

Financial Statements of

**DUMONT TECHNICAL
INSTITUTE INC.**

Year ended June 30, 2018



INDEPENDENT AUDITORS' REPORT

To the Directors

We have audited the accompanying financial statements of Dumont Technical Institute Inc. which comprise the statement of financial position as at June 30, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Dumont Technical Institute Inc. as at June 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line.

Chartered Professional Accountants

September 28, 2018

Saskatoon, Canada

DUMONT TECHNICAL INSTITUTE INC.

Statement of Financial Position

June 30, 2018, with comparative information for 2017

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 404,036 | \$ 859,599 |
| Accounts receivable | 418,750 | 95,589 |
| Prepaid expenses | 84,109 | 175,854 |
| | <u>906,895</u> | <u>1,131,042</u> |
| Investments (note 4) | 1,413,812 | 1,413,724 |
| Property and equipment (note 5) | 5,221,053 | 3,333,744 |
| | <u>\$ 7,541,760</u> | <u>\$ 5,878,510</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 504,671 | \$ 274,407 |
| Deferred revenue (note 6) | 951,577 | 532,281 |
| Current portion of long-term debt (note 7) | 55,503 | 53,552 |
| | <u>1,511,751</u> | <u>860,240</u> |
| Long-term debt (note 7) | 112,611 | 168,088 |
| Deferred capital contributions (note 8) | 1,406,000 | 159,914 |
| Net assets | | |
| Invested in property and equipment | 3,646,939 | 2,952,190 |
| Core | 730,442 | 1,626,723 |
| Programming | 134,017 | 111,355 |
| | <u>4,511,398</u> | <u>4,690,268</u> |
| Commitments (notes 8 and 9) | | |
| Subsequent event (note 13) | | |
| | <u>\$ 7,541,760</u> | <u>\$ 5,878,510</u> |

See accompanying notes to financial statements.

On behalf of the Board:

Earl Cook Director

Lady M. M. M. Director

DUMONT TECHNICAL INSTITUTE INC.

Statement of Operations

Year ended June 30, 2018, with comparative information for 2017

| | Core | BE Programs | Other Programs | 2018 | 2017 |
|--|------------------|------------------|------------------|------------------|------------------|
| Revenue: | | | | | |
| Government of Saskatchewan grants | \$ 1,955,272 | \$ 1,959,766 | \$ 901,152 | \$ 4,816,190 | \$ 4,858,517 |
| Tuition and fees | - | - | 2,204,569 | 2,204,569 | 2,214,916 |
| Facility rental and other income | 513,420 | - | - | 513,420 | 457,675 |
| Investment income | 16,024 | - | - | 16,024 | 11,490 |
| Amortization of deferred capital contributions | 74,000 | - | - | 74,000 | - |
| | <u>2,558,716</u> | <u>1,959,766</u> | <u>3,105,721</u> | <u>7,624,203</u> | <u>7,542,598</u> |
| Expenses: | | | | | |
| Salaries | 1,418,202 | 1,074,149 | 1,055,277 | 3,547,628 | 3,717,816 |
| Purchased courses | 78,835 | 118,976 | 664,149 | 861,960 | 813,694 |
| Facilities | 269,953 | 242,069 | 268,745 | 780,767 | 854,491 |
| Staff benefits | 290,159 | 183,656 | 199,595 | 673,410 | 624,182 |
| Instructional costs | 8,498 | 93,284 | 419,680 | 521,462 | 492,591 |
| Amortization | 295,394 | - | - | 295,394 | 185,096 |
| Staff travel | 81,316 | 37,209 | 132,417 | 250,942 | 170,807 |
| Administrative services | - | 39,388 | 148,088 | 187,476 | 178,141 |
| Equipment and education supplies | 52,770 | 50,910 | 38,962 | 142,642 | 69,130 |
| Office supplies | 63,320 | 34,748 | 31,664 | 129,732 | 138,697 |
| Public relations | 91,151 | 17,372 | 12,436 | 120,959 | 87,802 |
| Telephone and fax | 24,383 | 34,149 | 19,027 | 77,559 | 78,970 |
| Insurance | 37,490 | 884 | 25,037 | 63,411 | 58,961 |
| Software support | 2,445 | 11,113 | 41,050 | 54,608 | 68,106 |
| Professional services | 17,521 | 18,000 | 18,000 | 53,521 | 50,152 |
| Professional development | 12,423 | 3,859 | 8,932 | 25,214 | 36,490 |
| Interest and bank charges | 16,388 | - | - | 16,388 | 16,583 |
| | <u>2,760,248</u> | <u>1,959,766</u> | <u>3,083,059</u> | <u>7,803,073</u> | <u>7,641,709</u> |
| Excess (deficiency) of revenue over expenses | \$ (201,532) | \$ - | \$ 22,662 | \$ (178,870) | \$ (99,111) |

