

2017-2018 ANNUAL REPORT



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Section 1: Board of Governors

Name	Position	First Appointed	Term	Year
Joe Parker	Board Chair	Sept. 1, 2012	2 nd term	3 rd year
Katrina McFadden	Vice Chair	Sept. 1, 2014	2 nd term	1 st year
Stephen Bauld		Sept. 1, 2013	2 nd term	2 nd year
Gary Crowell		Sept. 1, 2012	2 nd term	3 rd year
Mark Farrow		Sept. 1, 2014	2 nd term	1 st year
Heather Giardine-Tuck	Faculty Representative	Sept. 1, 2012	2 nd term	3 rd year
Benjamin Kamminga	Student Representative	Sept. 1, 2017	1 st term	1 st year
Sheri Longboat		Sept. 1, 2015	1 st term	3 rd year
Sheree Meredith		Sept. 1, 2014	2 nd term	1 st year
Paul Pastirik		Sept. 1, 2015	1 st term	3 rd year
Elizabeth Pietrantonio	Administrative Representative	Sept. 1, 2016	1 st term	2 nd year
Mila Ray-Daniels		Sept. 1, 2017	1 st term	1 st year
Tracey Richardson	Support Staff Representative	Sept. 1, 2017	1 st term	1 st year
Raymond Simmons		Sept. 1, 2015	1 st term	3 rd year
Steve Stipsits		Sept. 1, 2016	1 st term	2 nd year
David A. van der Woerd		Sept. 1, 2017	1 st term	1 st year
Ron J. McKerlie	President	Aug. 8, 2014		

Section 2: Strategic Plan

Vision: Future Ready. Learning for Life

Mission: We educate and prepare highly skilled graduates for success and contributions to the community, Canada and the world.

Values:

We are student focused.

We are committed to excellence.

We engage our community.

We are inclusive.

We are accountable.

Strategic Themes and Priorities

Student Success

- Provide more entry points and pathways to a credential.
- Address financial barriers.
- Grow our reach and impact.
- Student engagement to support success.

Graduate Success

- Ensure graduates are Job Ready. Guaranteed.
- Provide career support for life.
- Foster entrepreneurship, innovation and global competencies.
- Become a leader in simulation-based learning.
- Rank highest for most satisfied employers.

Collaboration and Partnerships

- Leaders in applied research.
- Generate innovative solutions for industry and community challenges.
- Reframe the definition of campus to support growth and collaboration.

Community Leadership

- Lead in Indigenous education in Ontario.
- Lead in social inclusion.
- Lead in internationalization and global experiences.
- Lead in environmental sustainability.

Strong Foundations

- Build reputation and pride.
- Foster excellence in staff and faculty.
- Maintain financial stability to ensure long-term viability.
- Plan for the future.

Section 3: Message from the President

It was year of firsts for Mohawk College.

In 2017-18, Mohawk became the first college in Ontario to open a Centre for Healthcare Simulation to better prepare students for their clinical placements and careers. Our college was also the first to launch a Centre for Climate Change Management in collaboration with our provincial and municipal partners to accelerate the move to a post-carbon economy. Our Centre for Student Success was the first among Canadian colleges and we expanded our game-changing City School initiative with a one-of-a-kind mobile classroom. Mohawk students were the first at any postsecondary institution in Canada to train on next generation collaborative robots in our new FANUC Robotics Lab. We were also the first in Canada to offer an accessible media production program to help journalists and communications professionals create content for audiences with disabilities.

Significant progress was made during the year on the construction of The Joyce Centre for Partnership & Innovation. Our 96,000 square foot centre is the country's largest, and the region's first, net zero institutional building. During the past year, more than 1,900 solar panels were installed at our Fennell campus to generate sustainable power for the building. The centre, which will open in the fall of 2018, has already garnered national and international attention and acclaim, and is serving as a national pilot project for a new net-zero carbon standard and validation process by the Canada Green Building Council.

All of these history-making initiatives and additions from the past year are a testament to our strong collaborations with the Province and other key college partners. This spirit of collaboration underscores our shared commitment to make a quality Mohawk education accessible to all. The priorities of the Province and our partners are the same priorities for our college.



While it was a year of many firsts, it was also a year of challenge for Mohawk and Ontario's other 23 public colleges. Mohawk promised that every student would have the opportunity to complete their fall semester once faculty returned to the classroom. It was a promise kept thanks to the professionalism and dedication of our student-focused faculty and staff.

The many goals we achieved in 2017-18 have Mohawk well positioned for sustained success during a time of record enrolment. Thanks to the contributions of an outstanding team of staff and faculty, together with the strategic guidance provided by a dedicated Board of Governors, Mohawk fully delivered on our vision of prosperous communities and transformed lives.

Regards,



Ron McKerlie

Section 4: Report on Previous Year's Goals

Student success

More entry points, more pathways to completion with a credential

A plan to develop pathways specifically for students with incomplete credentials was developed and will be implemented in the fall of 2018. A student support strategy will be developed by Student Services and the Department of Liberal Studies.

Address financial barriers

Work continued on developing and deploying an online financial literacy module for all students.

Grow reach and impact

A City School mobile classroom funded by the Province was added in 2017-18, complementing the City School locations at a North Hamilton community centre and downtown Hamilton library offering tuition-free college credit courses and workshops. A new skilled trades workshop was added to the community centre to support an introduction to construction course for women.

Student engagement to support students

Mohawk's Campus to Community initiative doubled in 2017-18 to six community partners, with students volunteering at Ronald McDonald House, Eva Rothwell Centre, Habitat for Humanity, Neighbour to Neighbour, Wesley Urban Ministries and Stewards of Cootes Watershed.

Graduate success

Job ready, guaranteed

The number of Mohawk programs with work integrated learning embedded in the curriculum increased from 75 per cent to 85 per cent in 2017-18.

Career support for life

An Alumni Promise pilot was launched in the winter and spring terms, with 283 registrants qualifying for a rebate on continuing education course fees, with 27 per cent being first-time CE students or taking a CE course for the first time in the past five years.

A leader in simulation-based learning

Mohawk opened the Centre for Healthcare Simulation at the Institute for Applied Health Sciences with a \$2.3 million investment from the Province. More than 2,000 students will train in the centre each semester to prepare for their clinical placements and future careers.

Mohawk also opened a 12,000 square foot facility at the Stoney Creek campus where students and apprentices from different programs and trades will work on large-scale collaborative projects.

Most satisfied employers

Mohawk collaborated with Forum Research to update graduate employment records. A Key Performance Indicator survey protocol pilot will be launched with Forum Research and the Ministry of Advanced Education and Skills Development in July 2018.

Collaboration and partnerships

Leaders in applied research

In 2017-18, Research Infosource ranked Mohawk second in research intensity, third in industry revenue amount and seventh in the number of research partnerships among Canadian colleges.

The Province invested \$210,000 in 21 new applied research projects at Mohawk College, with teams of Mohawk students working on six-week to semester-long projects focused on testing and adopting emerging technologies in engineering, business, energy and digital media.

Mohawk also partnered with Alectra Utilities to convert a decommissioned electrical substation into a new Energy and Power Utilities Lab to support Mohawk's Energy and Power Innovation Centre.

With funding from the Province, Mohawk launched the first research centre of its kind in Canada focused on increasing graduation rates among college students. Initiatives and interventions that help more students complete their programs will be designed, assessed and evaluated at Mohawk's new College Student Success Innovation Centre.

Generating innovative solutions for industry and community

iDeaWORKS was rebranded to further raise its profile within the college and among industry partners. Mohawk's hub for applied research and innovation offers "Research. Solutions. And everything in between."

Mohawk joined the City of Hamilton, McMaster University and Redeemer University College in launching CityLAB Hamilton. The innovation hub brings students, city staff and community stakeholders together to design, launch and test projects that support the city's strategic priorities. Initial projects carried out by Mohawk students and faculty included a brownfield sampling and remediation project, a transportation audit in a Hamilton neighbourhood and a partnership with City Housing Hamilton to renovate two subsidized housing units.

