

**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2018**

**Shannon & Buffett, LLP**  
Chartered Professional Accountants

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# Shannon & Buffett, LLP

## Chartered Professional Accountants

HAL C. BUFFETT, CPA, CA GARRY L. ARMSTRONG, CPA, CA  
CLAUDE LEGER, CPA, CA RON W. SAUNTRY, CPA, CA

July 11, 2018

### 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, 2018 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, 2018 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, 2018 WITH COMPARATIVE FIGURES FOR 2017**

	<b><u>2018</u></b>	<b><u>2017</u></b>
<b><u>ASSETS</u></b>		
Current:		
Unrestricted cash and cash equivalents	\$ 450,535	\$ 513,095
Cash and cash equivalents internally restricted for equipment replacement	103,299	63,569
Cash and cash equivalents internally restricted for prizes and donations	130,905	109,456
Accounts receivable (note 2)	54,621	57,763
Prepaid expenses	<u>74,624</u>	<u>53,186</u>
	813,984	797,069
Capital assets (note 3)	<u>860,214</u>	<u>935,384</u>
	<b><u>\$ 1,674,198</u></b>	<b><u>\$ 1,732,453</u></b>
<b><u>LIABILITIES</u></b>		
Current:		
Accounts payable and accrued liabilities (note 4)	\$ 142,264	\$ 252,676
Deferred revenue	38,352	80,516
Current portion of obligation under capital lease (note 5)	<u>27,860</u>	<u>31,630</u>
	208,476	364,822
Obligation under capital lease (note 5)	<u>47,890</u>	<u>71,374</u>
	256,366	436,196
total liabilities	<u>256,366</u>	<u>436,196</u>
<b><u>NET ASSETS</u></b>		
Unrestricted net assets	323,414	187,848
Net assets invested in capital assets	860,214	935,384
Net assets internally restricted for equipment replacement	103,299	63,569
Net assets internally restricted for prizes and donations	<u>130,905</u>	<u>109,456</u>
	<u>1,417,832</u>	<u>1,296,257</u>
	<b><u>\$ 1,674,198</u></b>	<b><u>\$ 1,732,453</u></b>

See accompanying notes to financial statements.

Approved by the Board:

Director 

Director 

**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**STATEMENT OF OPERATIONS**

**YEAR ENDED APRIL 30, 2018 WITH COMPARATIVE FIGURES FOR 2017**

	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Revenues:</b>		
Government grants, operating	\$ 2,090,433	\$ 2,069,736
Government grants, restricted operating	35,565	35,565
Student academic fees, regular, Fredericton	731,802	635,055
Student academic fees, regular, Bathurst	125,747	102,335
Student academic fees, continuing education	263,982	372,851
Miscellaneous revenues (note 7)	487,490	401,753
Ancillary enterprises	705,640	626,727
Interest income	<u>4,713</u>	<u>3,805</u>
	<u>4,445,372</u>	<u>4,247,827</u>
<b>Expenses:</b>		
Academic	1,122,560	1,069,655
Continuing education	237,021	392,759
Administration	750,267	693,574
Plant maintenance and operations	701,579	590,366
Bathurst School - operating	457,872	423,058
Operations	52,169	35,106
Miscellaneous	123,289	98,523
Major repairs and alterations	9,873	-
Employee future benefits	-	(8,036)
Ancillary enterprises	<u>676,377</u>	<u>641,350</u>
	<u>4,131,007</u>	<u>3,936,355</u>
Excess of revenue over expenses before amortization	<u>314,365</u>	<u>311,472</u>
Amortization of capital assets	<u>(192,790)</u>	<u>(193,665)</u>
<b>Excess of revenue over expenses</b>	<b><u>\$ 121,575</u></b>	<b><u>\$ 117,807</u></b>

See accompanying notes to financial statements.

**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**STATEMENT OF CHANGES IN NET ASSETS**

**YEAR ENDED APRIL 30, 2018 WITH COMPARATIVE FIGURES FOR 2017**

	<b><u>Net Assets Internally Restricted for Prizes and Donations</u></b>	<b><u>Net Assets Internally Restricted for Equipment Replacement</u></b>	<b><u>Net Assets Invested in Capital Assets</u></b>	<b><u>Unrestricted Net Assets</u></b>	<b><u>2018 Total</u></b>	<b><u>2017 Total</u></b>
Balance, beginning of year	\$ 109,456	\$ 63,569	\$ 935,384	\$ 187,848	\$1,296,257	\$1,178,450
Excess (deficiency) of revenue over expenses	21,449	100,474	(192,790)	192,442	121,575	117,807
Transfer to (from) unrestricted net assets	<u>-</u>	<u>(60,744)</u>	<u>117,620</u>	<u>(56,876)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 130,905</u>	<u>\$ 103,299</u>	<u>\$ 860,214</u>	<u>\$ 323,414</u>	<u>\$1,417,832</u>	<u>\$1,296,257</u>



