

MARITIME COLLEGE OF FOREST TECHNOLOGY

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2017

MARITIME COLLEGE OF FOREST TECHNOLOGY

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Shannon & Buffett, LLP

Chartered Professional Accountants

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June 28, 2017

INDEPENDENT AUDITOR'S REPORT

To The Board of Governors
Maritime College of Forest Technology

Report on the Financial Statements

We have audited the accompanying financial statements of the Maritime College of Forest Technology as at April 30, 2017 which comprise the statement of net assets and the statements of operations, changes in net assets, and cash flows for the year then ended.

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 not-for-profit organizations to the financial statements, 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 to 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 the auditor's 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, the auditor considers 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, these financial statements present fairly, in all material respects, the financial position of Maritime College of Forest Technology as at April 30, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Fredericton, New Brunswick

Shannon & Buffett LLP
Chartered Professional Accountants

MARITIME COLLEGE OF FOREST TECHNOLOGY

STATEMENT OF NET ASSETS

APRIL 30, 2017 WITH COMPARATIVE FIGURES FOR 2016

	<u>2017</u>	<u>2016</u>
	<u>ASSETS</u>	
Current:		
Unrestricted cash and cash equivalents	\$ 513,095	\$ 412,310
Cash and cash equivalents internally restricted for equipment replacement	63,569	325,976
Cash and cash equivalents internally restricted for prizes and donations	109,456	113,128
Cash and cash equivalents internally restricted for retiring allowance	-	8,036
Accounts receivable (note 2)	57,763	76,176
Prepaid expenses	<u>53,186</u>	<u>116,310</u>
	797,069	1,051,936
Capital assets (note 3)	<u>935,384</u>	<u>644,007</u>
	<u>\$ 1,732,453</u>	<u>\$ 1,695,943</u>
	<u>LIABILITIES</u>	
Current:		
Accounts payable and accrued liabilities (note 4)	\$ 252,676	\$ 261,761
Deferred revenue	80,516	115,158
Current portion of obligation under capital lease (note 5)	<u>31,630</u>	<u>28,600</u>
	364,822	405,519
Obligation under capital lease (note 5)	71,374	103,938
Employee future benefits (note 6)	<u>-</u>	<u>8,036</u>
	436,196	517,493
	<u>436,196</u>	<u>517,493</u>
	<u>NET ASSETS</u>	
Unrestricted net assets	187,848	95,339
Net assets invested in capital assets	935,384	644,007
Net assets internally restricted for equipment replacement	63,569	325,976
Net assets internally restricted for prizes and donations	<u>109,456</u>	<u>113,128</u>
	1,296,257	1,178,450
	<u>\$ 1,732,453</u>	<u>\$ 1,695,943</u>

See accompanying notes to financial statements.

Approved by the Board:

Director

Director

MARITIME COLLEGE OF FOREST TECHNOLOGY

STATEMENT OF OPERATIONS

YEAR ENDED APRIL 30, 2017 WITH COMPARATIVE FIGURES FOR 2016

	<u>2017</u>	<u>2016</u>
Revenues:		
Government grants, operating	\$ 2,069,736	\$ 2,069,736
Government grants, restricted operating	35,565	35,565
Government grants, renovations	-	18,068
Student academic fees, regular	737,390	597,219
Student academic fees, continuing education	372,851	274,461
Operations	-	829
Miscellaneous revenues (note 8)	401,753	344,546
Ancillary enterprises	626,727	757,916
Interest income	<u>3,805</u>	<u>2,904</u>
	<u>4,247,827</u>	<u>4,101,244</u>
Expenses:		
Academic	1,069,655	957,148
Continuing education	392,759	224,551
Administration	693,574	723,604
Plant maintenance and operations	590,366	740,919
Bathurst School - operating	423,058	433,780
Operations	35,106	53,374
Miscellaneous	98,523	70,604
Major repairs and alterations	-	18,068
Employee future benefits	(8,036)	(173,884)
Ancillary enterprises	<u>641,350</u>	<u>671,373</u>
	<u>3,936,355</u>	<u>3,719,537</u>
Excess of revenue over expenses before amortization and gain on sale of capital assets	<u>311,472</u>	<u>381,707</u>
Amortization of capital assets	(193,665)	(142,600)
Gain on disposal of capital assets	<u>-</u>	<u>13,955</u>
	<u>(193,665)</u>	<u>(128,645)</u>
Excess of revenue over expenses	<u>\$ 117,807</u>	<u>\$ 253,062</u>

See accompanying notes to financial statements.

