

MARITIME COLLEGE OF FOREST TECHNOLOGY

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2020

MARITIME COLLEGE OF FOREST TECHNOLOGY

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Shannon & Buffett, LLP

Chartered Professional Accountants

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, 2020, 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, 2020, its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

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 Organizations, 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.

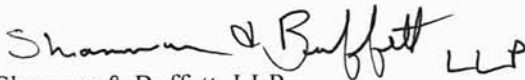
In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or 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 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
Chartered Professional Accountants
August 21, 2020

MARITIME COLLEGE OF FOREST TECHNOLOGY

STATEMENT OF NET ASSETS

APRIL 30, 2020 WITH COMPARATIVE FIGURES FOR 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current:		
Unrestricted cash and cash equivalents	\$ 565,145	\$ 591,185
Cash and cash equivalents internally restricted for equipment replacement	253,158	186,272
Cash and cash equivalents internally restricted for prizes and donations	124,436	126,856
Accounts receivable (note 2)	38,922	29,449
Prepaid expenses	<u>79,516</u>	<u>41,144</u>
	1,061,177	974,906
Capital assets (note 3)	<u>626,916</u>	<u>731,628</u>
	<u>\$ 1,688,093</u>	<u>\$ 1,706,534</u>
<u>LIABILITIES</u>		
Current:		
Accounts payable and accrued liabilities (note 4)	\$ 85,498	\$ 177,704
Deferred revenue	61,780	48,297
Current portion of obligation under capital lease (note 5)	<u>16,540</u>	<u>28,900</u>
	163,818	254,901
Obligation under capital lease (note 5)	<u>-</u>	<u>18,110</u>
	<u>163,818</u>	<u>273,011</u>
total liabilities	<u>163,818</u>	<u>273,011</u>
<u>NET ASSETS</u>		
Unrestricted net assets	519,765	388,767
Net assets invested in capital assets	626,916	731,628
Net assets internally restricted for equipment replacement	253,158	186,272
Net assets internally restricted for prizes and donations	<u>124,436</u>	<u>126,856</u>
	<u>1,524,275</u>	<u>1,433,523</u>
	<u>\$ 1,688,093</u>	<u>\$ 1,706,534</u>

See accompanying notes to financial statements.

Contingent liabilities (note 10)

Approved by the Board:

Director 

Director 

MARITIME COLLEGE OF FOREST TECHNOLOGY

STATEMENT OF OPERATIONS

YEAR ENDED APRIL 30, 2020 WITH COMPARATIVE FIGURES FOR 2019

	<u>2020</u>	<u>2019</u>
Revenues:		
Government grants, operating	\$ 2,132,450	\$ 2,111,337
Government grants, restricted operating	35,565	35,565
Government grants, renovations	4,903	21,467
Student academic fees, regular, Fredericton	598,039	555,896
Student academic fees, regular, Bathurst	149,425	127,592
Student academic fees, continuing education	350,880	380,619
Miscellaneous revenues (note 7)	448,681	426,820
Ancillary enterprises	654,737	690,020
Interest income	<u>5,797</u>	<u>6,351</u>
	<u>4,380,477</u>	<u>4,355,667</u>
Expenses:		
Academic	1,023,833	1,036,362
Continuing education	258,815	322,485
Administration	766,630	705,767
Plant maintenance and operations	733,221	692,748
Bathurst Campus	507,656	440,134
Operations	40,850	40,329
Miscellaneous	105,786	106,964
Major repairs and alterations (renovations)	4,903	21,467
Ancillary enterprises	<u>687,175</u>	<u>796,604</u>
	<u>4,128,869</u>	<u>4,162,860</u>
Excess of revenue over expenses before amortization and gain on disposal of capital assets	<u>251,608</u>	<u>192,807</u>
Amortization of capital assets	(176,508)	(177,116)
Gain on disposal of capital assets	<u>15,652</u>	<u>-</u>
Excess of revenue over expenses	<u>\$ 90,752</u>	<u>\$ 15,691</u>

See accompanying notes to financial statements.

