Financial Statements of

COLLEGE OF THE NORTH ATLANTIC

Year ended March 31, 2016

Statement of responsibility

The accompanying financial statements are the responsibility of the management of the College of the North Atlantic (the "College") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board of Governors met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

KPMG LLP as the College's appointed external auditors, have audited the financial statements. The auditor's report is addressed to the Board of Governors and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the College in accordance with Canadian public sector accounting standards.

Cheryl Stagg
Board Chair

Gm Tulk
Acting Vice-President
Corporate Services

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the College of the North Atlantic,

We have audited the accompanying financial statements of the College of the North Atlantic, which comprise the statement of financial position as at March 31, 2016, the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of the College of the North Atlantic as at March 31, 2016, and its results of operations, its change in net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements of the College of the North Atlantic as at and for the year ended March 31, 2015 were audited by another auditor.

KPMG LLP

Chartered Professional Accountants

June 13, 2016
St. John's, Canada

College of the North Atlantic
Statement of Financial Position
Year Ended March 31, 2016

	March 31 2016	March 31 2015
Financial Assets		
Cash	$ **27,889,948**	$ 22,748,110
Receivables (Note 4)	**5,411,721**	14,529,473
Inventories for resale	**1,320,913**	1,698,337
Trust funds on deposit (Note 5)	**5,810,662**	5,524,267
	$ **40,433,244**	$ 44,500,187
Liabilities		
Accounts payable & accrued liabilities (Note 6)	$ **10,114,413**	$ 9,125,256
Vacation pay accrual	**8,238,895**	8,256,953
Post-employment benefits (Note 7)	**15,998,441**	15,032,935
Compensated absences (Note 7)	**11,176,148**	11,109,127
Due to Qatar Campus (Note 8)	**9,598,583**	9,417,747
Deferred contributions - operating (Note 9)	**2,950,840**	4,559,764
Trust funds payable (Note 5)	**5,810,662**	5,524,267
	$ **63,887,982**	$ 63,026,049
Net Debt	$ **(23,454,738)**	$ (18,525,862)
Non-Financial Assets		
Tangible capital assets (Schedule 1)	$ **23,328,504**	$ 24,974,652
Inventories held for use	**100,478**	89,718
Prepaid expenses	**1,122,052**	1,518,035
	24,551,034	26,582,405
Accumulated surplus	$ **1,096,296**	$ 8,056,543

Commitments (Note 10)
Contingent liabilities (Note 11)

Approved:

Board Chair ______________________

Board Member ______________________

See accompanying notes.

College of the North Atlantic
Statement of Operations
Year Ended March 31, 2016

	2016 Budget (Note 15)	2016	2015
Revenue (Schedule 2)			
Grants and reimbursements	$ 67,217,523	$ 67,207,197	$ 68,333,197
Subsidy	23,200,000	19,398,447	17,071,932
Tuition	12,871,169	12,356,433	11,813,183
Classroom/video rental	15,000	15,000	15,000
Interest	250,000	287,432	304,553
Fees	701,186	738,082	704,372
Apprenticeship	5,696,239	6,442,180	5,982,803
Bookstore	2,655,000	2,870,054	2,681,782
Corporate	3,267,731	2,231,045	4,727,513
Daycare	495,255	523,516	502,947
Equipment and materials	1,998,877	1,882,151	1,666,597
Food services	1,257,400	1,324,574	1,156,088
International	789,856	894,259	783,480
Parking	4,170	3,206	4,167
Residence	339,700	347,321	334,804
Special projects	3,906,616	2,667,006	3,723,046
Qatar project	9,289,524	8,638,321	9,730,670
Other	278,775	459,653	266,882
Total revenue	134,234,021	128,285,877	129,803,016
Expenditures (Schedules 3 to 15)			
Facilities	5,065,103	5,266,698	5,192,080
Administration	19,002,313	15,702,806	16,579,484
Instructional	76,269,085	66,549,040	64,910,389
Student services	12,193,322	12,023,131	10,756,922
Information technology	7,209,093	7,668,995	6,817,913
Resale	5,188,979	5,888,561	5,403,337
Apprenticeship	4,684,122	4,716,888	4,598,272
Continuing education	674,988	731,350	690,707
Contracts	4,751,216	3,549,324	5,134,403
International	576,473	675,887	595,761
Special projects	3,762,318	3,212,992	2,830,012
Qatar project	2,154,480	1,559,828	1,813,575
Total expenditures	141,531,492	127,545,500	125,322,855
Annual Surplus (Deficit) before adjustments:	(7,297,471)	740,377	4,480,161
Less adjustments for undernoted items:			
Amortization of tangible capital assets	7,051,221	6,629,764	6,951,623
Accrued post-employment benefits	600,000	894,002	576,070
Accrued compensated absences	300,000	67,021	133,718
Accrued annual leave	300,000	109,837	(120,690)
Total adjustment for above noted items	8,251,221	7,700,624	7,540,721
Annual Deficit	(15,548,692)	(6,960,247)	(3,060,560)
Accumulated surplus, beginning of year	8,056,543	8,056,543	11,117,103
Accumulated surplus, end of year	$ (7,492,149)	$ 1,096,296	$ 8,056,543