Redefining campus to support growth and collaboration

Schlegel Villages, which manages long-term care and retirement facilities, provided space at its Wentworth Heights Village for a living classroom where Mohawk will deliver health education programs, beginning with students in the Personal Support Worker program. In-class instruction and professional practice placement will take place at the village, bringing together students and residents in a long term care environment

Community partnership

Leaders in Indigenous education

Mohawk and Six Nations Polytechnic began strategic visioning sessions in advance of renewing the current Master Articulation Agreement that expires in 2019. The Bundled Arrows initiative and Regional Indigenous Education plan was completed and submitted to the Province.

The outdoor Hoop Dance Gathering Place at Mohawk's Fennell campus was recognized with a 2017 City of Hamilton Urban Design and Architecture Award of Excellence in the Landscapes, Public Spaces and Green Infrastructure category. Hoop Dance honours Indigenous traditions and promotes First Nations, Métis and Inuit culture.

Leaders in social inclusion

Following a feasibility study in 2017-18, a diversity survey will be launched at Mohawk in 2018-19. Consultation and development of a social inclusion strategy was also completed in 2017-18.

Leaders in internationalization and global experiences

Record international enrolment continued to grow in 2017-18, with students attending Mohawk from 88 countries.

Leaders in environmental sustainability

Mohawk launched a Centre for Climate Change Management in collaboration with the Province and the cities of Hamilton and Burlington. The centre will help accelerate the region's move to a post-carbon economy through a Bay Area Climate Change Office, an Industry Partnership Initiative and a Campus Carbon Management Initiative.

Mohawk received \$7.4 million from the Province to install a high-efficiency electric boiler, upgrade three natural gas boilers, add a battery to store electricity bought during off-peak hours, build a solar panel carport and add additional electric vehicle charging stations.

A comprehensive sustainability awareness and education strategy will be implemented following the opening of The Joyce Centre for Partnership & Innovation.

A former parking lot was converted into a Mohawk Community Plaza and the green space, together with the rest of the Fennell campus, received a Trillium Award from the City of Hamilton.

Mohawk supported the launch of pilot projects aimed at having more locally grown food served on campus at Algonquin, Boreal, Fleming and Humber colleges. Mohawk also received funding from the Province to develop an online local food procurement certificate course. The Greenbelt Fund presented Mohawk with the 2017 Local Food Champion Award for identifying and addressing barriers to getting more local food served at Ontario's 24 colleges.

Strong foundations

Reputation and pride

Research was conducted in the fall of 2017 to evaluate the effectiveness of Mohawk marketing initiatives and brand profiling throughout the Greater Toronto and Hamilton Region.

Mohawk launched a comprehensive Net Zero Mohawk communications strategy to support The Joyce Centre for Partnership & Innovation, the country's largest and the region's first net zero energy building. The centre has garnered national and international recognition, acclaim and awards.

Excellence in staff and faculty

Year three of the ARIE program was completed and rebranded as the Applied Research Catalyst Fund.

Employee recognition at Mohawk was relaunched, with three new Mohawk Awards of Excellence presented annually and Mohawk Everyday Hero Awards presented throughout the year.

The employee engagement survey planned for the fall of 2017 was postponed due to the province-wide faculty strike.

Financial sustainability

A contract management system to enhance decision-making and optimize investments in technology, legal and contract services was chosen, with implementation continuing in 2018-19.

Planning for the future

To support a multi-year enrolment strategy, a smart growth strategy for Mohawk was created in 2017-18 that informed a campus master plan initiative being undertaken in 2018-19.

A multi-year parking strategy for Mohawk's Fennell and Stoney Creek campuses was developed, with plans to significantly increase parking spots available for students at both campuses.

Section 5: President's Advisory Council Activities Report

Mohawk College's President's Advisory Council (PAC) is governed by the Ministry of Advanced Education and Skills Development's Binding Policy Directive – Governance and Accountability Framework. The PAC provides a forum for students, faculty and staff to advise the president from a range of perspectives.

President's Advisory Council Membership 2017-18

1. Membership

The position of a Council member is recognized as important and beneficial to the growth and development of the College. The position is voluntary and members may not receive remuneration for their participation, although reasonable travel expenses will be reimbursed. Meetings will be scheduled to accommodate members' schedules to the extent possible.

1.1 Composition

The membership of the Council shall reflect the makeup of the overall College community and be comprised of elected and appointed members as follows:

Ex-Officio and appointed

- (1) President (Ex-Officio, Non-Voting) – Ron McKerlie
- (1) President's Designate (Non-Voting) – Wayne Poirier
- (1) Mohawk Students' Association President (Ex-Officio, Voting) – Samantha Hoover
- (4) Mohawk Student's Association Representatives (Ex-Officio, Voting) – rotating
- (1) Mohawk College Administrative Staff Association Representative (Ex-Officio, Voting) – Wendy Makey
- (1) Local 240 Representative (Ex-Officio, Voting) – Geoff Ondercin-Bourne
- (1) Local 241 Representative (Ex-Officio, Voting) – Greg Gagnon

Elected

- (1) Representative per Dean
 - Students – Pia Muscat
 - Applied Research – Jeff McIsaac
 - School of Health – Michael Chan
 - School of Community, Justice and Liberal Studies – Fred Armitage
 - School of Engineering Technology – Kamala Kruse
 - Marshall School of Skilled Trades & Apprenticeship – Ivan Sverko
 - McKeil School of Business, Media & Entertainment and CE – Tracey Kadish
 - International Education – Allison Stewart
 - Centre for Community Partnerships and Experiential Learning – Emily Ecker (Chair)

- (1) Administrative Representative (Fennell) – Gabriela VanDyken
- (1) Administrative Representative (Stoney Creek) – Angelo Cosco
- (1) Administrative Representative (IAHS) – Catharine Cunningham
- (1) Support Staff Representative (Fennell) – Kathy Hicks
- (1) Support Staff Representative (Stoney Creek) – Jessica Vanhooren
- (1) Support Staff Representative (IAHS) – Blair Goodman
- (1) Student Services Representative – Diane Harrison
- (1) Corporate Services Representative – Tracy Dallaire

Secretariat – Cindy Merifield

As outlined in the terms of reference, the PAC meets twice per fall and winter term, and once in the spring term for member transition and work planning. In line with Mohawk's Strategic Plan, each PAC meeting is strategically themed.

September 18 – Collaboration & Partnerships

November 20 – Student Success

January 22 – Community Leadership

March 26 – Strong Foundations

Policies and procedures discussed and reviewed by the PAC included:

- Sexual Assault and Sexual Violence Policy
- Hazardous Material Spills Procedure
- Emergencies Involving Radioactive Spills Procedure
- Fire Alarm Procedure
- Safety Hazard Identification and Risk Assessment Policy
- Prior Learning Assessment and Recognition Policy
- Breadth Policy

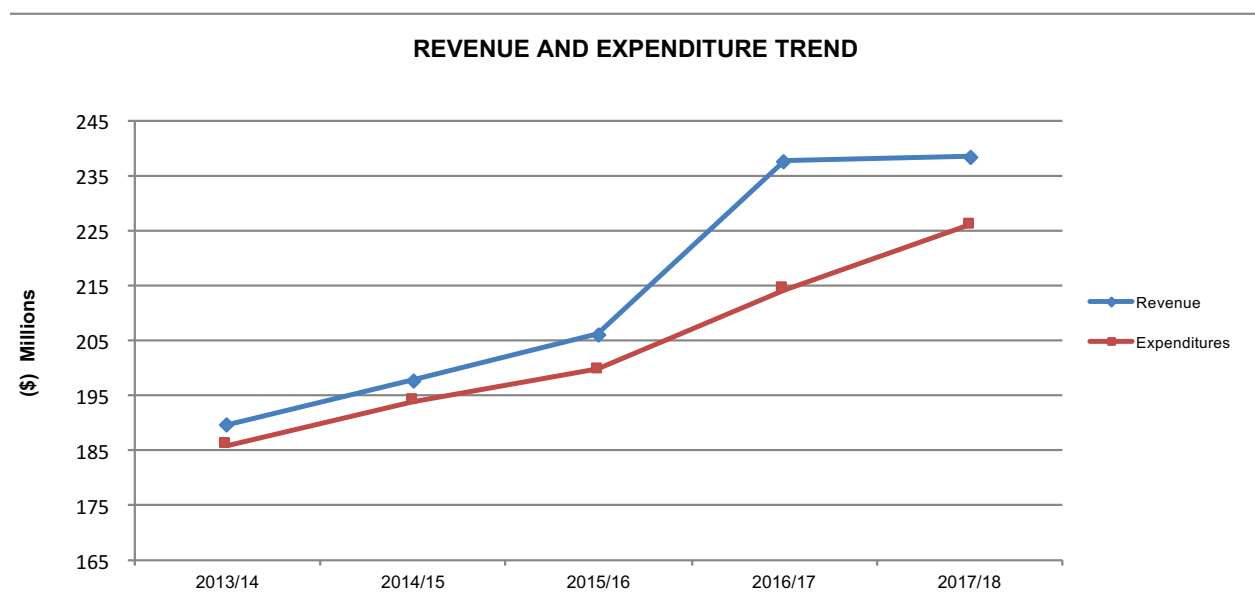
PAC members also received updates and provided input on:

