641	154,731,011
Furniture and Equipment	31,784,915	24,245,911	7,539,004
Information Technology	24,149,804	21,513,466	2,636,338
Construction in Process	3,786,294		3,786,294
Other Assets	1,714,596	1,267,412	447,184
	$305,086,802	$115,116,486	$189,970,316

	Capital Costs	Accumulated Amortization	2016 Net Book Value
Land	$20,157,501		$20,157,501
Site Improvements	5,591,040	$4,725,447	865,593
Buildings	195,898,184	57,947,704	137,950,480
Furniture and Equipment	31,028,935	22,791,719	8,237,216
Information Technology	22,685,132	20,074,079	2,611,053
Construction in Process	17,492.757		17,492,757
Other Assets	1,290,957	1,117,082	173,875
	$294,144,506	$106,656,031	$187,488,475

(b) Investment in Capital Assets

The net book value of capital assets is financed by:	**2017**	**2016**
Capital assets	$189,970,316	$187,488,475
Deferred capital contributions	(137,085,482)	(135,076,953)
Long term debt	(33,054,087)	(13,217,187)
Investment in capital assets ending balance	$19,830,747	$39,194,335

Excess of expenditure over revenue	**2017**	**2016**
Amortization of deferred capital contributions	$6,569,100	$6,437,844
Amortization of capital assets	(12,331,725)	(11,712,871)
Excess of expenditure over revenue for the year	($5,762,625)	($5,275,027)

9. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY

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

		2017		
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$1,469,000	$5,103,000	$126,000	$6,698,000
Value of plan assets	(215,000)			(215,000)
Unamortized actuarial gains (losses)	54,000	(129,000)	157,000	82,000
Total liability	$1,308,000	$4,974,000	$283,000	$6,565,000

		2016		
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$1,526,000	$4,399,000	$439,000	$6,364,000
Value of plan assets	(278,000)			(278,000)
Unamortized actuarial gains (losses)	73,000	564,000	(148,000)	489,000
Total liability	$1,321,000	$4,963,000	$291,000	$6,575,000
		2017		
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$9,000	$274,000	$8,000	$291,000
Interest on accrued benefit obligation	2,000	73,000	3,000	78,000
Amortized actuarial (gains) losses	(11,000)	(92,000)	15,000	(88,000)
Total expense	$0	$255,000	$26,000	$281,000

Year Ended March 31, 2017

		2016		
	Post-employment Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$46,000	$290,000	$19,000	$355,000
Interest on accrued benefit obligation	2,000	73,000	8,000	83,000
Amortized actuarial (gains) losses	(8,000)	(94,000)	34,000	(68,000)
Total expense	$40,000	$269,000	$61,000	$370,000

The above excludes pension contributions to the Colleges of Applied Arts and Technology pension plan, a multi-employer plan, described below.

Retirement Benefits

CAAT Pension Plan

A majority of Conestoga's employees are members of the Colleges of applied Arts and Technology Pension Plan (the "Plan") which is a multi-employer jointly-sponsored defined benefit plan for eligible employees public colleges and related employers in Ontario. Conestoga makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long term viability of the Plan.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. Conestoga does not recognize any share of the Plan's pension surplus or deficit. The most recent actuarial valuation filed with pension regulators as at January 1, 2017 indicated an actuarial surplus of $1.6 billion. Conestoga made contributions to the Plan and its associated retirement compensation arrangement of $11,878,913 ($11,263,692 in 2016), which has been included in the Consolidated Statement of Revenue and Expenditure.

Post- Employment Benefits

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

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

a) Discount rate

   The present value as at March 31, 2017 of the future benefits was determined using a discount rate of 2.00% (2016-1.70%)

b) Drug Costs

   Drug costs were assumed to increase 8.25% per annum in 2017 (2016-8.50%), grading down to 4.0% per annum by 2034.

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.0% per annum in 2017 (2016-4.0%)

Medical premiums were assumed to increase 6.98% per annum in 2017 (2016-7.15%), grading down to 4.0% per annum by 2034.

d) Dental costs

Dental costs were assumed to increase at 4.0% per annum in 2017 (2016-4.0%).

Compensated Absences

Non-Vesting Sick Leave

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

Vesting Sick Leave

Conestoga has provided for vesting sick leave benefits during the year. Eligible employees after 10 years of service are entitled to receive 50% of their accumulated sick leave credits on termination or retirement to a maximum of 6 months' salary. The program to accumulate sick leave credits ceased for employees hired after March 31, 1991. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

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

	2017	2016
Wage and salary escalation	0.00% - 1.80%	0.00% - 1.80%
Discount rate	2.00%	1.70%

The probability that the employee will use more sick days than the annual accrual is between 0% and 8.5%, varying for age groups from 20 and under to 65 and over. The maximum number of excess days used over the annual sick days entitlement is 44.3 days.