See accompanying notes.

College of the North Atlantic
Statement of Change in Net Financial Assets (Debt)
Year Ended March 31, 2016

	2016 Budget (Note 15)	2016 Total	2015 Total
Annual deficit	$ (15,548,692)	$ (6,960,247)	$ (3,060,560)
Changes in tangible capital assets			
Acquisition of tangible capital assets	(7,405,079)	(4,985,104)	(4,390,644)
Write-downs on tangible capital assets	-	-	-
Loss on sale of tangible capital assets	-	1,488	-
Amortization of tangible capital assets	7,051,221	6,629,764	6,951,623
Decrease in net book value of tangible capital assets	(353,858)	1,646,148	2,560,979
Changes in other non-financial assets			
Acquisition of prepaid expenses (net of usage)	-	395,983	125,026
Acquisition of inventory of supplies (net of usage)	-	(10,760)	(22)
Increase in other non-financial assets	-	385,223	125,004
Increase in net financial debt	(15,902,550)	(4,928,876)	(374,577)
Net financial debt at beginning of year	(18,525,862)	(18,525,862)	(18,151,285)
Net financial debt at end of year	$ (34,428,412)	$ (23,454,738)	$ (18,525,862)

See accompanying notes.

College of the North Atlantic
Statement of Cash Flow
Year Ended March 31, 2016

	2016	2015
Operating		
Annual deficit	**$ (6,960,247)**	$ (3,060,560)
Add non-cash items:		
Amortization of capital assets	**6,629,764**	6,951,623
Accrued post-employment benefits - increase (decrease)	**965,506**	547,895
Accrued compensated absences - increase (decrease)	**67,021**	133,718
	702,044	4,572,676
Changes in:		
Receivables	**9,117,752**	5,554,861
Inventories held for use or resale	**366,664**	(138,369)
Prepaid expenses	**395,983**	125,026
Deferred contributions - operating	**(1,608,924)**	278,734
Accounts payable and accrued liabilities	**989,157**	(723,868)
Vacation pay accrual	**(18,058)**	(370,801)
Due to Qatar campus	**180,836**	(1,377,866)
Net cash provided by operating transactions	**10,125,454**	7,920,393
Capital		
Acquisitions of tangible capital assets	**(4,985,104)**	(4,390,644)
Write-downs on tangible capital assets	**-**	-
Proceeds on sale of tangible capital assets	**1,488**	-
Net cash applied to capital transactions	**(4,983,616)**	(4,390,644)
Net cash provided	**5,141,838**	3,529,749
Cash, beginning of year	**22,748,110**	19,218,361
Cash, ending of year	**$ 27,889,948**	$ 22,748,110

See accompanying notes.

College of the North Atlantic
Notes to Financial Statements
For the twelve months ending March 31, 2016

1 Nature of operations

The College of the North Atlantic (the College) operates under the authority of the College Act, 1996, Province of Newfoundland and Labrador. In accordance with Section 6 of the College Act, 1996, the College is a statutory crown corporation and as such is not subject to either Federal or Provincial income taxes and is exempt from Municipal taxes. The College is Newfoundland and Labrador's public college. The College is committed to providing accessible, responsive, quality learning opportunities which prepare people to become self-sufficient contributors to social and economic development both in a provincial and global context.

2 Future adoption of accounting policies

Assets

Section PS 3210, Assets, was issued during 2015 and provides additional guidance on the definition of assets. Assets are defined as: Economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.

This new Section provides additional guidance on what is meant by economic resources, control, past transactions or events, and future economic benefits. This guidance will be helpful in determining whether an item meet the definition of an asset upon adoption of this Section. Section PS 3210 requires public sector entities to disclose major categories of assets that are not recognized in their financial statements (i.e. intangibles, crown lands, heritage assets, etc.).