- The Mohawk Students' Association Strategic Plan
- Indigenous Education Plan
- Mentoring and Networking Programs
- Technology Strategic Sourcing
- A Better Community Day
- Ontario Colleges Administrative Staff Association
- Student Success Research Centre

Section 6: Statement of Operations

Mohawk College of Applied Arts and Technology Statement of Operations Fiscal Years 2013/14 to 2017/18

	2013/14	2014/15	2015/16	2016/17	2017/18
	\$	\$	\$	\$	\$
Revenue					
Grants	89,317,587	91,108,277	93,549,779	96,800,419	98,387,310
Tuition Fees	64,920,017	70,914,292	76,046,835	90,729,290	98,418,021
Ancillary	13,264,520	13,997,376	14,281,365	14,594,366	14,017,695
Amortization of deferred contributions	4,392,438	4,162,163	4,678,958	4,926,907	4,776,132
Amortization of deferred contributions related to capital assets	6,073,847	10,453,868	6,950,535	7,436,374	8,024,028
Other	11,712,597	7,109,962	10,631,914	23,206,527	14,938,356
Total Revenue	189,681,006	197,745,938	206,139,386	237,693,883	238,561,542
Expenditures					
Salaries and benefits	117,249,920	118,689,595	119,303,052	126,609,223	131,411,070
Contracted services and professional Fees	13,620,631	14,681,019	15,465,282	17,854,530	19,025,711
Supplies and other expenses	12,600,330	12,499,781	13,320,721	15,526,638	17,863,262
Utilities, maintenance and taxes	9,446,468	12,107,172	14,002,683	16,257,855	17,532,616
Instructional supplies	5,320,074	4,736,222	6,178,538	6,099,798	6,417,588
Ancillary	9,707,776	10,599,340	10,180,887	10,083,858	11,828,253
Scholarships, bursary & award payments	4,392,438	4,162,163	4,678,958	4,926,907	4,776,132
Amortization expense	11,819,362	13,567,440	13,764,852	14,451,134	15,164,336
Interest on long-term liabilities	1,719,938	2,999,287	2,895,864	2,575,285	2,071,984
Total Expenditures	185,876,937	194,042,019	199,790,837	214,385,228	226,090,952
Excess of Revenue over Expenditures	3,804,069	3,703,919	6,348,549	23,308,655	12,470,590



Section 7: KPI Performance

KPI's were completed at a later time in 2018 and at time of this Annual Report, the results have not been released by the Ministry of Advanced Education and Skills Development.

Appendix A: Audited Financial Statements

- The Mohawk College of Applied Arts and Technology
- Mohawk College Enterprise Corporation

Audited Financial Statements: The Mohawk College of Applied Arts and Technology

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Mohawk College of Applied Arts and Technology

We have audited the accompanying financial statements of Mohawk College of Applied Arts and Technology, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets, cash flows and remeasurement gains and losses for the year ended March 31, 2018 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 the 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 Mohawk College of Applied Arts and Technology as at March 31, 2018 and its results of operations, changes in net assets, cash flows and its remeasurement gains and losses for the year then ended, in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants
Hamilton, Canada
June 6, 2018

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THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

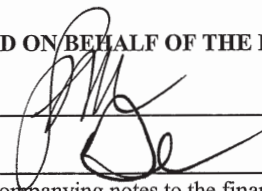
Statement of Financial Position

March 31, 2018, with comparative figures for 2017

Statement 1

		2018	2017
		\$	\$
ASSETS			
CURRENT			
Cash	(note 2)	24,421,049	13,454,243
Investments	(note 3)	89,932,710	94,994,569
Accounts receivable		13,854,035	14,100,015
Grants receivable		3,394,592	5,339,901
Inventories		1,504,003	1,442,202
Prepaid expenses and other assets		4,417,708	4,055,923
Current portion of long-term receivable	(note 5)	1,074,659	861,060
		<u>138,598,756</u>	<u>134,247,913</u>
LONG-TERM			
Long-term investment	(note 4)	873,472	873,472
Long-term receivable	(note 5)	31,203,548	31,589,777
Construction in progress	(note 6)	40,825,878	7,874,309
Capital assets	(note 7)	152,301,160	149,076,020
		<u>225,204,058</u>	<u>189,413,578</u>
		<u>363,802,814</u>	<u>323,661,491</u>
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		34,606,821	26,405,905
Deferred revenue	(note 8)	27,569,088	23,657,065
Vacation pay		8,280,070	8,270,904
Current portion of long-term debt	(note 9)	1,830,845	1,731,404
		<u>72,286,824</u>	<u>60,065,278</u>
LONG-TERM LIABILITIES			
Long-term debt	(note 9)	50,135,449	45,271,746
Post-employment benefits and compensated absences	(note 10)	6,751,000	7,116,000
		<u>56,886,449</u>	<u>52,387,746</u>
DEFERRED CONTRIBUTIONS			
Deferred contributions	(note 11a)	4,534,320	5,922,679
Deferred contributions related to construction in progress	(note 11b)	22,817,357	4,471,264
Deferred contributions related to expenses of future periods	(note 11c)	5,571,767	10,555,716
Deferred contributions related to capital assets	(note 11d)	107,074,751	108,322,087
		<u>139,998,195</u>	<u>129,271,746</u>
NET ASSETS (statement 3)			
Net assets invested in capital assets	(note 12)	43,826,238	30,572,489
Unrestricted net assets:			
Operating		8,349,629	8,196,622
Vacation pay		(8,280,070)	(8,270,904)
Post-employment benefits and compensated absences		(6,751,000)	(7,116,000)
Restricted net assets:			
Internally restricted assets		40,323,000	41,615,000
Endowment contributions	(note 13)	17,454,702	16,211,043
		<u>94,922,499</u>	<u>81,208,250</u>
Accumulated remeasurement (losses) gains (statement 5)		(291,153)	728,471
		<u>94,631,346</u>	<u>81,936,721</u>
		<u>363,802,814</u>	<u>323,661,491</u>

SIGNED ON BEHALF OF THE BOARD:



See accompanying notes to the financial statements

For the year ended March 31, 2018, with comparative figures for 2017		Statement 2	
		2018	2017
		\$	\$
REVENUE			
Grants	(schedule 1)	98,387,310	96,800,419
Tuition fees		98,418,021	90,729,290
Ancillary	(schedule 1)	14,017,695	14,594,366
Amortization of deferred contributions		4,776,132	4,926,907
Amortization of deferred contributions related to capital assets		8,024,028	7,436,374
Other	(schedule 1)	14,938,356	23,206,527
		<u>238,561,542</u>	<u>237,693,883</u>
EXPENDITURES			
Salaries and benefits		131,411,070	126,609,223
Contracted services and professional fees		19,025,711	17,854,530
Supplies and other expenses		17,863,262	15,526,638
Utilities, maintenance and taxes		17,532,616	16,257,855
Instructional supplies		6,417,588	6,099,798
Ancillary	(schedule 2)	11,828,253	10,083,858
Scholarship, bursary and award payments		4,776,132	4,926,907
Amortization expense		15,164,336	14,451,134
Interest on long-term liabilities		2,071,984	2,575,285
		<u>226,090,952</u>	<u>214,385,228</u>
EXCESS OF REVENUE OVER EXPENDITURES		<u>12,470,590</u>	<u>23,308,655</u>

