

**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2019**

**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**TABLE OF CONTENTS**

**YEAR ENDED APRIL 30, 2019**

| <b><u>FINANCIAL STATEMENTS:</u></b>      | <b><u>PAGE</u></b> |
|--|--------------------|
| INDEPENDENT AUDITOR'S REPORT .....       | 1 - 2              |
| STATEMENT OF NET ASSETS .....            | 3                  |
| STATEMENT OF OPERATIONS.....             | 4                  |
| STATEMENT OF CHANGES IN NET ASSETS ..... | 5                  |
| STATEMENT OF CASH FLOWS.....             | 6                  |
| NOTES TO FINANCIAL STATEMENTS.....       | 7 - 14             |

# 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

### **INDEPENDENT AUDITOR'S REPORT**

To The Board of Governors  
Maritime College of Forest Technology

#### ***Opinion***

We have audited the financial statements of Maritime College of Forest Technology, which comprise the statement of net assets as at April 30, 2019, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Maritime College of Forest Technology as at April 30, 2019, its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Enterprises.

#### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Other Information (Annual Report)***

It is understood that the audited financial statements may be used in the College's annual report. Management's responsibility is to ensure that if the financial statements are used in the annual report that the full and complete set of financial statements are included, this includes the independent auditor's report, statement of operations, statement of financial position and changes in net assets, statement of cash flows and the notes to the financial statements.

#### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Enterprises, 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.

In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern; if we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the College's activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Shannon & Buffett LLP*

Shannon & Buffett, LLP  
Chartered Professional Accountants  
August 12, 2019



**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**STATEMENT OF NET ASSETS**

**APRIL 30, 2019 WITH COMPARATIVE FIGURES FOR 2018**

|  | <b><u>2019</u></b>         | <b><u>2018</u></b>         |
|--|----------------------------|----------------------------|
| <b><u>ASSETS</u></b>   |                            |                            |
| Current:   |                            |                            |
| Unrestricted cash and cash equivalents                                       | \$ 591,185                 | \$ 450,535                 |
| Cash and cash equivalents internally restricted<br>for equipment replacement | 186,272                    | 103,299                    |
| Cash and cash equivalents internally restricted<br>for prizes and donations  | 126,856                    | 130,905                    |
| Accounts receivable (note 2)   | 29,449                     | 54,621                     |
| Prepaid expenses   | <u>41,144</u>              | <u>74,624</u>              |
|  | 974,906                    | 813,984                    |
| Capital assets (note 3)  | <u>731,628</u>             | <u>860,214</u>             |
|  | <b><u>\$ 1,706,534</u></b> | <b><u>\$ 1,674,198</u></b> |
| <b><u>LIABILITIES</u></b>  |                            |                            |
| Current:   |                            |                            |
| Accounts payable and accrued liabilities (note 4)                            | \$ 177,704                 | \$ 142,264                 |
| Deferred revenue   | 48,297                     | 38,352                     |
| Current portion of obligation under capital lease (note 5)                   | <u>28,900</u>              | <u>27,860</u>              |
|  | 254,901                    | 208,476                    |
| Obligation under capital lease (note 5)                                      | <u>18,110</u>              | <u>47,890</u>              |
|  | <u>273,011</u>             | <u>256,366</u>             |
| total liabilities  | <u>273,011</u>             | <u>256,366</u>             |
| <b><u>NET ASSETS</u></b>   |                            |                            |
| Unrestricted net assets  | 388,767                    | 323,414                    |
| Net assets invested in capital assets  | 731,628                    | 860,214                    |
| Net assets internally restricted for<br>equipment replacement                | 186,272                    | 103,299                    |
| Net assets internally restricted for<br>prizes and donations                 | <u>126,856</u>             | <u>130,905</u>             |
|  | <u>1,433,523</u>           | <u>1,417,832</u>           |
|  | <b><u>\$ 1,706,534</u></b> | <b><u>\$ 1,674,198</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, 2019 WITH COMPARATIVE FIGURES FOR 2018**

|  | <b><u>2019</u></b>      | <b><u>2018</u></b>       |
|--|-------------------------|--------------------------|
| <b>Revenues:</b>                                       |                         |                          |
| Government grants, operating                           | \$ 2,111,337            | \$ 2,090,433             |
| Government grants, restricted operating                | 35,565                  | 35,565                   |
| Government grants, renovations                         | 21,467                  | -                        |
| Student academic fees, regular, Fredericton            | 555,896                 | 731,802                  |
| Student academic fees, regular, Bathurst               | 127,592                 | 125,747                  |
| Student academic fees, continuing education            | 380,619                 | 263,982                  |
| Miscellaneous revenues (note 7)                        | 426,820                 | 487,490                  |
| Ancillary enterprises                                  | 690,020                 | 705,640                  |
| Interest income  | <u>6,351</u>            | <u>4,713</u>             |
|  | <u>4,355,667</u>        | <u>4,445,372</u>         |
| <b>Expenses:</b>                                       |                         |                          |
| Academic   | 1,036,362               | 1,122,560                |
| Continuing education                                   | 322,485                 | 237,021                  |
| Administration   | 705,767                 | 750,267                  |
| Plant maintenance and operations                       | 692,748                 | 701,579                  |
| Bathurst School - operating                            | 440,134                 | 457,872                  |
| Operations   | 40,329                  | 52,169                   |
| Miscellaneous  | 106,964                 | 133,162                  |
| Major repairs and alterations                          | 21,467                  | -                        |
| Ancillary enterprises                                  | <u>796,604</u>          | <u>676,377</u>           |
|  | <u>4,162,860</u>        | <u>4,131,007</u>         |
| Excess of revenue over expenses before<br>amortization | <u>192,807</u>          | <u>314,365</u>           |
| Amortization of capital assets                         | <u>(177,116)</u>        | <u>(192,790)</u>         |
| <b>Excess of revenue over expenses</b>                 | <b><u>\$ 15,691</u></b> | <b><u>\$ 121,575</u></b> |