This Section is effective for fiscal years beginning on or after April 1, 2017, but earlier adoption is permitted.

Contingent Assets

During 2015, Section PS 3320, Contingent Assets, was issued in the PSA Handbook. Prior to this the PSA Handbook included a definition of contingent liabilities, but did not include a definition of contingent assets. This new Section provides a definition of contingent assets as: Possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one of more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

Section PD 3320 requires disclosure of contingent assets in the financial statements when the occurrence of a confirming future event is likely. This new Section may result in public sector entities performing a reassessment of items that meet the definition of a contingent asset and additional information being disclosed upon adoption of this Section.

Section PS 3320 is effective for fiscal years beginning on or after April 1, 2017, but earlier adoption is permitted.

Contractual Rights

Before Section 3380, Contractual Rights, was issues in 2015 the PSA Handbook included a definition of contractual obligations, but did not define contractual rights. This new Section provides a definition of contractual rights as: Rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. This Section also requires that information about a public sector entity's contractual rights be disclosed in the financial statements. This disclosure would include a description about the nature, extent and timing of the contractual rights. Since an entity may have many contractual rights, professional judgement will be required in determining what to disclose. Factors to consider include, but are not limited to, contractual rights to revenue that is abnormal in relation to the financial position or usual business operations of the entity and contractual rights that will govern the level of a certain type of revenue for a considerable period into the future.

This Section is effective for fiscal years beginning on or after April 1, 2017, but earlier adoption is permitted.

Related Party Disclosures

The College is currently in the process of gathering information for the adoption of PS 2200 - Related Party Disclosures, which is applicable to year ends beginning on or after April 1, 2017. This new standard defines a related party and establishes disclosures required for related party transations.

Inter-entity Transactions

The College is currently in the process of gathering information for the adoption of PS 3420 - Inter-entity Transactions, which is applicable to year ends beginning on or after April 1, 2017. This new standard established standards on how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective.

It is not anticipated that any material changes will result from adoption of these standards.

College of the North Atlantic
Notes to Financial Statements
For the twelve months ending March 31, 2016

3 Summary of significant accounting policies

The financial statements of the College have been prepared within the framework of Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

(a) *Revenue recognition*

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met. Federal and provincial revenues for operating and capital purposes are recognized in the period in which all eligibility criteria or stipulations have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer from the applicable Government is authorized.

Tuition fees and contract training revenues are recognized as income to the extent that the related courses and services are provided within the fiscal year of the college. Ancillary revenues including parking, bookstore, residence and other sundry revenues are recognized when products are delivered or services are provided to the student or client, the sales price is fixed and determinable, and collection is reasonably assured.

Management fees for operating and administering a College in the State of Qatar are recognized as earned.

(b) *Asset Classification*

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be cnsumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities, but are employed to deliver education services, may be consumer in normal operations and are not.

(c) *Inventories for resale*

Inventory which consists mainly of books and food supplies is recorded at the lower of cost or net realizable value. The amount of any write-downs of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurred. For the year ended March 31, 2016, the write-down of inventory was $75,846 (2015 -$107,596). An additional write-down of unsold bookstore inventory of $459,458 has also been recognized.

(d) *Tangible Capital Assets*

Tangible capital assets recorded prior to the April 1, 1997 amalgamation of the former Colleges are recorded at either cost, nominal, or approximate fair value. Tangible capital assets acquired after April 1, 1997 are recorded at cost.

Amortization is recorded on a straight line basis using the following estimated useful lives:

Artwork	No amortization
Capital improvements	10 years
ERP - PeopleSoft	10 years
Computer and peripherals	3 years
Furnishings	5 years
Instructional equipment	5 years
Other electronic equipment	5 years
Software	3 years
Vehicles	5 years

One half year's amortization is taken in the year of acquisition. No amortization is recorded for assets under development.

The value of donated artwork has not been recorded in these financial statements.
An accurate valuation of donated artwork has not been obtained at March 31, 2016.

Contributed tangible capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a tangible capital asset no longer contributes to the college's ability to provide service, and the value of future economic benefits associated with the tangible capital asset is less than the net book value, the carrying value of the tangible capital asset is reduced to reflect the decline in the asset's value.

The land and buildings being used by the College, with the exception of some rental property, are the properties of the Province of Newfoundland and Labrador. Expenditures for repairs and maintenance of these buildings, paid by the Province, are not recorded in the financial statements of the College.