MARITIME COLLEGE OF FOREST TECHNOLOGY

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED APRIL 30, 2017 WITH COMPARATIVE FIGURES FOR 2016

	Net Assets Internally Restricted for Prizes and Donations	Net Assets Internally Restricted for Equipment Replacement	Net Assets Invested in Capital Assets	Unrestricted Net Assets	2017 Total	2016 Total
Balance, beginning of year	\$ 113,128	\$ 325,976	\$ 644,007	\$ 95,339	\$1,178,450	\$ 925,388
Excess (deficiency) of revenue over expenses	(3,672)	135,377	(193,665)	179,767	117,807	253,062
Transfer to (from) unrestricted net assets	-	(397,784)	485,042	(87,258)	-	-
Balance, end of year	<u>\$ 109,456</u>	<u>\$ 63,569</u>	<u>\$ 935,384</u>	<u>\$ 187,848</u>	<u>\$1,296,257</u>	<u>\$1,178,450</u>

MARITIME COLLEGE OF FOREST TECHNOLOGY

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2017 WITH COMPARATIVE FIGURES FOR 2016

	<u>2017</u>	<u>2016</u>
CASH GENERATED FROM (USED IN):		
OPERATING ACTIVITIES:		
Excess of revenue over expenses	\$ 117,807	\$ 253,062
Items not requiring a cash outlay:		
Amortization	193,665	142,600
Gain on disposal of capital assets	-	(13,955)
Employee future benefits	<u>(8,036)</u>	<u>(173,884)</u>
	303,436	207,823
Net change in current assets and liabilities other than cash:		
Accounts receivable	18,413	57,216
Prepaid expenses	63,124	(102,520)
Accounts payable and accrued liabilities	(9,085)	117,609
Deferred revenue	<u>(34,642)</u>	<u>78,816</u>
	<u>341,246</u>	<u>358,944</u>
INVESTING ACTIVITIES:		
Acquisition of capital assets, net of capital grants	(485,040)	(205,081)
Proceeds from disposal of capital assets	<u>-</u>	<u>17,885</u>
	<u>(485,040)</u>	<u>(187,196)</u>
FINANCING ACTIVITIES:		
Obligation under capital lease	-	145,444
Repayments of obligation under capital lease	<u>(29,536)</u>	<u>(12,906)</u>
	<u>(29,536)</u>	<u>132,538</u>
INCREASE (DECREASE) IN CASH, in the year	(173,330)	304,286
CASH, beginning of year	<u>859,450</u>	<u>555,164</u>
CASH, end of year	<u><u>\$ 686,120</u></u>	<u><u>\$ 859,450</u></u>
CASH CONSISTS OF:		
Unrestricted cash and cash equivalents	\$ 513,095	\$ 412,310
Cash and cash equivalents internally restricted for equipment replacement	63,569	325,976
Cash and cash equivalents internally restricted for prizes and donations	109,456	113,128
Cash and cash equivalents internally restricted for retiring allowance	<u>-</u>	<u>8,036</u>
	<u><u>\$ 686,120</u></u>	<u><u>\$ 859,450</u></u>

See accompanying notes to financial statements.

MARITIME COLLEGE OF FOREST TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2017

General:

The Maritime College of Forest Technology, recognized internationally, provides training in technical, vocational and continuing education in Forestry. The College provides a residential environment and maximizes opportunities to teach in the forest. The College is a registered charity organization as described in paragraph 149 (1)(f) of the Income Tax Act and, as such, is not subject to income tax.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Internally restricted funds – prizes and donations -

The College receives gifts and donations from outside organizations and individuals for the purpose of awarding prizes to students. The Board of Governors has required that these funds, together with interest earned thereon be segregated and that all prizes be deemed to come from such segregated funds.

(b) Internally restricted funds – equipment replacement -

The Board of Governors has segregated funds for the purpose of replacing equipment and other capital assets approved by the Board. Interest earned on the funds is segregated and a portion of student academic fees is also accumulated for this purpose. Withdrawal from such funds is made when equipment and other capital assets, as approved by the Board, are acquired from general operating funds.

(c) Internally restricted funds – retiring allowances -

The Board of Governors has segregated funds for the purpose of paying allowances for employees who retire or go on long-term disability. Interest earned on the funds is segregated and is also accumulated for this purpose. The practice was amended effective May 1, 2014 such that new employees are not eligible and that additional years of service are not earned.