See accompanying notes to financial statements.

**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**STATEMENT OF CHANGES IN NET ASSETS**

**YEAR ENDED APRIL 30, 2019 WITH COMPARATIVE FIGURES FOR 2018**

|   | Net Assets<br>Internally<br>Restricted<br>for Prizes<br>and Donations | Net Assets<br>Internally<br>Restricted<br>for Equipment<br>Replacement | Net Assets<br>Invested in<br>Capital Assets | Unrestricted<br>Net Assets | 2019<br>Total | 2018<br>Total |
|---|---|--|---|----------------------------|---------------|---------------|
| Balance, beginning of year                      | \$ 130,905  | \$ 103,299   | \$ 860,214                                  | \$ 323,414                 | \$1,417,832   | \$1,296,257   |
| Excess (deficiency) of revenue<br>over expenses | (4,049)   | 112,370  | (177,116)                                   | 84,486                     | 15,691        | 121,575       |
| Transfer to (from) unrestricted<br>net assets   | -   | (29,397)   | 48,530                                      | (19,133)                   | -             | -             |
| Balance, end of year                            | \$ 126,856  | \$ 186,272   | \$ 731,628                                  | \$ 388,767                 | \$1,433,523   | \$1,417,832   |

Shannon & Buffett, LLP  
Chartered Professional Accountants

**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED APRIL 30, 2019 WITH COMPARATIVE FIGURES FOR 2018**

|  | <b><u>2019</u></b> | <b><u>2018</u></b> |
|--|--------------------|--------------------|
| <b>CASH GENERATED FROM (USED IN):</b>  |                    |                    |
| <b>OPERATING ACTIVITIES:</b>   |                    |                    |
| Excess of revenue over expenses  | \$ 15,691          | \$ 121,575         |
| Items not requiring a cash outlay:   |                    |                    |
| Amortization   | <u>177,116</u>     | <u>192,790</u>     |
|  | 192,807            | 314,365            |
| Net change in current assets and liabilities other than cash:                |                    |                    |
| Accounts receivable  | 25,172             | 3,142              |
| Prepaid expenses   | 33,480             | (21,438)           |
| Accounts payable and accrued liabilities                                     | 35,440             | (110,412)          |
| Deferred revenue   | <u>9,945</u>       | <u>(42,164)</u>    |
|  | <u>296,844</u>     | <u>143,493</u>     |
| <b>INVESTING ACTIVITIES:</b>   |                    |                    |
| Acquisition of capital assets, net of capital grants                         | <u>(48,531)</u>    | <u>(117,620)</u>   |
| <b>FINANCING ACTIVITIES:</b>   |                    |                    |
| Repayments of obligation under capital lease                                 | <u>(28,739)</u>    | <u>(27,254)</u>    |
| <b>INCREASE (DECREASE) IN CASH, in the year</b>                              | 219,574            | (1,381)            |
| <b>CASH, beginning of year</b>   | <u>684,739</u>     | <u>686,120</u>     |
| <b>CASH, end of year</b>   | \$ <u>904,313</u>  | \$ <u>684,739</u>  |
| <b>CASH CONSISTS OF:</b>   |                    |                    |
| Unrestricted cash and cash equivalents                                       | \$ 591,185         | \$ 450,535         |
| Cash and cash equivalents internally restricted for<br>equipment replacement | 186,272            | 103,299            |
| Cash and cash equivalents internally restricted for<br>prizes and donations  | <u>126,856</u>     | <u>130,905</u>     |
|  | \$ <u>904,313</u>  | \$ <u>684,739</u>  |

See accompanying notes to financial statements.