See accompanying notes to financial statements.

DUMONT TECHNICAL INSTITUTE INC.

Statement of Changes in Net Assets

Year ended June 30, 2018, with comparative information for 2017

| | Invested in property and equipment | Core | Programming Funds | | 2018 | 2017 |
|---|---|--------------|-------------------|-------------------|--------------|--------------|
| | | | BE Programs | Other Programs | | |
| Balance, beginning of year | \$ 2,952,190 | \$ 1,626,723 | \$ - | \$ 111,355 | \$ 4,690,268 | \$ 4,789,379 |
| Excess (deficiency) of revenue over expenses | - | (201,532) | - | 22,662 | (178,870) | (99,111) |
| Purchase of property and equipment | 2,182,703 | (2,182,703) | - | - | - | - |
| Amortization | (295,394) | 295,394 | - | - | - | - |
| Deferred capital contributions | (1,320,086) | 1,320,086 | - | - | - | - |
| Amortization of deferred capital contributions | 74,000 | (74,000) | - | - | - | - |
| Repayment of long-term debt | 53,526 | (53,526) | - | - | - | - |
| Balance, end of year | \$ 3,646,939 | \$ 730,442 | \$ - | \$ 134,017 | \$ 4,511,398 | \$ 4,690,268 |

See accompanying notes to financial statements.

DUMONT TECHNICAL INSTITUTE INC.

Statement of Cash Flows

Year ended June 30, 2018, with comparative information for and 2017

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Cash flows from (used in): | | |
| Operations: | | |
| Deficiency of revenue over expenses | \$ (178,870) | \$ (99,111) |
| Items not involving cash: | | |
| Amortization | 295,394 | 185,096 |
| Investment increase to fair value | (88) | (1,375) |
| Amortization of deferred capital contributions | (74,000) | - |
| Change in non-cash operating working capital: | | |
| Accounts receivable | (323,161) | 186,127 |
| Prepaid expenses | 91,745 | (96,959) |
| Accounts payable and accrued liabilities | 230,264 | (35,795) |
| Deferred revenue | 419,296 | 232,486 |
| | <u>460,580</u> | <u>370,469</u> |
| Financing: | | |
| Repayment of long-term debt | (53,526) | (51,503) |
| Deferred capital contributions | 1,320,086 | 159,914 |
| | <u>1,266,560</u> | <u>108,411</u> |
| Investing: | | |
| Purchase of property and equipment | (2,182,703) | (463,737) |
| Increase (decrease) in cash | <u>(455,563)</u> | <u>15,143</u> |
| Cash and cash equivalents, beginning of year | 859,599 | 844,456 |
| Cash and cash equivalents, end of year | <u>\$ 404,036</u> | <u>\$ 859,599</u> |

See accompanying notes to financial statements.

DUMONT TECHNICAL INSTITUTE INC.

Notes to Financial Statements

Year ended June 30, 2018

1. Nature of organization:

Dumont Technical Institute Inc. ("the Institute", "DTI") is an organization that provides Métis people in Saskatchewan the opportunity to obtain training and education through the Institute as well as its affiliates, Gabriel Dumont College Inc., Gabriel Dumont Institute of Native Studies and Applied Research Inc., Gabriel Dumont Scholarship Foundation II, Gabriel Dumont Institute Press Inc. and Gabriel Dumont Institute Training and Employment Inc.

The Institute is incorporated under the Non-Profit Corporations Act of Saskatchewan and as such is not subject to income tax under the Income Tax Act (Canada).