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Statement of Changes in Net Assets
For the year ended March 31, 2018, with comparative figures for 2017

	Invested in Capital Assets	Unrestricted Operating	Vacation & post- employment benefits & compensated absences	Internally Restricted	Endowment Contributions	2018 Total	2017 Total
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	30,572,489	8,196,622	(15,386,904)	41,615,000	16,211,043	81,208,250	57,809,164
Excess (deficiency) of revenue over expenditures	(7,140,308)	21,881,120	355,834	(2,626,056)	-	12,470,590	23,308,655
Investment in capital assets	20,394,057	(8,421,071)	-	(11,972,986)	-	-	-
Change in internally imposed restrictions	-	(13,307,042)	-	13,307,042	-	-	-
Preservation of capital (note 13)	-	-	-	-	1,194,438	1,194,438	-
Endowment contributions	-	-	-	-	49,221	49,221	90,431
Balance, end of year	43,826,238	8,349,629	(15,031,070)	40,323,000	17,454,702	94,922,499	81,208,250

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY**Statement of Cash Flows**

For the year ended March 31, 2018, with comparative figures for 2017

Statement 4

	2018	2017
	\$	\$
Cash provided by (used in):		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	12,470,590	23,308,655
Items not involving cash:		
Amortization expense	15,164,336	14,451,134
Net income of Mohawk College Enterprise	(16,933)	(67,815)
(Decrease) increase in post-employment benefits and compensated absences	(365,000)	6,000
Loss (gain) on disposal of capital assets	27,249	(12,443,789)
Amortization of deferred contributions related to capital assets	(8,024,028)	(7,436,374)
	<u>19,256,214</u>	<u>17,817,811</u>
Changes in non-cash working capital items:		
Accounts receivable	245,980	(597,521)
Grants receivable	1,945,309	(587,112)
Inventories	(61,801)	(303,175)
Prepaid expenses and other assets	(361,785)	(2,222,240)
Accounts payable and accrued liabilities	8,217,849	1,969,194
Deferred revenue	3,912,023	3,052,634
Vacation pay	9,166	(62,078)
	<u>33,162,955</u>	<u>19,067,513</u>
INVESTING ACTIVITIES		
Sale (purchase) of investments, net	4,042,235	(19,102,517)
Long-term receivable	172,630	821,475
	<u>4,214,865</u>	<u>(18,281,042)</u>
CAPITAL ACTIVITIES		
Purchase of capital assets	(16,692,952)	(16,410,402)
Proceeds from sale of capital assets	73,751	20,542,000
Contributions for capital purposes	4,242,870	6,493,496
Construction in progress, net of deferred contributions	(21,954,649)	(3,550,299)
	<u>(34,330,980)</u>	<u>7,074,795</u>
FINANCING ACTIVITIES		
Contributions for endowment	1,243,659	90,431
Contributions for other restricted purposes, net	(1,388,359)	815,277
Contributions for expenses of future periods, net	3,101,522	8,786,306
Proceeds of long-term debt	6,694,548	-
Repayment of long-term debt	(1,731,404)	(1,680,557)
Repayment of demand loan	-	(8,224,938)
	<u>7,919,966</u>	<u>(213,481)</u>
INCREASE IN CASH	10,966,806	7,647,785
CASH, BEGINNING OF YEAR	<u>13,454,243</u>	<u>5,806,458</u>
CASH, END OF YEAR	<u><u>24,421,049</u></u>	<u><u>13,454,243</u></u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Statement of Remeasurement Gains and Losses
For the year ended March 31, 2018, with comparative figures for 2017

Statement 5

	2018 \$	2017 \$
Accumulated remeasurement gains (losses), beginning of year	728,471	(1,864,557)
Unrealized (losses) gains attributable to:		
Investments	(1,145,304)	(215,166)
Derivative - interest rate swap	-	523,743
Amounts reclassified to the statement of operations:		
Disposition of investments	125,680	350,071
Disposition of interest rate swap	-	1,934,380
Net remeasurement (losses) gains for the year	<u>(1,019,624)</u>	<u>2,593,028</u>
Accumulated remeasurement (losses) gains, end of year	<u>(291,153)</u>	<u>728,471</u>

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

General

The Mohawk College of Applied Arts and Technology (the “College”), established in 1966, is an Ontario College of Applied Arts and Technology duly established pursuant to Ontario regulation 34/03 made under the Ontario Colleges of Applied Arts and Technology Act, 2002. The College is an agency of the Crown and provides post-secondary, vocationally oriented education in the areas of applied arts, business, health sciences and technology.

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

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation

The financial statements of the College have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board (“PSAB for Government NPOs”).

These financial statements do not reflect the assets, liabilities and results of operations of the various student organizations or The Mohawk College Foundation which is a separate public foundation.

(b) Revenue recognition

The College follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants from the Ministry of Advanced Education and Skills Development (“MAESD”) and other government agencies are recorded as revenue in the year to which they relate. Grants approved but not received at the end of the fiscal year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year.

Revenue from tuition fees, contracts and sales from ancillary operations is recognized when the services are provided or the goods are sold and collection is reasonably assured.

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

Unrestricted contributions are recognized as revenue when received or receivable.

Endowment contributions are recognized as direct increases in endowment 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.

(c) Inventories

Inventories consist primarily of items held for resale in the Campus Stores. Inventories are valued at the lower of cost and net realizable value.

(d) Construction in progress

Construction in progress costs are capitalized as work progresses. Once the construction has been completed, the total costs will be transferred to the various categories of capital assets and are amortized on a basis consistent with similar assets.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(e) Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Donated capital assets are recorded at their fair market value at the date of donation. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to residual value. Remaining capital assets are amortized on a straight-line basis over their estimated useful lives using the following rates:

<u>Asset Class</u>	<u>Rate</u>
Land	n/a
Buildings	40 years
Portables & roof replacement	20 years
Site improvements	10 years
Major equipment	10 years
Furniture & equipment	5 years
Vehicles	5 years
Computers & software	3 years

(f) Vacation pay

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

(g) Retirement and post-employment benefits and compensated absences

The 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. The 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 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 based on the effective yield of Ontario bonds (trading on the market) that approximate the weighted average duration of the cash flows for the employee future benefits.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(h) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at fair value or amortized cost. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value, unless the investment income is externally restricted, are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gains/losses are adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(i) Internally restricted assets

Net assets internally restricted by the Board of Governors are for capital projects, strategic initiatives, and future operating expenses. Expenditures require approval by the Board of Governors.

(j) Endowment contributions

Endowments represent restricted donations received by the College where the principal sum is held for investment while the income earned is expendable for the specific purpose outlined when the funds were donated.

(k) Management estimates

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of fair value for long-term investments, allowance for doubtful accounts, useful lives of capital assets, fair value of interest rate swap and actuarial estimation of post-employment benefits and compensated absences liabilities.

2. CASH:

The Canadian bank account earns interest at prime less 1.70%. Cash is carried at fair market value.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

3. INVESTMENTS:

Investments are held with the College's investment management firm and consist of the following:

	Level	2018 \$	2017 \$
Pooled investments			
Fixed income	2	6,852,118	6,492,385
Equities	2	6,228,943	6,570,464
Cash	2	740,784	1,021,452
Total pooled investments		13,821,845	14,084,301
Segregated investments			
Fixed income	1	74,507,903	80,137,847
Cash	1	1,602,962	772,421
Total segregated investments		76,110,865	80,910,268
Total investments		89,932,710	94,994,569

The total cost of the investment portfolio is \$90,554,840 (2017 – \$93,129,325).

There were no significant transfers between Levels 1 and 2 for the years ended March 31, 2018 and 2017. There were no transfers in or out of Level 3.

Maturity profile of fixed income held is as follows:

	March 31, 2018				
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 year	Total
	\$	\$	\$	\$	\$
Carrying value	9,398,387	48,746,991	22,001,147	1,213,496	81,360,021
Percent of Total	12%	60%	27%	1%	100%

The College's fixed income portfolio has interest rates ranging from 0.49% to 10.22% (2017 – 0.30% to 8.50%).