MARITIME COLLEGE OF FOREST TECHNOLOGY

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED APRIL 30, 2020 WITH COMPARATIVE FIGURES FOR 2019

	Net Assets Internally Restricted for Prizes and Donations	Net Assets Internally Restricted for Equipment Replacement	Net Assets Invested in Capital Assets	Unrestricted Net Assets	2020 Total	2019 Total
Balance, beginning of year	\$ 126,856	\$ 186,272	\$ 731,628	\$ 388,767	\$1,433,523	\$1,417,832
Excess (deficiency) of revenue over expenses	(2,420)	91,873	(160,856)	162,155	90,752	15,691
Transfer to (from) unrestricted net assets	-	(24,987)	56,144	(31,157)	-	-
Balance, end of year	<u>\$ 124,436</u>	<u>\$ 253,158</u>	<u>\$ 626,916</u>	<u>\$ 519,765</u>	<u>\$1,524,275</u>	<u>\$1,433,523</u>

MARITIME COLLEGE OF FOREST TECHNOLOGY

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2020 WITH COMPARATIVE FIGURES FOR 2019

	<u>2020</u>	<u>2019</u>
CASH GENERATED FROM (USED IN):		
OPERATING ACTIVITIES:		
Excess of revenue over expenses	\$ 90,752	\$ 15,691
Items not requiring a cash outlay:		
Amortization	176,508	177,116
Gain on disposal of capital assets	<u>(15,652)</u>	<u>-</u>
	251,608	192,807
Net change in current assets and liabilities other than cash:		
Accounts receivable	(9,473)	25,170
Prepaid expenses	(38,372)	33,480
Accounts payable and accrued liabilities	(92,206)	35,442
Deferred revenue	<u>13,483</u>	<u>9,945</u>
	<u>125,040</u>	<u>296,844</u>
INVESTING ACTIVITIES:		
Acquisition of capital assets, net of capital grants	(71,795)	(48,531)
Proceeds from disposal of capital assets	<u>15,652</u>	<u>-</u>
	<u>(56,143)</u>	<u>(48,531)</u>
FINANCING ACTIVITIES:		
Repayments of obligation under capital lease	<u>(30,471)</u>	<u>(28,739)</u>
INCREASE IN CASH, in the year	38,426	219,574
CASH, beginning of year	<u>904,313</u>	<u>684,739</u>
CASH, end of year	<u><u>\$ 942,739</u></u>	<u><u>\$ 904,313</u></u>
CASH CONSISTS OF:		
Unrestricted cash and cash equivalents	\$ 565,145	\$ 591,185
Cash and cash equivalents internally restricted for equipment replacement	253,158	186,272
Cash and cash equivalents internally restricted for prizes and donations	<u>124,436</u>	<u>126,856</u>
	<u><u>\$ 942,739</u></u>	<u><u>\$ 904,313</u></u>

See accompanying notes to financial statements.

MARITIME COLLEGE OF FOREST TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2020

General:

The Maritime College of Forest Technology, recognized internationally, provides training in technical, vocational and continuing education in Forestry and Fish & Wildlife. 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 tuition and professional certification 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, 2020

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 and other amounts 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, 2020

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:

	<u>2020</u>	<u>2019</u>
Students	\$ 11,214	\$ 7,138
Accrued interest	796	1,055
Net HST	3,403	1,827
Other amounts	39,779	36,311
Allowance for doubtful accounts	<u>(16,270)</u>	<u>(16,882)</u>
	<u>\$ 38,922</u>	<u>\$ 29,449</u>

MARITIME COLLEGE OF FOREST TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2020