# **MARITIME COLLEGE OF FOREST TECHNOLOGY**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2019**

### **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, 2019**

**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, 2019**

**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>2019</u></b>      | <b><u>2018</u></b>      |
|---------------------------------|-------------------------|-------------------------|
| Students                        | \$ 7,138                | \$ 7,132                |
| Accrued interest                | 1,055                   | 938                     |
| Net HST                         | 1,827                   | 2,529                   |
| Other amounts                   | 36,311                  | 55,236                  |
| Allowance for doubtful accounts | <u>(16,882)</u>         | <u>(11,214)</u>         |
|                                 | <b><u>\$ 29,449</u></b> | <b><u>\$ 54,621</u></b> |



**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2019**

**3. Capital assets:**

|                            | <b><u>Cost</u></b>  | <b><u>Accumulated<br/>Amortization</u></b> | <b><u>2019<br/>Net Book<br/>Value</u></b> | <b><u>2018<br/>Net Book<br/>Value</u></b> |
|----------------------------|---------------------|--|---|---|
| Leasehold improvements     | \$ 934,509          | \$ 469,595                                 | \$ 464,914                                | \$ 462,426                                |
| Furniture and equipment    | 1,329,643           | 1,169,574                                  | 160,069                                   | 180,898                                   |
| Computer and GPS equipment | 824,825             | 719,600                                    | 105,225                                   | 168,852                                   |
| Vehicle and rolling stock  | <u>178,563</u>      | <u>177,143</u>                             | <u>1,420</u>                              | <u>48,038</u>                             |
|                            | <u>\$ 3,267,540</u> | <u>\$ 2,535,912</u>                        | <u>\$ 731,628</u>                         | <u>\$ 860,214</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:

|                     | <b><u>2019</u></b> | <b><u>2018</u></b> |
|---------------------|--------------------|--------------------|
| Accounts payable    | \$ 104,277         | \$ 83,871          |
| Accrued liabilities | <u>73,427</u>      | <u>58,393</u>      |
|                     | <u>\$ 177,704</u>  | <u>\$ 142,264</u>  |



**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2019**

**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:

|                                |    |                      |
|--------------------------------|----|----------------------|
| 2020                           | \$ | 31,630               |
| 2021                           |    | <u>24,868</u>        |
| Total                          |    | 56,498               |
| Less imputed interest          |    | <u>9,488</u>         |
| Obligation under capital lease | \$ | <u><u>47,010</u></u> |

**6. Commitments:**

The Company leases space for the Bathurst campus under an operating lease which expires in 2020 and leases land in Kingsclear under an operating lease which expires in 2035.

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

|      |    |                      |
|------|----|----------------------|
| 2020 | \$ | 59,687               |
| 2021 |    | 21,262               |
| 2022 |    | 2,049                |
| 2023 |    | 2,049                |
| 2024 |    | <u>2,049</u>         |
|      | \$ | <u><u>87,096</u></u> |

**7. Miscellaneous revenues:**

|                                      | <u>2019</u>       | <u>2018</u>       |
|--------------------------------------|-------------------|-------------------|
| Facilities rental                    | \$ 63,390         | \$ 59,081         |
| Equipment rental                     | 5,555             | 4,100             |
| Other student fees                   | 239,865           | 241,694           |
| Donations                            | 2,670             | 25,697            |
| Summer programs                      | 66,041            | 58,684            |
| 51st North American Moose Conference | -                 | 40,167            |
| UNB FOREM                            | 10,631            | 7,938             |
| Other                                | <u>38,668</u>     | <u>50,129</u>     |
|                                      | <u>\$ 426,820</u> | <u>\$ 487,490</u> |

# **MARITIME COLLEGE OF FOREST TECHNOLOGY**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEAR ENDED APRIL 30, 2019**

#### **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, 2019, the MPHEC has allotted, in favour of the College, an uncommitted balance of \$9,778 for future non-space expenditures and \$27,843 for alteration and renovations expenditures as follows:

|                                       | <b><u>Non Space</u></b> | <b><u>Alterations &amp;<br/>Renovations</u></b> | <b><u>Total</u></b> |
|---------------------------------------|-------------------------|---|---------------------|
| Balance May 1, 2018                   | \$ 7,112                | \$ 4,835  | \$ 11,947           |
| Add: Allotment for 2019               | 44,247                  | 54,079  | 98,326              |
| Less: Amounts claimed during the year | <u>(41,581)</u>         | <u>(31,071)</u>                                 | <u>(72,652)</u>     |
| Balance April 30, 2019                | \$ <u>9,778</u>         | \$ <u>27,843</u>                                | \$ <u>37,621</u>    |

The receivable from MPHEC is comprised of the following:

|  |                 |                 |                 |
|--|-----------------|-----------------|-----------------|
| Receivable May 1, 2018                 | \$ -            | \$ -            | \$ -            |
| Add: Claimed and accrued for 2019      | 41,581          | 31,071          | 72,652          |
| Less: Amounts received during the year | <u>(41,581)</u> | <u>(31,071)</u> | <u>(72,652)</u> |
| Receivable April 30, 2019              | \$ <u>-</u>     | \$ <u>-</u>     | \$ <u>-</u>     |

**MARITIME COLLEGE OF FOREST TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2019**

**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, 2019 is as follows:

|  | <b><u>2019</u></b>       | <b><u>2018</u></b>       |
|--|--------------------------|--------------------------|
| Unrestricted cash and cash equivalents | \$ 591,185               | \$ 450,535               |
| Restricted cash and cash equivalents   | 313,128                  | 234,204                  |
| Accounts receivable                    | <u>29,449</u>            | <u>54,621</u>            |
|  | <b><u>\$ 933,762</u></b> | <b><u>\$ 739,360</u></b> |

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, 2019**

**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.