Year Ended March 31, 2017

10. COMMITMENTS

Conestoga has entered into various agreements to lease premises and equipment. The equipment leases have built-in options whereby Conestoga is able to purchase the equipment at the end of the lease, or to return the equipment to the lessor. The minimum payments required to the maturity dates of existing leases are as follows:

	Premises	Equipment	Total
2018	577,376	28,152	605,528
2019	358,219	11,097	369,316
2020	279,910	1,479	281,389
2021	286,873		286,873
2022	96,264		96,264

11. UNION EMPLOYMENT STABILITY FUNDS

These funds included in the Unaudited Schedule 3, Analysis of Restricted Fund Balance required under the terms of the collective agreements for academic and support staff, are to be used to enhance employment stability. Under the agreements Conestoga makes annual contributions on a per capita basis. Disbursements must be authorized by a joint Union/College Committee.

12. COMPARATIVE FIGURES

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

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Unaudited Schedule 1

Analysis of Operating Fund Revenue

Year Ended March 31, 2017, with comparative figures for 2016

	2017	2016
Grants and government contracts:		
Operating - basic	$36,633,764	$36,889,599
Operating - enrolment growth	21,407,370	19,357,618
Operating - second career	1,722,125	1,850,910
Operating - performance	894,050	905,636
Operating - supplementary	1,533,347	1,736,362
Operating - premise rental	215,672	208,956
Operating - per capita tax	714,225	702,675
Apprentice Related	7,394,903	7,239,175
Employment Services	5,085,558	4,578,665
Literacy Basic Skills	2,295,170	2,124,512
Disability Services	1,626,532	1,535,057
Special Bursaries	185,747	191,199
Other Ontario	2,941,858	3,057,244
Municipal Grants	486,984	496,523
Federal Grants	4,028,960	3,766,106
	87,166,265	84,640,237
Tuition:		
Full time post secondary programs	63,786,254	53,539,265
Part-time courses and seminars	7,030,480	6,767,519
Full fee recovery programs	547,746	544,150
Apprentice	914,715	931,635
Student assistance program	3,193,984	2,663,382
	75,473,179	64,445,951
Contracted Services	10,656,878	9,862,973
Ancillary Operations	15,491,193	15,472,815
Other:		
Day Care revenue	1,413,921	1,311,780
Miscellaneous student fees	16,567,128	14,211,357
Miscellaneous revenue	4,724,478	3,891,572
	22,705,527	19,414,709
Amortization of deferred capital contributions:		
Grant	5,100,646	5,376,927
Other	1,468,454	1,060,917
	6,569,100	6,437,844
	$218,062,142	$200,274,529

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Unaudited Schedule 2

Analysis of Operating Fund Expenditure

Year Ended March 31, 2017, with comparative figures for 2016

	2017	2016
Salaries and Benefits		
Academic	$55,157,686	$53,879,267
Support	36,163,667	33,063,834
Administrative	21,168,130	18,942,827
Part Time Academic	22,883,408	21,022,053
Part Time Support	8,276,754	7,877,757
	143,649,645	134,785,738
Non Salary Expenses		
Student Related Expenses	12,749,220	12,766,859
Staff Related Expenses	4,610,492	4,384,001
Plant Related Expenses	14,652,017	10,609,454
Professional and Contract Fees	9,905,912	8,968,568
Other Expenses	7,313,145	6,903,292
Specifically Reimbursed Expenses	3,530,698	3,219,932
	52,761,484	46,852,106
Amortization of Capital Assets	12,331,725	11,712,871
Scholarships, Bursaries and Work-study	3,173,489	2,971,838
	$211,916,343	$196,322,553

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY
AND ADVANCED LEARNING

Unaudited Schedule 3

Analysis of Restricted Fund Balance

Year Ended March 31, 2017 with comparative figures for 2016

	Student Bursary/ Scholarship/ Loan	Union Employment Stability (Note 11)	Total 2017	Total 2016
Balance at beginning of year				
Available for student loans	$ 39,709		$ 39,709	$ 39,358
Available for Employment Stability Activities		$ 351,632	$ 351,632	$ 322,125
	39,709	351,632	391,341	361,483
Increase in fund balance arising from:				
Deferred contributions recognized as revenue				
Donation income	1,158,778		1,158,778	889,675
Investment income	245,820	3,790	249,610	188,612
College contribution		26,145	26,145	39,081
	1,404,598	29,935	1,434,533	1,117,368
Decrease in fund balance arising from:				
Deferred contributions	539,558		539,558	423,846
Bursaries and scholarships activities	867,097		867,097	650,383
Stability Fund activities		7,885	7,885	13,281
	1,406,655	7,885	1,414,540	1,087,510
Increase(Decrease) in fund for current year	(2,057)	22,050	19,993	29,858
Balance at end of year				
Available for student loans	37,652		37,652	39,709
Available for Employment Stability Activities		373,682	373,682	351,632
Restricted Fund	$ 37,652	$ 373,682	$ 411,334	$ 391,341