3. Capital assets:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net Book Value</u>	<u>2019 Net Book Value</u>
Leasehold improvements	\$ 996,230	\$ 527,809	\$ 468,421	\$ 464,914
Furniture and equipment	1,342,014	1,202,655	139,359	160,069
Computer and GPS equipment	830,704	794,110	36,594	105,225
Vehicle and rolling stock	<u>140,132</u>	<u>157,590</u>	<u>(17,458)</u>	<u>1,420</u>
	<u>\$ 3,309,080</u>	<u>\$ 2,682,164</u>	<u>\$ 626,916</u>	<u>\$ 731,628</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>2020</u>	<u>2019</u>
Accounts payable	\$ 54,768	\$ 104,277
Accrued liabilities	<u>30,730</u>	<u>73,427</u>
	<u>\$ 85,498</u>	<u>\$ 177,704</u>

MARITIME COLLEGE OF FOREST TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2020

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:

2021	\$ 17,554
Less imputed interest	<u>1,014</u>
Obligation under capital lease	<u>\$ 16,540</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	\$ 21,300
2021	2,000
2022	2,000
2023	2,000
2024	2,000
2025 to 2035	<u>22,000</u>
	<u>\$ 51,300</u>

7. Miscellaneous revenues:

	<u>2020</u>	<u>2019</u>
Facilities rental	\$ 93,321	\$ 63,390
Equipment rental	2,775	5,555
Other student fees	229,506	224,865
Donations	4,350	2,670
Summer programs	69,554	81,041
UNB FOREM	-	10,631
Other	<u>49,175</u>	<u>38,668</u>
	<u>\$ 448,681</u>	<u>\$ 426,820</u>

MARITIME COLLEGE OF FOREST TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2020

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, 2020, the MPHEC has allotted, in favour of the College, an uncommitted balance of \$18,916 for future non-space expenditures and \$23,951 for alteration and renovations expenditures as follows:

	<u>Non Space</u>	<u>Alterations & Renovations</u>	<u>Total</u>
Balance May 1, 2019	\$ 9,778	\$ 27,843	\$ 37,621
Add: Allotment for 2020	44,689	54,620	99,309
Less: Amounts claimed during the year	<u>(35,551)</u>	<u>(58,512)</u>	<u>(94,063)</u>
Balance April 30, 2020	\$ <u>18,916</u>	\$ <u>23,951</u>	\$ <u>42,867</u>

The receivable from MPHEC is comprised of the following:

Receivable May 1, 2019	\$ -	\$ -	\$ -
Add: Claimed and accrued for 2020	35,551	58,512	94,063
Less: Amounts received during the year	<u>(35,551)</u>	<u>(58,512)</u>	<u>(94,063)</u>
Receivable April 30, 2020	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

9. Subsequent events:

In January 2020, the World Health Organization declared a public health state of emergency due to the Covid-19 pandemic. In March 2020, both the Government of Canada and the Government of the Province of New Brunswick declared states of emergencies.

At this time there is no estimate of the total financial impact of the subsequent event on the College.

MARITIME COLLEGE OF FOREST TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2020

10. **Contingent liabilities:**

The college is a defendant in two legal actions as at April 30, 2020. The actions are in the very early stages of litigation and no determination of liability or damages, if any, have been made and accordingly no provision has been recorded as at April 30, 2020. A provision, if any, will be recorded in the future period when the amounts, if any, are reasonably determinable.

11. **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, 2020 is as follows:

	<u>2020</u>	<u>2019</u>
Unrestricted cash and cash equivalents	\$ 565,145	\$ 591,185
Restricted cash and cash equivalents	377,594	313,128
Accounts receivable	<u>38,922</u>	<u>29,449</u>
	<u>\$ 981,661</u>	<u>\$ 933,762</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. As at April 30, 2020 the College is exposed to additional liquidity risk resulting from Covid - 19 as revenues from all sources may be negatively impacted for the remainder of the 2020 year and for subsequent years.

Generally, 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.

MARITIME COLLEGE OF FOREST TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2020

11. Financial instruments (continued):

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.

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.

12. Comparative figures

Certain prior year comparative figures have been changed to agree with the presentation adopted for 2020.