

**The Confederation College
of Applied Arts and Technology
Financial Statements
For the year ended March 31, 2012**

	Contents
Independent Auditor's Report	2
Financial Statements	
Balance Sheet	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Schedule 1 - General Operating Revenue	26
Schedule 2 - First Generation Project	27



Tel: 807 625 4444
Fax: 807 623 8460
www.bdo.ca

BDO Canada LLP
1095 Barton Street
Thunder Bay ON P7B 5N3 Canada

Independent Auditor's Report

**To the Chair and Board of Governors
The Confederation College of Applied Arts and Technology**

We have audited the accompanying financial statements of The Confederation College of Applied Arts and Technology, which comprise the balance sheet as at March 31, 2012, and the statements of changes in net assets, operations and cash flows for the year then ended, and 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 generally accepted accounting principles, 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.

Auditor's 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 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, the financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP


Chartered Accountants, Licensed Public Accountants

Thunder Bay, Ontario
June 22, 2012

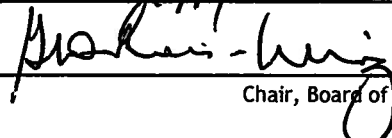
The Confederation College of Applied Arts and Technology Balance Sheet

March 31	2012	2011
Assets		
Current		
Cash (Note 3)	\$ 1,783,015	\$ 13,449,819
Temporary investment (Note 4)	8,000,000	5,000,000
Grants receivable	3,323,404	1,583,894
Accounts receivable (Note 5)	6,293,159	5,247,049
Inventories	532,637	495,700
Prepaid expenses	334,514	275,712
Current portion of notes and loans receivable	26,566	35,787
Sinking fund investments (Note 7)	3,088,579	-
	23,381,874	26,087,961
Notes and loans receivable	26,929	48,783
Sinking fund investments (Note 7)	-	2,820,449
Investment portfolio - endowments restricted (Notes 6 and 16)	6,402,971	5,981,272
Property, plant and equipment (Note 8)	53,827,841	49,495,900
	\$ 83,639,615	\$ 84,434,365
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 6,067,712	\$ 8,110,007
Accrued vacation pay (Note 10)	2,991,230	2,736,799
Deferred revenue and contributions (Note 11)	6,051,900	7,656,706
Current portion of long term debt	3,702,571	1,088,823
	18,813,413	19,592,335
Accrued sick leave liability (Note 10)	795,334	921,551
Employee future benefits (Note 10)	659,000	653,000
Long term debt (Note 12)	70,884	3,773,955
Deferred capital contributions (Note 13)	47,536,997	42,204,494
	67,875,628	67,145,335
Net assets		
General unrestricted	6,773,054	7,714,920
Employee future benefits unrestricted (Note 10)	(4,445,564)	(4,311,350)
Internally restricted	1,216,043	1,458,530
Externally restricted (Note 14)	565,139	725,152
Investment in capital assets (Note 15)	5,149,991	5,240,602
Endowments restricted (Note 16)	6,505,324	6,461,176
	15,763,987	17,289,030
	\$ 83,639,615	\$ 84,434,365

On behalf of the Board:



 President



 Chair, Board of Governors

The accompanying notes are an integral part of these financial statements.