4. LONG-TERM INVESTMENT:

Long-term investments are carried at cost. As at March 31, 2018 the long-term investment consists of investment in land of \$873,472 (2017 – \$873,472). In October 1995, the College purchased land in conjunction with Hillfield-Strathallan College for undetermined future use.

In addition, the College controls Mohawk College Enterprise Corporation ("MCE") and is the only registered holder of issued and outstanding MCE shares (2018 – \$100; 2017 – \$100) and accounts for the investment using the modified equity method. The equity earnings are recorded in other revenue. MCE undertakes and carries out education training programs and consulting projects for and on behalf of businesses and industries. MCE is the exclusive provider of corporate training on behalf of the College. MCE is a for-profit organization and was incorporated under the Business Corporations Act (Ontario) by Certificate of Incorporation dated April 1, 2010. The Board of Directors is approved by the College and the Shareholder Declaration provides for limitations on certain activities and actions on the part of MCE without the express consent of the College.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

4. LONG-TERM INVESTMENT (continued):

Mohawk College Enterprise Balance Sheet	2018 \$	2017 \$
Total assets	575,946	647,283
Total liabilities	681,752	770,022
Total net assets	(105,806)	(122,739)
	575,946	647,283

Mohawk College Enterprise Statement of Operations & Deficit	2018 \$	2017 \$
Total revenue	2,905,511	3,183,899
Total expenses	2,888,578	3,116,084
Income before income taxes	16,933	67,815
Income taxes	-	-
Net income for the year	16,933	67,815
Deficit, beginning of year	(122,839)	(190,654)
Deficit, end of year	(105,906)	(122,839)

Mohawk College Enterprise Statement of Cash Flows	2018 \$	2017 \$
Cash flows provided by (used in) operating activities	10,125	(12,698)
Cash flows provided by financing activities	-	-
Cash flows used in investing activities	(24,672)	(4,865)
Net cash flows	(14,547)	(17,563)

The loss on the investment in MCE has been included in accounts payable and accrued liabilities.

5. LONG-TERM RECEIVABLE:

Long-term receivables held by the College consist of the following:

	2018 \$	2017 \$
Student levy receivables	32,278,207	32,450,837
Less: Current portion of long-term receivable	(1,074,659)	(861,060)
	31,203,548	31,589,777

In April 2012, the Mohawk Students Association entered into an agreement with the College to establish a new compulsory student activity fee (the "DBARC Fee") to finance the building of the Athletic and Recreation Center (the "DBARC"). In November 2013, the DBARC construction was completed. The annual principal and interest payments on the long-term debt incurred to finance construction will be provided by the future DBARC Fee student levies. The total principal and interest payments amount has been discounted at a rate of 4.762% (2017 – 4.762%) and the current amount receivable is \$31,589,777 (2017 – \$32,450,837). Other student levy receivables of \$688,430 (2017 - \$nil) are to support the Joyce Centre for Partnership & Innovation.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

6. CONSTRUCTION IN PROGRESS:

Construction in progress represents costs incurred to date for the i) Joyce Centre for Partnership & Innovation \$40,825,878 (2017 - \$6,224,039), and ii) other miscellaneous projects \$nil (2017 - \$1,650,270).

7. CAPITAL ASSETS:

	Cost	Accumulated	2018	2017
	\$	Amortization	Net Book	Net Book
		\$	Value	Value
			\$	\$
Land	2,193,775	-	2,193,775	2,193,775
Buildings	134,598,179	41,915,387	92,682,792	94,094,770
Portables & roof replacement	14,211,225	2,906,164	11,305,061	7,570,779
Site improvements	51,298,142	32,137,121	19,161,021	22,097,790
Major equipment	33,866,467	15,502,410	18,364,057	15,747,276
Furniture & equipment	20,046,686	15,888,820	4,157,866	3,767,889
Vehicles	1,404,992	1,134,207	270,785	355,831
Computers & software	21,989,826	17,824,023	4,165,803	3,247,910
	<u>279,609,292</u>	<u>127,308,132</u>	<u>152,301,160</u>	<u>149,076,020</u>

8. DEFERRED REVENUE:

Deferred revenue consists of the following:

	2018	2017
	\$	\$
Student fees	23,055,106	19,579,725
Contracts	1,914,615	2,619,311
MAESD grants	991,825	312,642
Student residence	324,507	319,160
Other	1,283,035	826,227
	<u>27,569,088</u>	<u>23,657,065</u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

9. LONG-TERM DEBT:

	2018	2017
	\$	\$
Unsecured loan payable to the Ontario Financing Authority at 4.762%, payable in blended semi-annual instalments of \$1,198,162, due November 25, 2038.	31,591,589	32,452,649
Unsecured loan payable to the Ontario Financing Authority at 3.855%, payable in blended semi-annual instalments of \$486,267, due November 29, 2028.	8,652,214	9,273,193
Unsecured loan payable to the Ontario Financing Authority at 4.183%, payable in blended monthly instalments of \$40,673, due September 2, 2031.	5,027,943	5,277,308
Unsecured construction period loan advance up to a maximum of \$12,000,000 payable to Ontario Financing Authority. Interest on advances is subject to 90 day Ontario Treasury Bill Rate plus 0.275%. At November 30, 2018, the construction loan advances plus accrued interest will be repayable over a fifteen year term at the Province of Ontario's cost of funds for a fifteen year amortizing bond plus 0.275%.	6,694,548	-
	<u>51,966,294</u>	<u>47,003,150</u>
Less current portion	<u>1,830,845</u>	<u>1,731,404</u>
	<u>50,135,449</u>	<u>45,271,746</u>

Principal repayments for the next five years and thereafter:

	\$
2019	1,830,845
2020	2,283,236
2021	2,355,590
2022	2,456,258
2023	2,561,289
Thereafter	<u>40,479,076</u>
	<u>51,966,294</u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

10. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES:

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

	March 31, 2018			
	Post-employment benefits \$	Non-vesting sick leave \$	Vesting sick leave \$	Total liability \$
Accrued employee future benefit obligations	1,356,000	3,934,000	487,000	5,777,000
Value of plan assets	(299,000)	-	-	(299,000)
Unamortized actuarial gains	156,000	901,000	216,000	1,273,000
Total liability	1,213,000	4,835,000	703,000	6,751,000

	March 31, 2017			
	Post-employment benefits \$	Non-vesting sick leave \$	Vesting sick leave \$	Total liability \$
Accrued employee future benefit obligations	1,334,000	4,032,000	88,000	5,454,000
Value of plan assets	(191,000)	-	-	(191,000)
Unamortized actuarial gains	193,000	867,000	793,000	1,853,000
Total liability	1,336,000	4,899,000	881,000	7,116,000

	March 31, 2018			
	Post-employment benefits \$	Non-vesting sick leave \$	Vesting sick leave \$	Total expense \$
Current year benefit cost	6,000	213,000	17,000	236,000
Interest on accrued benefit obligation	2,000	76,000	12,000	90,000
Amortized actuarial (gains) losses	(121,000)	(3,000)	20,000	(104,000)
Total expense	(113,000)	286,000	49,000	222,000

	March 31, 2017			
	Post-employment benefits \$	Non-vesting sick leave \$	Vesting sick leave \$	Total expense \$
Current year benefit cost	7,000	218,000	6,000	231,000
Interest on accrued benefit obligation	3,000	57,000	2,000	62,000
Amortized actuarial losses (gains)	7,000	(73,000)	10,000	(56,000)
Total expense	17,000	202,000	18,000	237,000

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

10. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued):

The benefits paid out in the year were \$587,000 (2017 – \$231,000).

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

Retirement Benefits

CAAT Pension Plan

Substantially all employees of the College 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 of public colleges and related employers in Ontario. Contributions by the College on account of current service pension costs amounted to \$11,152,993 (2017 – \$11,066,698), which have been included in the statement of operations. Contributions by employees amounted to \$11,041,879 (2017 – \$10,961,521). Contribution rates are set by the Plan’s governors to ensure the long-term viability of the Plan.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2018 indicated an actuarial surplus of \$2.3 billion.

Post-employment Benefits

The College extends post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The 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 valuation are as follows:

(a) *Discount rate*

The present value as at March 31, 2018 of the future benefits was determined using a discount rate of 2.6% (2017 – 2%).