The Institute is jointly controlled with Gabriel Dumont Institute of Native Studies and Applied Research and its related entities: Gabriel Dumont College Inc., Gabriel Dumont Institute Training and Employment Inc., Gabriel Dumont Scholarship Foundation II, and Gabriel Dumont Institute Press Inc., as the Board of Directors of Gabriel Dumont Institute of Native Studies and Applied Research, Inc. are the same directors and the only directors of the controlled entities. These financial statements do not include the operations of these other entities.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit entities in Part III of the CPA Canada Handbook and reflect the following policies:

(a) Fund accounting:

The majority of the skills training programs offered are accredited through Saskatchewan Polytechnic.

Revenue and expenses related to program delivery and administrative activities are reported in the following funds:

Core services

The Core operations are responsible for program coordination, resource management, strategic planning, provision of counselling services and the day-to-day functions of the Institute.

Basic Education Programs

The Basic Education Programming (BE) includes a wide range of programs aimed at increasing the education and literacy levels of course participants. Programs offered under BE include adult secondary education, life skills and employment enhancement.

DUMONT TECHNICAL INSTITUTE INC.

Notes to Financial Statements (continued)

Year ended June 30, 2018

2. Significant accounting policies (continued):

Other Programs

Other programs include a wide range of technical programming with the aim of equipping students with the necessary knowledge and skills to enter the labour market.

(b) Revenue recognition:

The Institute follows the deferral method of accounting for contributions. 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. Contract revenue is recognized as service is provided under the terms of the contract. Deferred revenue represents funding received related to expenditures and program delivery in future years.

Contributions restricted for the purchase of capital assets are deferred and recognized into revenue at a rate corresponding with the amortization rate for the capital asset.

Tuition and fees are recognized as revenue when the courses are held.

(c) Cash and cash equivalents:

Cash and cash equivalents includes bank balances and balances with financial institutions which are highly liquid and have an initial term to maturity of three months or less.

(d) Investments:

Investments consist of money market mutual funds and fixed income bond pooled funds with a Canadian chartered bank and are carried at market value. These investments are considered long-term in nature as they are held for long-term investment purposes.

In determining fair values, adjustments have not been made for transaction costs as they are not considered significant. The unrealized gain or loss on investments, being the difference between book value and fair value, is included in investment income in the statement of operations.

DUMONT TECHNICAL INSTITUTE INC.

Notes to Financial Statements (continued)

Year ended June 30, 2018

2. Significant accounting policies (continued):

(e) Property and equipment:

Property and equipment are stated at cost less accumulated amortization. Normal maintenance and repair expenditures are expensed as incurred.

Amortization is provided using the following methods and rates:

| Asset | Method | Rate |
|-------------------------|-------------------|------|
| Computer equipment | Declining balance | 30% |
| Furniture and equipment | Declining balance | 20% |
| Building | Declining balance | 5% |

Assets under construction or development are not subject to amortization until the project is substantially complete and available for use. Amortization is charged for the full year in the year of acquisition. No amortization is taken in the year of disposal. It is expected that this policy will charge operations with the total cost of the assets over the useful life of the assets. Gains or losses on the disposal of individual assets are recognized in income in the year of disposal. Contributions for assets purchased are deferred and amortized on the same basis as the assets to which they relate.

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

(f) Employee benefits:

The Institute provides a defined contribution pension plan, life insurance, long and short term disability coverage, dental, vision, and health care benefits to employees. Costs are expensed in the year incurred.

DUMONT TECHNICAL INSTITUTE INC.

Notes to Financial Statements (continued)

Year ended June 30, 2018

2. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organization requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful life of property and equipment, the collectibility of accounts receivable and estimates of deferred revenue. Actual results could differ from those estimates.

(h) Allocation of income and expenses:

The Institute recognizes facility rental income in the Core service fund and allocates facility expense to the Basic Education programs and Other program funds. The amount of income recognized and expense allocated is based on a market rent analysis done by a third party.