**The Confederation College
of Applied Arts and Technology
Statement of Changes in Net Assets**

For the year ended March 31

2012

2011

	General Unrestricted	Employee Future Benefits Unrestricted (Note 10)	Internally Restricted	Externally Restricted (Note 14)	Investment In Capital Assets (Note 15)	Endowments Restricted (Note 16)	Total	Total
Balance, beginning of year	\$ 7,714,920	\$ (4,311,350)	\$ 1,458,530	\$ 725,152	\$ 5,240,602	\$ 6,461,176	\$ 17,289,030	\$ 12,807,652
Excess (deficiency) of revenue over expense for the year	(1,388,773)	-	-	-	-	-	(1,388,773)	3,345,335
Change in tuition set aside for student assistance	-	-	-	(180,418)	-	-	(180,418)	(26,388)
Change in other restricted net assets	(20,405)	-	-	20,405	-	-	-	-
Change in internally restricted net assets	242,487	-	(242,487)	-	-	-	-	-
Transfer from restricted to unrestricted	134,214	(134,214)	-	-	-	-	-	-
Change in investment in capital assets	90,611	-	-	-	(90,611)	-	-	-
Endowment contributions and investment income, net of awards	-	-	-	-	-	44,148	44,148	1,162,431
Net change for the year	(941,866)	(134,214)	(242,487)	(160,013)	(90,611)	44,148	(1,525,043)	4,481,378
Balance, end of year	\$ 6,773,054	\$ (4,445,564)	\$ 1,216,043	\$ 565,139	\$ 5,149,991	\$ 6,505,324	\$ 15,763,987	\$ 17,289,030

The accompanying notes are an integral part of these financial statements.

**The Confederation College
of Applied Arts and Technology
Statement of Operations**

For the year ended March 31	2012	2011
Revenue		
Grants and reimbursements (Schedule)	\$ 35,108,829	\$ 37,685,326
Student tuition (Schedule)	11,128,047	10,084,620
Other academic activities (Schedule)	15,241,780	16,069,054
Ancillary operations	3,287,195	3,486,034
Supplementary	1,735,753	1,851,596
Amortization of deferred capital contributions (Note 13)	4,488,362	3,309,125
Donations and fundraising	322,347	309,480
Other operating revenue	2,201,299	2,081,922
	<u>73,513,612</u>	<u>74,877,157</u>
Expense		
Academic	31,055,602	30,174,397
Other academic activities	13,327,608	13,351,607
Education resources and student services	5,796,690	5,100,122
Administrative	8,175,496	8,226,874
Plant and property	4,565,414	4,497,387
Ancillary operations	3,171,334	3,207,161
Supplementary	1,735,717	1,851,374
Restructuring initiatives expense	1,253,827	-
Amortization of property, plant and equipment	5,384,541	4,609,044
Scholarships, donations and fundraising	301,942	450,498
Change in employee future benefits	6,000	(54,000)
Change in accrued vacation pay and sick leave liability	128,214	117,358
	<u>74,902,385</u>	<u>71,531,822</u>
Excess (deficiency) of revenue over expense for the year	\$ (1,388,773)	\$ 3,345,335

The accompanying notes are an integral part of these financial statements.

**The Confederation College
of Applied Arts and Technology
Statement of Cash Flows**

For the year ended March 31	2012	2011
Cash flows from operating activities		
Excess of revenue over expense for the year	\$ (1,388,773)	\$ 3,345,335
Items not involving cash		
Amortization of deferred capital contributions	(4,488,362)	(3,309,125)
Amortization of property, plant and equipment	5,660,361	4,887,170
Change in employee future benefits	6,000	(54,000)
Change in accrued sick leave liability	(126,217)	(26,423)
	(336,991)	4,842,957
Change in non-cash working capital balances (Note 20)	(6,274,029)	1,342,493
	<u>(6,611,020)</u>	<u>6,185,450</u>
Cash flows from investing activities		
(Increase) decrease in notes and loans receivable	31,075	44,670
Increase in investment portfolio - Endowment Restricted	(421,699)	(682,527)
Purchase of property, plant and equipment	(9,992,302)	(18,139,310)
Increase (decrease) in tuition set aside for student assistance	(180,418)	(26,388)
Purchase of temporary investment	(3,000,000)	-
Increase in endowments, net of awards	44,148	1,162,431
	<u>(13,519,196)</u>	<u>(17,641,124)</u>
Cash flows from financing activities		
Long term debt advances	-	475,675
Repayment of long term debt	(1,089,323)	(1,299,965)
Repayment of capital lease obligations	-	(21,541)
Deferred capital contributions	9,552,735	16,969,821
	<u>8,463,412</u>	<u>16,123,990</u>
Increase (decrease) in cash for the year	(11,666,804)	4,668,316
Cash, beginning of year	<u>13,449,819</u>	<u>8,781,503</u>
Cash, end of year	<u>\$ 1,783,015</u>	<u>\$ 13,449,819</u>

The accompanying notes are an integral part of these financial statements.