(e) *Post-employment benefits and compensated absences*

The College provides post-employment benefits and compensated absences to certain employment groups. These benefits include severance and non-vesting sick leave. The College has adopted the following policies with respect to accounting for these employee benefits:

(i) Upon termination, retirement or death, the organization provides their employees, with at least nine years of service with severance benefits equal to one week of pay per year of services up to a maximum of 20 weeks. An actuarially determined accrued liability for severance has been recorded in the statements. This liability has been determined using management's best estimate of employee retention, salary escalation, long term inflation and discount rates.

(ii) The College provides their employees with sick leave benefits that accumulate but do not vest. The benefits provided to employees vary based upon classification within the various negotiated agreements. An actuarially determined accrued liability has been recorded on the statements for non-vesting sick leave benefits. The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long term inflation rates and discount rates.

(f) *Vacation pay liability*

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

(g) *Foreign Currencies*

Transactions in foreign currencies are recorded in Canadian dollars at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the Statement of Financial Position date. Exchange gains or losses arising from the translations are included in the Statement of Operations in the amount of a $6,891 gain (2015 - $11,568 gain).

(h) *Financial instruments*

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

Fair value
This category includes cash and trust accounts and are classified as held for trading.

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

Amortized cost
This category includes accounts receivable and accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate, 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 the net recoverable value with the write downs being recognized in the statement of operations.

There were no embedded derivatives in any contracts that require special accounting treatment.

(i) *Pensions*

College staff are subject to either the Public Service Pension Plan (PSPP), or the Government Money Purchase Pension Plan (GMPP).

The primary plan, PSPP, is a multi-employer plan and a defined benefit pension plan. Staff contributions are matched by the College and then remitted to the province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The costs of the multi-employer plan plan are the College's contributions to the plan in the period. PSPP members must have at least 5 years of pensionable service to obtain a pension benefit. Normal retirement age under the Plan is 65 however early retirement options are available. Members of the PPSP are required to make contributions toward the funding of their pension benefits as follows:

(i) 10.75% of earnings up to the Year's Basic Exemption, the portion of earnings upon which no CPP contributions are required;
(ii) 8.95% of earnings in excess of the Year's Basic Exemption up to and including the Year's Maximum Pensionable Earnings ("YMPE"); and
(iii) 11.85% of earnings in excess of the YMPE.

Pensions paid under the PSPP are indexed annually. Indexing is applied at the rate of 60% of the increase in the Consumer Price Index (CPI), with the increase in the CPI capped at 2%. Indexing applies to benefits of pensioners who have attained age 65 prior to October 1 of each year.

The lifetime pension benefit is determined as 1.4% of the best six year average salary (up to the three year average YMPE) multiplied by the years of pensionable service, plus 2% of the best six year average salary (in excess of the average YMPE) multiplied by the years of pensionable service.

Staff shall participate in the GMPP only if they are ineligible for the PSPP. Payments are made to a private investment firm from which pensions will be paid to employees when they retire. The GMPP is a defined contribution plan.

The annual contributions for pensions are recognized as an expenditure in the accounts on a current basis.

During the year 2016 the College contributed $8,075,100 to the PSPP and $784,683 to the GMPP. In 2015 the College contributed $6,289,908 to the PSPP and $727,546 to the GMPP.

(j) *Measurement uncertainty*

The preparation of financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets, accrued severance, accrued sick leave, impairment of assets and allowance for doubtful accounts.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

(k) *Inventories held for use*

Inventories held for use include fuel and supplies for the heavy equipment program, and are recorded at the lower of historical cost and replacement cost.

College of the North Atlantic
Notes to Financial Statements
For the twelve months ending March 31, 2016

4 Receivables

		2016		2015
Government of Newfoundland	**$**	**2,671,948**	$	4,829,402
LMDA Subsidy		**0**		6,941,981
Students		**1,056,941**		998,349
Government agencies and other		**2,030,722**		2,090,883
		5,759,611		14,860,615
Less allowance for doubtful accounts		**347,890**		331,142
	$	**5,411,721**	$	14,529,473

5 Trust funds on deposit

Trust accounts represent donations and related interest restricted for scholarships, awards and other specified purposes. Changes in the trust account balance are as follows:

		2016		2015
Opening balance	**$**	**5,524,267**	$	3,468,390
Net deposits and payments		**188,730**		1,975,777
Interest		**97,665**		80,100
Closing balance	**$**	**5,810,662**	$	5,524,267