(d) Revenue recognition -

The deferral method of accounting for contributions is followed. Contributions for capital assets are capitalized when received and amortized using the same rates of amortization as the assets to which they relate. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledged amounts are not recorded until received.

MARITIME COLLEGE OF FOREST TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2017

1. Significant accounting policies (continued):

(e) Cash and cash equivalents -

Cash and cash equivalents include cash on hand, balances with banks and temporary money market instruments.

(f) Capital assets -

All significant additions are recorded at cost. Donated assets are recorded at the cost amount to the donor where this is reasonably determinable or otherwise at the estimated fair market value at the time the gift is made.

Amortization is calculated on the straight line basis at the following annual rates:

Leasehold improvements	-	5%
Furniture and equipment	-	10%
Vehicles and rolling stock	-	20%
Computers and GPS equipment	-	25%

Capital grants received to finance capital asset acquisitions are netted against the cost of the related asset and amortization is calculated on a net basis.

(g) Deferred revenue -

The balance consists of regular and continuing education student fees received during the year but applicable to future periods.

(h) Accounting estimates -

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations required management to make estimates and assumptions that affect the reported amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

MARITIME COLLEGE OF FOREST TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2017

1. Significant accounting policies (continued):

(i) Financial instruments -

(i) Measurement of financial instruments

The College initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs.

The College subsequently measures all of its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations in the period incurred.

(ii) Impairment

At the end of each reporting period the College assesses whether there are any indications that the financial asset measured at amortized cost may be impaired.

When there is an indication of impairment, the College determines whether a significant adverse change has occurred during the period in the expected timing or amount of future in cash flows from the financial asset. Where there is a significant adverse change, the carrying amount of the asset is reduced and the impairment loss is recognized in the statement of operations.

(iii) Transaction costs

Transaction costs are recognized in the statement of operations in the period incurred, except for the financial instruments that will be subsequently measured at amortized costs.

2. Accounts receivable:

Accounts receivable are comprised of the following as at April 30:

	<u>2017</u>	<u>2016</u>
Students	\$ 34,233	\$ 1,050
Accrued interest	702	118
Net HST	1,787	-
Other amounts	25,117	79,262
Allowance for doubtful accounts	<u>(4,076)</u>	<u>(4,254)</u>
	<u>\$ 57,763</u>	<u>\$ 76,176</u>

MARITIME COLLEGE OF FOREST TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2017

3. Capital assets:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2017 Net Book Value</u>	<u>2016 Net Book Value</u>
Leasehold improvements	\$ 816,763	\$ 372,381	\$ 444,382	\$ 382,817
Furniture and equipment	1,296,879	1,104,624	192,255	89,840
Computer and GPS equipment	766,127	552,195	213,932	5,465
Vehicle and rolling stock	<u>221,621</u>	<u>136,806</u>	<u>84,815</u>	<u>165,885</u>
	<u>\$ 3,101,390</u>	<u>\$ 2,166,006</u>	<u>\$ 935,384</u>	<u>\$ 644,007</u>

Capital assets are located on both the Fredericton and Bathurst campuses.

Leasehold improvements relate to buildings on the Fredericton campus including the academic building, student residences (2), workshop/vehicle maintenance building, staff houses, field training building and training sawmill, as well as some start-up furniture and equipment. These buildings are owned by the Maritime Forestry Complex Corporation. In return for the College's initial contribution of funds to the construction of these capital assets, the Corporation agreed to lease the premises to the College until August 6, 2084 for an initial consideration of \$1. The College is responsible annually for its proportionate share of operating expenses paid by the Corporation.

4. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities are comprised of the following as at April 30:

	<u>2017</u>	<u>2016</u>
Accounts payable	\$ 152,229	\$ 201,739
Accrued liabilities	100,447	53,024
Net HST	<u>-</u>	<u>6,998</u>
	<u>\$ 252,676</u>	<u>\$ 261,761</u>

MARITIME COLLEGE OF FOREST TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2017

5. Obligation under capital lease:

The College leases equipment under a capital lease. The capital lease with an imputed interest rate of 5.75%, has an option purchase price at time of maturity of \$10.