The rental income and expense allocated are as follows:

| | 2018 | 2017 |
|--------------------------|------------|------------|
| Facility rental income | \$ 272,127 | \$ 272,127 |
| Allocated as follows: | | |
| Basic Education programs | 169,003 | 169,003 |
| Other programs | 103,124 | 103,124 |
| | \$ 272,127 | \$ 272,127 |

DUMONT TECHNICAL INSTITUTE INC.

Notes to Financial Statements (continued)

Year ended June 30, 2018

3. Financial instruments and risk management:

The Institute, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments.

Credit risk

The Institute's principal financial assets subject to credit risk are cash and cash equivalents, accounts receivable, and investments. The carrying amounts of these financial assets on the statement of financial position represent the Institute's maximum credit exposure at the year-end date.

The Institute's credit risk on its investments is primarily attributable to the volatility of the markets. The credit risk related to accounts receivable is minimized as these receivables are normally from related parties and government agencies. The credit risk on cash and cash equivalents is limited because the counter parties are chartered banks with high credit ratings assigned by national credit-rating agencies.

Interest rate risk

The interest bearing investments have limited exposure to interest rate risk due to their short-term period to maturity. The Institute also has exposure to interest rate risk on its long-term debt arising from interest at variable rates as well as prevailing interest rates at the time of renewal or refinancing of the debt as it becomes due.

Market risk

The Institute is exposed to interest rate and other price risk on its investments.

Fair values

Cash and cash equivalents and investments are recorded at fair value. For certain of the Institute's financial instruments including accounts receivable and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to the immediate or short-term maturity of these items.

Due to the non-arms length relationship between the parties, it is not possible to approximate the fair value of amounts due to affiliates, that may arise.

DUMONT TECHNICAL INSTITUTE INC.

Notes to Financial Statements (continued)

Year ended June 30, 2018

4. Investments:

| | | 2018 | | 2017 | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| | Cost | Market Value | Market Value | Market Value | Market Value |
| Imperial Short Term Bond Pool | \$ 728,349 | \$ 706,216 | \$ 697,205 | | |
| Imperial Canadian Bond Pool | 531,604 | 556,627 | 584,529 | | |
| Imperial Money Market Pool | 93,843 | 93,785 | 74,707 | | |
| Imperial International Bond Pool | 48,291 | 57,184 | 57,283 | | |
| | \$ 1,402,087 | \$ 1,413,812 | \$ 1,413,724 | | |

5. Property and equipment:

| | | | 2018 | | 2017 | |
|-----------------------------|--------------|--------------------------|----------------|----------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value | Net book value | Net book value |
| Land | \$ 819,376 | \$ - | \$ 819,376 | \$ 771,376 | | |
| Furniture and equipment | 1,098,067 | 951,006 | 147,061 | 184,762 | | |
| Buildings | 5,385,245 | 1,169,636 | 4,215,609 | 2,170,063 | | |
| Computer equipment | 329,502 | 290,495 | 39,007 | 47,629 | | |
| Building under construction | - | - | - | 159,914 | | |
| | \$ 7,632,190 | \$ 2,411,137 | \$ 5,221,053 | \$ 3,333,744 | | |

DUMONT TECHNICAL INSTITUTE INC.

Notes to Financial Statements (continued)

Year ended June 30, 2018

6. Deferred revenue:

Deferred revenue is comprised of the following:

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Ministry of Economy - Basic Education programs | \$ 490,074 | \$ 345,412 |
| Advanced Education - Skills Training | 201,929 | 148,081 |
| Advanced Education - Employee Assistance for People with Disabilities | 9,598 | 32,370 |
| Gabriel Dumont Institute Training & Employment Inc. | 196,552 | 3,994 |
| Other | 53,424 | 2,424 |
| | \$ 951,577 | \$ 532,281 |

7. Long-term debt:

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Clarence Campeau Development Fund term loan due March 2021, repayable in monthly instalments of \$5,087 including interest at a rate of 2% over the Scotia McLeod five-year bankers acceptance rate (currently 3.81% 2017 - 4.02%) against which a building has been pledged as collateral. | \$ 168,114 | \$ 221,640 |
| Current portion | 55,503 | 53,552 |
| | \$ 112,611 | \$ 168,088 |

Estimated principal repayments of long-term debt for each of the next three years are as follows:

| | | |
|------|-----------|----------------|
| 2019 | \$ | 55,503 |
| 2020 | | 57,846 |
| 2021 | | 54,765 |
| | \$ | 168,114 |

DUMONT TECHNICAL INSTITUTE INC.