6 Accounts payable & accrued liabilities

		2016		2015
Trade liabilities	**$**	**2,504,532**	$	2,164,860
Accrued wages and benefits		**6,488,302**		5,455,047
End of service compensation		**35,621**		35,621
Other		**1,085,958**		1,469,728
	$	**10,114,413**	$	9,125,256

College of the North Atlantic
Notes to Financial Statements
For the twelve months ending March 31, 2016

7 Post-employment benefits and compensated absences

The actuarial valuation date for the sick leave accrual was March 31, 2015 and has been extrapolated for March 31, 2016. The actuarial valuation date for severance pay accrual was March 31, 2015 and has been extrapolated for March 31, 2016. The assumptions are based on future events. The economic assumptions used in the valuation are the College's best estimates of expected rates as follows:

	2016	2015
Wages and salary escalation	**3.75%**	2.75%
Discount rate	**3.70%**	2.90%

The sick leave accrual as at March 31 are as follows:

	2016	2015
Accrued sick pay benefit obligation beginning of year	**$ 11,556,488**	$ 11,190,004
Current period benefit cost	**961,003**	1,208,847
Benefit payments	**(1,108,457)**	(1,528,647)
Interest on the accrued benefit sick leave obligations	**291,289**	430,174
Actuarial gains /losses	**(2,093,079)**	256,110
Accrued sick pay benefit obligation end of year	**9,607,244**	11,556,488
Unamortized actuarial experience loss (gain)	**(1,568,904)**	447,361
Accrued benefit liability, end of year	**$ 11,176,148**	$ 11,109,127

The severance pay accrual as at March 31 are as follows:

	2016	2015
Accrued severance benefit obligation beginning of year	**$ 17,015,853**	$ 15,511,178
Current period benefit cost	**1,358,803**	1,242,986
Benefit payments	**(1,035,877)**	(1,389,377)
Interest on the accrued benefit severance obligation	**491,055**	602,081
Actuarial (gains) / losses	**(1,747,661)**	1,048,985
Accrued severance benefit obligation end of year	**16,082,173**	17,015,853
Unamortized actuarial experience loss	**83,732**	1,982,918
Accrued benefit liability, end of year	**$ 15,998,441**	$ 15,032,935
Total post-employment benefits and compensated absences end of year	**$ 27,174,589**	$ 26,142,062

8 Comprehensive Agreement with the State of Qatar

The College has a comprehensive agreement with the State of Qatar to establish, operate and administer a College of Applied Arts and Technology in Doha, Qatar for a period, September 30, 2001 to August 31, 2012. It was extended to August 31, 2013, and subsequently further extended to August 31, 2016. The agreement is funded by the State of Qatar. For its services, the College is paid an annual Management Fee of 10% of base salaries. The College receives quarterly advances to cover cash flow requirements.

Due to Qatar

	2016	2015
Cash on Deposit	**$ 11,033,898**	$ 10,767,248
Payables (accruals)	**(1,435,315)**	(1,349,501)
Net Liability	**$ 9,598,583**	$ 9,417,747

Results of Operations

	2016	2015
Gross Proceeds	**$ 8,638,321**	$ 9,730,670
Management Costs	**(1,559,828)**	(1,813,575)
Net Proceeds	**$ 7,078,493**	$ 7,917,095

As of March 31, 2016, the College and the State of Qatar are in negotiations for continuation of the Comprehensive Agreement beyond August 31, 2016. No provision has been made for the cessation of the contract, as an estimate of costs, if any, is not determinable at this time.

9 Deferred contributions - operating

Deferred contributions represent unspent externally restricted funding that has been received and relates to a subsequent year. Changes in the contributions deferred to future periods are as follows:

	2016	2015
Balance, beginning of year	**$ 4,559,764**	$ 4,281,030
Less amounts recognized as revenue in the year	**(20,378,215)**	(23,048,623)
Add amounts received during the year	**18,769,291**	23,327,357
Balance, end of year	**$ 2,950,840**	$ 4,559,764

Deferred contributions -operating are comprised of:

	2016	2015
Residence and program fees	**$ 71,496**	$ 93,139
Tuition	**925,988**	1,139,232
Contract training and special projects	**1,953,356**	3,327,393
	$ 2,950,840	$ 4,559,764

10 Commitments

Lease Commitment

The College leases some equipment and facilities under long-term operating leases. Lease payments for the next five years, committed under operating leases extending beyond one year, are as follows:

2016-2017	$	1,006,135
2017-2018		366,589
2018-2019		93,762
2019-2020		35,509
2020-2021		5,047

11 Contingent liabilities

(a) The College has received notices of claim for damages. No provision has been made for these claims because management does not expect the College to incur any material liability, or because an estimate of loss, if any, is not determinable at this time.