(b) *Drug costs*

Drug costs were assumed to increase at an 8% rate for 2018 (2017 – 8.25%) and decrease proportionately thereafter to an ultimate rate of 4% in 2034 for fiscal 2018 (2017 – 4%).

(c) *Hospital and other medical*

Hospital and other medical costs were assumed to increase at 4% per annum for fiscal 2018 (2017 – 4%).

(d) *Dental costs*

Dental costs were assumed to increase at 4% per annum for fiscal 2018 (2017 – 4%).

Compensated Absences

Vesting Sick Leave

The College has provided for vesting sick leave benefits during the year. Eligible Faculty employees, hired before April 1, 1991 and Administrative employees hired before July 1, 1974 are entitled to receive on termination or retirement, accumulated sick days multiplied by their actual daily rate to a maximum of six months’ salary. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

10. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued):

Non-vesting Sick Leave

The 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 the College's best estimate of expected rates of:

	2018	2017
Wage and salary escalation	1.5% - 2%	0.5% - 1.5%
Discount rate	2.6%	2.0%

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 23.7% and 0 to 48 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

11. DEFERRED CONTRIBUTIONS:

a) Deferred contributions:

Deferred contributions represent unspent externally restricted scholarships, bursaries, grants and donations for student awards and student assistance. It also includes unspent endowment investment income.

	2018	2017
	\$	\$
Balance, beginning of year	5,922,679	5,107,402
Additional contributions received	3,387,773	5,742,184
Less award payments & administrative expenses	(4,776,132)	(4,926,907)
Balance, end of year	<u>4,534,320</u>	<u>5,922,679</u>

Deferred contributions are comprised of:

	2018	2017
	\$	\$
Endowment interest funds and unrealized gains	1,575,560	2,891,933
Tuition set-aside funds	1,079,244	1,409,567
Scholarships and bursaries	932,025	732,776
Joint employment stability replacement fund	495,871	460,384
MAESD grants	446,235	422,634
Other	5,385	5,385
	<u>4,534,320</u>	<u>5,922,679</u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

11. DEFERRED CONTRIBUTIONS (continued):

b) Deferred contributions related to construction in progress:

	2018	2017
	\$	\$
Balance, beginning of year	4,471,264	270,000
Additional contributions received	12,794,444	4,324,010
Plus amounts transferred from deferred contributions related to expenses of future periods	6,438,297	147,254
Less amounts transferred to capital assets in the year	(886,648)	(270,000)
Balance, end of year	<u>22,817,357</u>	<u>4,471,264</u>

c) Deferred contributions related to expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations intended to support primarily college-wide equipment and facility improvements and also provide student financial assistance.

	2018	2017
	\$	\$
Balance, beginning of year	10,555,716	6,337,698
Additional contributions received	4,036,857	9,613,369
Less amounts recognized as revenue in the year	(935,335)	(827,063)
Less amounts transferred to deferred contributions related to capital assets	(1,647,174)	(4,421,034)
Less amounts transferred to deferred contributions related to construction in progress	(6,438,297)	(147,254)
Balance, end of year	<u>5,571,767</u>	<u>10,555,716</u>

Deferred contributions related to expenses of future periods are comprised of:

	2018	2017
	\$	\$
Donations	4,387,293	4,157,706
MAESD	13,280	4,744,044
Other	1,171,194	1,653,966
	<u>5,571,767</u>	<u>10,555,716</u>

d) Deferred contributions related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants and other contributions received for the purchase of capital assets.

	2018	2017
	\$	\$
Balance, beginning of year	108,322,087	104,573,931
Additional contributions received	4,242,870	6,493,496
Plus amounts transferred from deferred contributions related to construction in progress	886,648	270,000
Plus amounts transferred from deferred contributions related to expenses of future periods	1,647,174	4,421,034
Less amortization in the year	(8,024,028)	(7,436,374)
Balance, end of year	<u>107,074,751</u>	<u>108,322,087</u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

11. DEFERRED CONTRIBUTIONS (continued):

d) Deferred contributions related to capital assets (continued):

Deferred contributions related to capital assets are comprised of:

	2018	2017
	\$	\$
MAESD	56,840,584	56,166,538
ARC Fees	29,471,716	30,614,919
Donations	14,784,715	15,752,082
Other	5,977,736	5,788,548
	<u>107,074,751</u>	<u>108,322,087</u>

12. INVESTMENT IN CAPITAL ASSETS:

The College's investment in capital assets is calculated as follows:

	2018	2017
	\$	\$
Capital assets	152,301,160	149,076,020
Construction in progress	40,825,878	7,874,309
Investment in land	873,472	873,472
	<u>194,000,510</u>	<u>157,823,801</u>
Less:		
Current portion of long-term debt	(928,294)	(870,344)
Long-term debt	(19,353,870)	(13,587,617)
Deferred contributions related to construction in progress	(22,817,357)	(4,471,264)
Deferred contributions related to capital assets	(107,074,751)	(108,322,087)
Investment in capital assets	<u>43,826,238</u>	<u>30,572,489</u>

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

	2018	2017
	\$	\$
Deficiency of revenues over expenditures:		
Amortization of deferred capital contributions related to capital assets	8,024,028	7,436,374
Amortization of capital assets	(15,164,336)	(14,451,134)
	<u>(7,140,308)</u>	<u>(7,014,760)</u>
Net change in investment of capital assets:		
Purchase of capital assets and construction in progress	51,442,045	24,284,711
Disposals of capital assets	(101,000)	(8,098,211)
Amounts funded by deferred capital contributions	(25,122,785)	(15,385,794)
Amounts funded by term debt	(6,694,548)	-
Repayment of term debt	870,345	9,084,020
Investment in capital assets	<u>20,394,057</u>	<u>9,884,726</u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

13. ENDOWMENT CONTRIBUTIONS:

The College has the following endowment funds:

	2018	2017
	\$	\$
Ontario Student Opportunity Trust Funds (Schedule 3)	6,044,225	5,621,027
Ontario Trust for Student Support (Schedule 4)	7,963,943	7,519,560
Other	3,446,534	3,070,456
	<u>17,454,702</u>	<u>16,211,043</u>

Investment income on endowments that was disbursed during the year has been recorded in the statement of operations since this income is available for disbursement as scholarships and bursaries and the donors' conditions have been met. The unspent portion of investment income is recorded in deferred contributions. Investment income on endowed assets recognized and deferred was \$469,413 and \$1,906,536 respectively (2017 – \$517,875 and \$1,775,160). Investment income earned from realized capital gains in the year of \$1,194,438 has been included in endowment contributions as preservation of capital.

14. FINANCIAL INSTRUMENT RISK MANAGEMENT:

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, debt holdings in its investment portfolio, long-term receivable, accounts receivable and grants receivable. The College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up to \$100,000.

The College's investment policy operates within the constraints of the investment guidelines issued by the MAESD and puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis. The guidelines permit the College's funds to be invested in bonds issued by the Government of Canada, a Canadian province or a Canadian municipality having a rating of AAA or better.

The College's maximum exposure to credit risk is representative of the carrying value of cash, investments, accounts receivable, grants receivable, current portion of long-term receivable and long-term receivable which as at March 31, 2018 totals \$163,880,593.

Accounts 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.

Grants receivable are due from government sources. The College works to ensure that all eligibility criteria are met in order to qualify to receive the funding.

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.

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.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

14. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued):

Market risk

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

The College's investment policy operates within the constraints of the investment guidelines issued by the MAESD. The policy's application is monitored by management, the investment managers and the board of governors. Diversification techniques are utilized to minimize risk.

Currency risk

Currency risk relates to the College operating in different currencies and converting non-Canadian earnings at different points in time at different foreign levels when adverse changes in foreign currency rates occur. The College 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 to measure the risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The College is exposed to this risk through its interest bearing investments and long-term debt.

The College's long-term debt is fixed rate debt as disclosed in note 9. Fluctuations in market interest rates would not impact future cash flows and operations relating to term debt.

At March 31, 2018, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of bonds of \$2,814,952.

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.

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The College is exposed to this risk through its equity holdings within its investment portfolio. At March 31, 2018, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the College's equities of \$622,894. 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 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 near-term if unexpected cash outflows arise.