Minimum payments under the capital leases including principal, imputed interest and 50% of the HST are approximately as follows:

2018	\$	31,630
2019		31,630
2020		31,630
2021		<u>24,868</u>
Total		119,758
Less imputed interest		<u>16,754</u>
Obligation under capital lease	\$	<u><u>103,004</u></u>

6. Employee future benefits:

In prior years, the College had a practice of paying an allowance to full-time employees with five or more years of service who retired or went on permanent long-term disability. The College amended its practice effective May 1, 2014 such that employees no longer earned additional days pay for future year's service. The College adopted a policy whereby eligible employees could elect to take an immediate payout of their allowance or leave it with the College to administer until retirement.

As of April 30, 2017 all retirement allowances or payments in lieu of retirement allowances have been paid out and the balance in the employees future benefit account is \$nil.

MARITIME COLLEGE OF FOREST TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2017

7. Other matters:

In addition to unrestricted operating assistance received from the Maritime Provinces Higher Education Commission (MPHEC) each year, the College is allotted restricted operating assistance for non-space and alterations and renovations. The College must provide eligible receipts to be reimbursed for this funding. As at April 30, 2017, the MPHEC has allotted, in favour of the College, an uncommitted balance of \$40,795 for future non-space expenditures and \$- for alteration and renovations expenditures as follows:

	<u>Non Space</u>	<u>Alterations & Renovations</u>	<u>Total</u>
Balance May 1, 2016	\$ 29,986	\$ 14,679	\$ 44,665
Add: Allotment for 2017	43,375	53,074	96,449
Less: Amounts claimed during the year	<u>(32,566)</u>	<u>(67,753)</u>	<u>(100,319)</u>
Balance April 30, 2017	\$ <u>40,795</u>	\$ <u>-</u>	\$ <u>40,795</u>

The receivable from MPHEC is comprised of the following:

Receivable May 1, 2016	\$ -	\$ -	\$ -
Add: Claimed and accrued for 2017	32,566	67,753	100,319
Less: Amounts received during the year	<u>(32,566)</u>	<u>(67,753)</u>	<u>(100,319)</u>
Receivable April 30, 2017	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

8. Miscellaneous revenues:

	<u>2017</u>	<u>2016</u>
Facilities rental	\$ 61,770	\$ 68,650
Equipment rental	5,399	5,238
Other student fees	241,880	222,337
Donations	16,166	8,075
Alumni	36,552	-
Other	<u>39,986</u>	<u>40,246</u>
	\$ <u>401,753</u>	\$ <u>344,546</u>

MARITIME COLLEGE OF FOREST TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2017

9. Financial instruments:

The College is exposed to the following various risks through its financial instruments:

Credit risk -

Credit risk is the risk that a party may default on their financial obligations to the College, or if there is a concentration of transactions carried out with the same party or a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the College could incur a financial loss.

The maximum exposure that the College has to credit risk as at April 30, 2017 is as follows:

	<u>2017</u>	<u>2016</u>
Unrestricted cash and cash equivalents	\$ 513,095	\$ 412,310
Restricted cash and cash equivalents	173,025	447,140
Accounts receivable	<u>57,763</u>	<u>76,176</u>
	<u>\$ 743,883</u>	<u>\$ 935,626</u>

Credit risk in cash, and restricted cash and term deposits is minimized by depositing cash in major Canadian financial institutions. Management minimizes credit risks in accounts receivable by dealing with selected known customers and affiliates of the College and close monitoring of accounts receivable balances. Management believes that overall credit risk is minimal.

Liquidity risk -

Liquidity risk is the risk that the College will not be able to meet a demand for cash or fund its obligations as they come due.

The College meets its liquidity requirements by preparing an annual budget for operations, anticipating investing and financing activities and holding assets that can be readily converted into cash. The College holds significant cash reserves and investments throughout the year resulting from its semi-annual advances of the operating grant from the Maritime Provinces Higher Education Commission.

Market risk -

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

MARITIME COLLEGE OF FOREST TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2017

9. Financial instruments (continued):

Currency risk -

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The College does not normally transact a significant portion of its business in non-Canadian dollars and is not exposed to any significant currency risks.

Interest rate risk -

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with instruments will fluctuate due to changes in market interest rates.

The exposure of the College to interest rate risk arises from its interest bearing assets. Fluctuations in market rates of interest do not presently have a significant impact on the College's results of operations.

Other price risk -

The College is not presently exposed to any significant price risks on its financial instruments.

Changes in risk -

There have been no changes in the College's risk exposures from the prior year.