(b) A compliance audit on compensation and billings of the Comprehensive Agreement with the State of Qatar as required per section 4.6 is currently in progress, therefore, the results are unknown at this time. The College is currently not aware of any material findings or outcomes of this compliance audit.

12 Financial instruments risk management

Classification

The following table provides cost and fair value information of financial instruments by category.

	2016		
	Fair Value	**Amortized Cost**	**Total**
Cash	$ 27,889,948	$ -	$ 27,889,948
Trust funds on deposit	5,810,662	-	5,810,662
Accounts receivable		5,411,721	5,411,721
	$ 33,700,610	$ 5,411,721	$ 39,112,331
Accounts payable and accrued liabilities	-	10,114,413	10,114,413
Vacation pay accrual	-	8,238,895	8,238,895
Due to Qatar Campus	-	9,598,583	9,598,583
Trust funds payable	-	5,810,662	5,810,662
	$ -	$ 33,762,553	$ 33,762,553

Fair value hierarchy

The College uses the following hierarchy for determining and disclosing the measurement subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degrees to which the fair value is observable:

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

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

c) 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 data (unobservable inputs).

Cash and cash equivalents and trust funds on deposit are classified in the level 1 hierarchy.

13 Financial instruments risk management (cont'd)

<u>Risk management</u>

a) *Credit risk*

Credit risk is the risk of financial loss to the College if a debtor fails to make payments of interest and principal when due. The College is exposed to this risk relating to its cash and accounts receivable. The College holds

Accounts receivable from federal and provincial governments pose minimal credit risk. Credit risk from accounts receivable due from students is mitigated by financial approval processes before a student is enrolled. Miscellaneous receivables from various other corporate entities are monitored on a regular basis.

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

	Total	Current	30-60 days	> 61 days
Government receivables	$ 3,113,388	$ 3,017,397	$ 5,211	$ 90,780
Student receivables	1,056,941	636,947	51,771	368,223
Other receivables	1,589,282	1,242,655	69,770	276,857
Gross receivables	5,759,611	4,896,999	126,752	735,860
Less: impairment allowances	(347,890)	-	-	
Net receivables	$ 5,411,721	$ 4,896,999	$ 126,752	$ 735,860

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.

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, equity 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 the College operating in different currencies and converting non-Canadian earnings at different points in time when adverse changes in foreign currency rates occur.
During the year the College had the following foreign currency transactions:

	2016	2015
Receipts		
US dollar (USD)	$ 131,758	$ 260,618
Payment		
US dollar (USD)	513,289	1,159,936
Euros (EUR)	174,874	185,609

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.

13 Financial instruments risk management (cont'd)

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.

Management believes that the interest rate risk of the College is not material.

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.

iii) Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

Management believes that the equity risk of the College is not material.

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.

c) Liquidity risk

Liquidity risk is the risk that the College will not be able to meet all cash outflow obligations as they come due. The College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the nearest term if unexpected cash outflows arise. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

	2016		
	Within 6 Months	6 Months to 1 year	> 1 year
Accounts payable and accrued liabilities	$ 8,776,186	$ 1,338,227	$ -
	$ 8,776,186	$ 1,338,227	$ -

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.

14 Comparative figures

Certain of the 2015 comparative figures have been reclassified to conform to the financial presentation adopted in 2016.

15 Budget

The budget amout included in these financial statements are the amounts approved by the College's board for the current fiscal year. The budget would include all known service and program changes and enhancements for the coming year. Additional changes to services and programs that are initiated during the year would be funded through budget adjustments and have been adjusted in the opening budget accordingly.

16 Related party transactions

The College had the following transactions with the government and other government controlled organizations:

	2016	2015
Grants from the province	$ 93,343,301	$ 92,256,272
Transfer from Dept of Business	224,125	265,658
Transfer from Dept of Education	6,825	121,179
Transfer from Nalcor	121,460	107,987
Transfer from Research & Development Corp	113,494	165,952
Transfer to AES	579,890	-
Transfer to Memorial University	299,831	533,125

17 Economic dependance

The College is dependent on Provincial Government to provide sufficient funds to continue operation, replace essential equipment and complete capital projects.