Notes to Financial Statements (continued)

Year ended June 30, 2018

8. Deferred contributions for La Loche building:

During the previous year, the Institute entered into an agreement (the "Agreement") with the Minister of Advanced Education of the Government of Saskatchewan (the "Minister") for the La Loche Program Centre Addition Project. This Agreement allocated up to \$1,480,000 of Government of Canada funding through the Post Secondary Institutions Strategic Investment Fund towards this project. Project costs were initially estimated at \$1,653,700, with the Institute responsible for funding the difference.

Construction of the La Loche Program Centre was completed in 2018 and during the year \$1,515,259 (2017 - \$159,914) of construction costs have been incurred and capitalized to property and equipment. Deferred capital contributions for the La Loche Centre consist of funds received or receivable for costs incurred. The deferred capital contribution funding is being amortized into income on the same rate (5% declining balance) as the La Loche Centre capital costs.

9. Commitments:

The Institute is committed pursuant to various operating leases for premises and office equipment in each of the next five years as follows:

| | | |
|------|----|---------|
| 2019 | \$ | 222,747 |
| 2020 | | 34,220 |
| 2021 | | 29,600 |
| 2022 | | 27,220 |
| 2023 | | 10,163 |
| | \$ | 323,950 |

The majority of operating leases are renewable on an annual basis.

DUMONT TECHNICAL INSTITUTE INC.

Notes to Financial Statements (continued)

Year ended June 30, 2018

10. Related party transactions:

Dumont Technical Institute Inc. conducts business with several related party organizations through the Gabriel Dumont Institute (note 1). The Gabriel Dumont Institute is the educational affiliate of the Métis Nation - Saskatchewan. Related party transactions are recorded at the exchange amount being amounts agreed upon between the related parties.

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Tuition and fees | \$ 1,477,493 | \$ 1,789,867 |
| Service provision & expense reimbursement | 267,828 | 19,457 |
| Rent (included in facility rental and other income) | 146,638 | 160,672 |
| Public relations expense | (7,302) | (9,476) |
| Administrative services expense | (183,088) | (178,141) |
| Facilities expense | (193,623) | (199,938) |
| | <u>\$ 1,507,946</u> | <u>\$ 1,582,441</u> |

Inter-fund administrative support/facility recovery expenses are charged based on estimated use of services.

Amounts included in accounts receivable and accounts payable are as follows:

| Accounts receivable | 2018 | 2017 |
|---|------------------|-----------------|
| Gabriel Dumont Institute Training & Employment Inc. | \$ 77,721 | \$ 1,980 |
| Gabriel Dumont Institute of Native Studies and Applied Research, Inc. | 688 | 69 |
| | <u>\$ 78,409</u> | <u>\$ 2,049</u> |

| Accounts payable and accrued liabilities | 2018 | 2017 |
|---|------------------|------------------|
| Gabriel Dumont Institute of Native Studies and Applied Research, Inc. | \$ 60,666 | \$ 31,700 |
| Gabriel Dumont Institute Training & Employment Inc. | - | 9,552 |
| | <u>\$ 60,666</u> | <u>\$ 41,252</u> |

DUMONT TECHNICAL INSTITUTE INC.

Notes to Financial Statements (continued)

Year ended June 30, 2018

11. Economic dependence:

Approximately 64% (2017 - 64%) of the Institute's revenue was derived from the Government of Saskatchewan. Funding is provided by annual grants under contracts expiring on various dates.

12. Pension plan:

The Institute contributed to a pension plan for the employees based on a negotiated rate of contribution. The pension expense for the year was \$218,814 (2017 - \$222,649).

13. Subsequent event:

Subsequent to year end the Institute commenced construction on a new office complex located at its 917 - 22nd Street location in Saskatoon. Construction costs are estimated at \$4,500,000 with financing to be provided by a combination of related party financing, third party interest bearing debt and external grants. Construction is expected to be completed in June of 2019.