**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED APRIL 30, 2018 WITH COMPARATIVE FIGURES FOR 2017**

	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>CASH GENERATED FROM (USED IN):</b>		
<b>OPERATING ACTIVITIES:</b>		
Excess of revenue over expenses	\$ 121,575	\$ 117,807
Items not requiring a cash outlay:		
Amortization	192,790	193,665
Employee future benefits	<u>-</u>	<u>(8,036)</u>
	314,365	303,436
Net change in current assets and liabilities other than cash:		
Accounts receivable	3,142	18,413
Prepaid expenses	(21,438)	63,124
Accounts payable and accrued liabilities	(110,412)	(9,085)
Deferred revenue	<u>(42,164)</u>	<u>(34,642)</u>
	<u>143,493</u>	<u>341,246</u>
<b>INVESTING ACTIVITIES:</b>		
Acquisition of capital assets, net of capital grants	<u>(117,620)</u>	<u>(485,040)</u>
<b>FINANCING ACTIVITIES:</b>		
Repayments of obligation under capital lease	<u>(27,254)</u>	<u>(29,536)</u>
	<u>(27,254)</u>	<u>(29,536)</u>
<b>INCREASE (DECREASE) IN CASH, in the year</b>	(1,381)	(173,330)
<b>CASH, beginning of year</b>	<u>686,120</u>	<u>859,450</u>
<b>CASH, end of year</b>	<u><u>\$ 684,739</u></u>	<u><u>\$ 686,120</u></u>
<b>CASH CONSISTS OF:</b>		
Unrestricted cash and cash equivalents	\$ 450,535	\$ 513,095
Cash and cash equivalents internally restricted for equipment replacement	103,299	63,569
Cash and cash equivalents internally restricted for prizes and donations	<u>130,905</u>	<u>109,456</u>
	<u><u>\$ 684,739</u></u>	<u><u>\$ 686,120</u></u>

See accompanying notes to financial statements.

**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2018**

**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) 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, 2018**

### **1. Significant accounting policies (continued):**

#### **(d) Cash and cash equivalents -**

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

#### **(e) 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.

#### **(f) Deferred revenue -**

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

#### **(g) 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, 2018**

### **1. Significant accounting policies (continued):**

#### **(h) 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:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Students	\$ 7,132	\$ 34,233
Accrued interest	938	702
Net HST	2,529	1,787
Other amounts	55,236	25,117
Allowance for doubtful accounts	<u>(11,214)</u>	<u>(4,076)</u>
	<b><u>\$ 54,621</u></b>	<b><u>\$ 57,763</u></b>

**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2018**

**3. Capital assets:**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2018 Net Book Value</u>	<u>2017 Net Book Value</u>
Leasehold improvements	\$ 888,461	\$ 426,035	\$ 462,426	\$ 444,382
Furniture and equipment	1,317,922	1,137,024	180,898	192,255
Computer and GPS equipment	801,057	632,205	168,852	213,932
Vehicle and rolling stock	<u>211,570</u>	<u>163,532</u>	<u>48,038</u>	<u>84,815</u>
	<u>\$ 3,219,010</u>	<u>\$ 2,358,796</u>	<u>\$ 860,214</u>	<u>\$ 935,384</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>2018</u>	<u>2017</u>
Accounts payable	\$ 83,871	\$ 152,229
Accrued liabilities	<u>58,393</u>	<u>100,447</u>
	<u>\$ 142,264</u>	<u>\$ 252,676</u>

**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2018**

**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:

2019	\$	31,630
2020		31,630
2021		<u>24,868</u>
Total		88,128
Less imputed interest		<u>12,378</u>
Obligation under capital lease	\$	<u><u>75,750</u></u>

**6. Commitments:**

The Company leases the bathurst campus under an operating lease which expire in 2020.

Future minimum payments by year and in aggregate are approximately as follows:

2018	\$	59,300
2019		<u>59,300</u>
	\$	<u><u>118,600</u></u>

**7. Miscellaneous revenues:**

	<u>2018</u>	<u>2017</u>
Facilities rental	\$ 59,081	\$ 61,770
Equipment rental	4,100	5,399
Other student fees	241,694	241,880
Donations	25,697	16,166
Alumni	-	36,552
Summer programs	58,684	-
51st North American Moose Conference	40,167	-
UNB FOREM	7,938	-
Other	<u>50,129</u>	<u>39,986</u>
	<u>\$ 487,490</u>	<u>\$ 401,753</u>

**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2018**

**8. 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, 2018, the MPHEC has allotted, in favour of the College, an uncommitted balance of \$7,112 for future non-space expenditures and \$4,835 for alteration and renovations expenditures as follows:

	<b><u>Non Space</u></b>	<b><u>Alterations &amp; Renovations</u></b>	<b><u>Total</u></b>
Balance May 1, 2017	\$ 40,795	\$ -	\$ 40,795
Add: Allotment for 2018	43,809	53,484	97,293
Less: Amounts claimed during the year	<u>(77,492)</u>	<u>(48,649)</u>	<u>(126,141)</u>
Balance April 30, 2018	<u>\$ 7,112</u>	<u>\$ 4,835</u>	<u>\$ 11,947</u>

The receivable from MPHEC is comprised of the following:

Receivable May 1, 2017	\$ -	\$ -	\$ -
Add: Claimed and accrued for 2018	77,492	48,649	126,141
Less: Amounts received during the year	<u>(77,492)</u>	<u>(48,649)</u>	<u>(126,141)</u>
Receivable April 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



# MARITIME COLLEGE OF FOREST TECHNOLOGY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2018

### 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, 2018 is as follows:

	<u>2018</u>	<u>2017</u>
Unrestricted cash and cash equivalents	\$ 450,535	\$ 513,095
Restricted cash and cash equivalents	234,204	173,025
Accounts receivable	<u>54,621</u>	<u>57,763</u>
	<u>\$ 739,360</u>	<u>\$ 743,883</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, 2018**

**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.

**10. Comparative figures**

Certain prior year comparative figures have been changed to agree with the presentation adopted for 2018.