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.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Notes to Financial Statements
For the year ended March 31, 2018

15. COMMITMENTS:

a) Leases:

Mohawk's commitments to annual rental payments in the aggregate and in each of the next five years principally as a result of premise rental leases are as follows:

	<u>\$</u>
2019	1,793,427
2020	1,793,427
2021	1,793,427
2022	1,793,427
2023	<u>1,793,427</u>
	<u>8,967,135</u>

b) Student residence:

The student residence, which accommodates 340 students, was leased to Campus Development Hamilton Corp. in December 2016. The agreement meets the definition of a capital lease for accounting purposes and resulted in a gain of \$10,235,728 recorded in other revenue within the statement of operations. The College entered into an operating lease with Campus Development Hamilton Corp. to lease the residence back. Collegiate Management Services Corp. manages the residence by way of a property management agreement. The annual property management fee is \$697,210.

c) Capital commitments:

As at March 31, 2018, outstanding capital commitments amount to approximately \$9.9 million primarily for construction of the Joyce Centre for Partnership & Innovation.

16. THE MOHAWK COLLEGE FOUNDATION:

The College has an economic interest in the Mohawk College Foundation (the "Foundation"), which raises funds from the community and alumni to finance certain expenditures of the College. The Foundation's accounts are not included in these financial statements. The Foundation is incorporated under the Province of Ontario as a public foundation and is a registered charity under the Income Tax Act.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY**Analysis of Operating Grants, Ancillary and Other Revenue****For the year ended March 31, 2018, with comparative figures for 2017****Schedule 1**

	2018	2017
	\$	\$
OPERATING GRANTS REVENUE		
General operating and capital grants	69,812,637	67,988,863
Apprenticeship	8,727,154	9,175,395
Collaborative program grants	6,927,995	7,209,450
Federal projects	3,022,487	2,410,144
Employment Services	2,552,717	2,766,698
Literacy & Basic Skills	1,535,167	1,386,034
School College Works Initiative	1,285,412	1,481,155
Disability Services	1,179,299	1,132,668
Aboriginal grants	1,112,958	1,200,256
Municipal tax grant	783,825	808,125
Termination gratuities	199,294	157,737
Other	1,248,365	1,083,894
	<u>98,387,310</u>	<u>96,800,419</u>
ANCILLARY REVENUE		
Campus stores	5,120,380	5,358,298
Parking	3,616,842	3,482,829
Student residence	3,144,492	3,251,771
Food services	1,029,192	1,042,312
Facility rentals	494,470	640,045
Student life	299,625	263,506
Athletic and recreation centre	169,958	210,040
Other	142,736	345,565
	<u>14,017,695</u>	<u>14,594,366</u>
OTHER REVENUE		
Contract projects	6,415,038	4,631,561
Investment income	1,915,798	1,412,272
Student government	339,426	331,716
Donations	334,394	302,233
International projects	43,467	256,258
Miscellaneous	5,890,233	16,272,487
	<u>14,938,356</u>	<u>23,206,527</u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Analysis of Ancillary Expenditures

For the year ended March 31, 2018, with comparative figures for 2017

Schedule 2

	2018	2017
	\$	\$
Salaries and benefits	1,703,036	1,686,120
Cost of sales	3,911,121	4,042,315
Contracted services and professional fees	2,263,071	1,629,611
Supplies and other expenses	2,561,445	1,519,350
Utilities, maintenance and taxes	1,389,580	1,206,462
	<u>11,828,253</u>	<u>10,083,858</u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Analysis of Ontario Student Opportunity Trust Fund (OSOTF I)
For the year ended March 31, 2018, with comparative figures for 2017
Schedule 3

	2018 (Book Value) \$	2017 (Book Value) \$
Endowment Fund Balance		
Fund Balance, beginning of year	5,558,697	5,520,998
Cash donations received	12,500	37,699
Preservation of capital	405,800	-
Fund Balance, end of year	<u>5,976,997</u>	<u>5,558,697</u>
Expendable Funds Available for Awards		
Balance, beginning of year	752,487	753,747
Investment income, net of related expenses	162,080	155,469
Awards issued (2018-#184; 2017-#206)	(127,552)	(156,729)
Balance, end of year	<u>787,015</u>	<u>752,487</u>

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2018 were \$5,976,997 and \$676,848 respectively.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
Analysis of Ontario Student Opportunity Trust Fund (OSOTF II)
For the year ended March 31, 2018, with comparative figures for 2017

	2018 (Book Value) \$	2017 (Book Value) \$
Endowment Fund Balance		
Fund Balance, beginning of year	62,330	62,330
Preservation of capital	4,898	-
Fund Balance, end of year	<u>67,228</u>	<u>62,330</u>
Expendable Funds Available for Awards		
Balance, beginning of year	23,992	19,092
Investment income, net of related expenses	1,848	4,900
Balance, end of year	<u>25,840</u>	<u>23,992</u>

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2018 were \$67,228 and \$24,567 respectively.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY**Analysis of Ontario Trust for Student Support (OTSS)****For the year ended March 31, 2018, with comparative figures for 2017****Schedule 4**

	2018 (Book Value) \$	2017 (Book Value) \$
Endowment Fund Balance		
Fund Balance, beginning of year	7,519,560	7,620,697
Donor funds transferred to expendable funds	-	(66,838)
Funds repayable to Ministry	-	(56,833)
Cash donations received	19,497	22,534
Preservation of capital	424,886	-
Fund Balance, end of year	<u>7,963,943</u>	<u>7,519,560</u>
Expendable Funds Available for Awards		
Balance, beginning of year	593,414	562,997
Investment income, net of related expenses	202,169	184,299
Cash donations received	750	8,999
Donor funds transferred from endowment funds	-	66,838
Awards issued (2018-#127; 2017-#195)	<u>(135,482)</u>	<u>(229,719)</u>
Balance, end of year	<u>660,851</u>	<u>593,414</u>

The amounts recorded above are for Ministry purposes only. The fair market value of the endowment and expendable funds as at March 31, 2018 were \$7,963,943 and \$520,751 respectively.

Audited Financial Statements:
Mohawk College Enterprise Corporation

Financial Statements of

**MOHAWK COLLEGE
ENTERPRISE CORPORATION**

Year ended March 31, 2018



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Mohawk College Enterprise Corporation

We have audited the accompanying financial statements of Mohawk College Enterprise Corporation (the "Corporation") which comprise the balance sheet as at March 31, 2018, the statements of operations and deficit 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 accounting standards for private enterprises; this includes determining that Canadian accounting standards for private enterprises are an acceptable basis for the preparation of the financial statements in the circumstances, 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 the financial statements.

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We believe that the audit evidence we have obtained in our audit 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 Mohawk College Enterprise Corporation as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis of Accounting and Restriction on use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Corporation with its internal reporting to its shareholder, Mohawk College of Applied Arts and Technology and to assist the Corporation to prepare its corporate income tax returns. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Corporation and Mohawk College of Applied Arts and Technology and for federal and provincial income tax authorities and should not be used by any other parties.



Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
June 25, 2018

MOHAWK COLLEGE ENTERPRISE CORPORATION

Balance Sheet

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 99,352	\$ 113,899
Accounts receivable (notes 2 and 6)	433,627	494,307
Prepaid expenses	16,927	13,568
	<u>549,906</u>	<u>621,774</u>
Equipment (note 3)	4,585	3,806
Intangible assets (note 4)	21,455	21,703
	<u>\$ 575,946</u>	<u>\$ 647,283</u>

Liabilities and Shareholder's Deficiency

Current liabilities:		
Accounts payable and accrued liabilities (notes 5 and 6)	\$ 490,294	\$ 510,358
Deferred revenue	191,458	259,664
	<u>681,752</u>	<u>770,022</u>
Shareholder's deficiency:		
Share capital (note 7)	100	100
Deficit	(105,906)	(122,839)
	<u>(105,806)</u>	<u>(122,739)</u>
Economic dependence (note 10)		
	<u>\$ 575,946</u>	<u>\$ 647,283</u>

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Chair

 _____ President

MOHAWK COLLEGE ENTERPRISE CORPORATION

Statement of Operations and Deficit

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Program revenue	\$ 2,904,775	\$ 3,183,210
Cost of programs	1,825,678	2,149,240
Gross margin	1,079,097	1,033,970
Other income	736	689
Gross earnings from operations	1,079,833	1,034,659
Expenses:		
Salaries and benefits	739,101	576,338
Professional fees and contracts	73,914	68,033
Advertising and promotion	20,390	32,323
Office	18,236	22,120
Travel	11,576	8,097
Amortization	8,662	7,920
Telephone	7,678	5,696
Bank charges and interest	7,418	6,352
Meals and entertainment	900	601
	887,875	727,480
Earnings before the undernoted items	191,958	307,179
Other expenses:		
Facility charges (note 6)	31,450	35,700
Donation to shareholder (note 6)	70,000	140,000
Loss on sale of equipment	15,479	-
Royalty expense (note 6)	58,096	63,664
	175,025	239,364
Earnings before income taxes	16,933	67,815
Income tax expense (note 8)	-	-
Net income	16,933	67,815
Deficit, beginning of year	(122,839)	(190,654)
Deficit, end of year	\$ (105,906)	\$ (122,839)

See accompanying notes to financial statements.

MOHAWK COLLEGE ENTERPRISE CORPORATION

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Net income	\$ 16,933	\$ 67,815
Items not involving cash:		
Amortization	8,662	7,920
Loss on disposal of intangible assets	15,479	-
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	60,680	(16,691)
Increase in prepaid expenses	(3,359)	(5,498)
Decrease in accounts payable and accrued liabilities	(20,064)	(11,085)
Decrease in deferred revenue	(68,206)	(55,159)
	<u>10,125</u>	<u>(12,698)</u>
Investing:		
Purchase of equipment	(3,508)	(3,445)
Purchase of intangible assets	(21,164)	(1,420)
	<u>(24,672)</u>	<u>(4,865)</u>
Decrease in cash	(14,547)	(17,563)
Cash, beginning of year	113,899	131,462
Cash, end of year	<u>\$ 99,352</u>	<u>\$ 113,899</u>

See accompanying notes to financial statements.

MOHAWK COLLEGE ENTERPRISE CORPORATION

Notes to Financial Statements

Year ended March 31, 2018

Mohawk College Enterprise Corporation (the "Corporation") is a private company incorporated under the laws of Ontario on April 1, 2010 and is engaged in the business of providing corporate training programs and consulting projects for and on behalf of businesses and industries.

1. Significant accounting policies:

(a) Basis of accounting:

As a government business enterprise, Canadian public sector accounting standards require the Corporation to adhere to the standards applicable in the CPA Canada Handbook - Accounting. Accordingly the Corporation is required under Canadian generally accepted accounting principles to prepare its financial statements using International Financial Reporting Standards. Management has determined that the internal reporting needs of the Corporation and its shareholder, Mohawk College of Applied Arts and Technology ("Mohawk College"), are met through the use of Canadian accounting standards for private enterprises, and, therefore, the financial statements have been prepared in accordance with that framework. Since Canadian accounting standards for private enterprises is not designed to necessarily meet the needs of all users of the financial statements of a government business enterprise, the readers of these financial statements may require additional information.

(b) Revenue recognition:

Revenue from sales is recognized when the service has been performed, and collectibility is reasonably assured. Deferred revenue represents revenue received in advance of services being provided.

(c) Computer equipment:

Computer equipment is amortized over the useful life of the asset. The carrying amount is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

MOHAWK COLLEGE ENTERPRISE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(d) Intangible assets:

Intangible assets are comprised of website design costs and are initially recognized and measured at cost. Development activities are recognized as an asset provided they meet the capitalization criteria, which include the Corporation's ability to demonstrate: technical feasibility of completing the intangible asset so that it will be available for use or sale; the Corporation's intention to complete the asset for use or for sale; the Corporation's ability to use or sell the asset; the adequacy of the Corporation's resources to complete the development; the Corporation's ability to measure reliably the expenditures during the development; and the Corporation's ability to demonstrate that the asset will generate future economic benefits. The assets are amortized over their useful lives unless the life is determined to be indefinite. The carrying value of an intangible asset which is subject to amortization is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount is not recoverable and exceeds its fair value. Impairment losses are not subsequently reversed.

(e) Income taxes:

The Corporation uses the taxes payable method to account for income taxes whereby the expense (income) of the period consists only of the cost (benefit) of current income taxes for that period, determined in accordance with the rules established by the taxation authorities.

(f) Related party transactions:

Monetary and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of operations, except when the transaction is an exchange of a product or property held-for-sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

MOHAWK COLLEGE ENTERPRISE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

2. Accounts receivable:

	2018		2017	
Accounts receivable	\$	433,627	\$	494,307
Less: allowance for doubtful accounts		-		-
	\$	433,627	\$	494,307

3. Equipment:

			2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value	Net book value	Net book value
Computer equipment	\$ 10,169	\$ 5,584	\$ 4,585	\$ 3,806		

4. Intangible assets:

			2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value	Net book value	Net book value
Website	\$ 22,584	\$ 1,129	\$ 21,455	\$ 21,703		

MOHAWK COLLEGE ENTERPRISE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$86,718 (2017 - \$74,266).

6. Related party transactions:

Mohawk College is the registered holder of all the issued and outstanding shares of the Corporation.

The Corporation has available from Mohawk College a line of credit of \$250,000 (2017 - \$250,000). At March 31, 2018 no funds have been drawn (2017 - \$nil).

The following amounts are included in accounts receivable and accounts payable and accrued liabilities at year end:

	2018	2017
Accounts receivable from Mohawk College	\$ 125,781	\$ 120,528
Accounts payable to Mohawk College	189,667	164,167

The following table summarizes the Corporation's transactions with Mohawk College for the year:

	2018	2017
Program revenue	\$ 788,247	\$ 878,240
Program delivery:		
Rent expense	(24,893)	(21,738)
Other administrative expenses	(113,365)	(158,632)
Non-program:		
Administrative expenses	(21,000)	(20,011)
Facility charges:		
Rent expense	(16,450)	(20,700)
Information technology expense	(15,000)	(15,000)
Royalty expense	(58,096)	(63,664)
Donation to Mohawk College	(70,000)	(140,000)

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed upon by the related parties.

MOHAWK COLLEGE ENTERPRISE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

6. Related party transactions (continued):

In accordance with the Operating Agreement between the Corporation and Mohawk College, 75% of the projected taxable income of the Corporation was donated to the College during the year. A royalty fee of 2% of program revenues was agreed with Mohawk College during the year in line with the Operating Agreement.

7. Share capital:

	2018	2017
Authorized:		
Unlimited number of common shares		
Issued:		
100 common shares	\$ 100	\$ 100

8. Income taxes:

As at March 31, 2018, the Corporation has non-capital losses available for income tax purposes totaling \$95,544 (2017 - \$125,096). This amount can be used to reduce taxable income of future years. During the year \$29,552 of non-capital loss carryforwards were utilized to reduce taxable income to nil. In the current year, the Corporation made charitable donations of \$70,200 which were used in the current year to reduce taxable income.

The non-capital losses expire as follows:

2032	\$ 31,907
2033	63,637
	<u>\$ 95,544</u>

MOHAWK COLLEGE ENTERPRISE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Financial risks and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. The Corporation's financial instruments that are exposed to concentrations of credit risk relate primarily to accounts receivable. This risk has not changed from the previous year.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Corporation will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities. The risk has not changed from the previous year.

(c) Currency risk:

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company purchases certain training services in U.S. dollars. The Company does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from the previous year.

10. Economic dependence:

Approximately 50% (2017 - 59%) of the Corporation's revenue is derived from two customers of which one customer represents 23% (2017 - 31%) while Mohawk College accounts for 27% (2017 - 28%) of revenue.

Appendix B: SMA Report Back

There were no reports required by the Ministry of Advanced Education and Skills Development this year as their focus was completion of Strategic Mandate Agreements and development of a new set of reporting metrics to support these agreements.

Appendix C: Summary of Advertising and Marketing Complaints Received

Further to the Minister's Binding Policy Directive on the Framework for Programs and Instruction, Mohawk received no advertising or marketing complaints in 2017-18.