The Confederation College of Applied Arts and Technology

Notes to Financial Statements

March 31, 2012

1. Nature of Operations

The Confederation College of Applied Arts and Technology was established under the Ministry of Colleges and Universities Act as a corporation in 1967 under the laws of the Province of Ontario. The College is a publicly-funded, post-secondary institution serving education needs in Northwestern Ontario and beyond. The College offers a full range of programs and educational services including full-time post-secondary programs, part-time credit and non-credit courses, specialty programs for business and industry, pre-employment and skills training programs, apprenticeship and cooperative/workplace training programs.

The College is a not-for-profit organization and as such is exempt from income taxes under Section 149 of the Income Tax Act (Canada).

2. Significant Accounting Policies

- Basis of Accounting** These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles as set out for not-for-profit organizations, the most significant as outlined below.
- Use of Estimates** The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Items requiring the use of significant estimates include, the useful life of tangible capital assets, rates for amortization, provision for doubtful accounts and employee future benefit estimates.
- Financial Instruments** The College recognizes and measures financial assets and financial liabilities on the balance sheet when they become a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a settlement date basis. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, loans and receivables, held to maturity, available for sale or other financial liabilities.

**The Confederation College
of Applied Arts and Technology
Notes to Financial Statements**

March 31, 2012

2. Significant Accounting Policies (cont'd)

**Financial Instruments Held for Trading
(cont'd)**

Financial instruments are classified under this category if they are:

- (i) acquired principally for the purpose of selling or repurchasing in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- (iii) a derivative, except for a derivative that is a financial guarantee contract or a designated effective hedging instrument; or
- (iv) designated at fair value using the fair value option ("FVO")

Financial instruments cannot be transferred into or out of the held for trading category after inception. For designation at fair value using the FVO option, reliable fair values must be readily available. These instruments are recognized initially at fair value and transaction costs are taken directly to the statements of operations.

They are subsequently measured at fair value and gains and losses arising from changes in fair value of these instruments are recorded in the statement of operations.

Cash and temporary investments have been classified as held for trading by the College.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable repayment dates, usually with interest, that are not debt securities or instruments classified as held for trading on initial recognition. These instruments are initially recognized at fair value including direct and incremental transactions costs. They are subsequently valued at amortized cost using the effective interest method less any provision for impairment.

Grants, accounts, notes and loans receivable have been classified as loans and receivables.

**The Confederation College
of Applied Arts and Technology
Notes to Financial Statements**

March 31, 2012

2. Significant Accounting Policies (cont'd)

**Financial Instruments Available for Sale
(cont'd)**

Available for sale assets are non-derivative financial assets that are designated as available for sale or are not categorized into any of the other categories described above. They are initially recognized at fair value. Transaction costs are expensed as incurred. They are subsequently held at fair value with gains and losses arising from changes in fair value being recognized in other comprehensive income in the statement of comprehensive income when they have a quoted market price in an active market. Where a decline in the fair value is determined to be other than temporary, the amount of the loss is removed from other comprehensive income and recognized in the statement of operations. Investments in equity instruments classified as available for sale that do not have a quoted market price in an active market are measured at cost less any provision for impairment.

The investment portfolio has been classified as available for sale.

Other Financial Liabilities

Other financial liabilities are non-derivative financial liabilities and include accounts payable and accrued liabilities. These instruments are initially recognized at fair value including direct and incremental transaction costs. They are subsequently measured at amortized cost using the effective interest method.

Accounts payable and accrued liabilities and long term debt have been classified as other financial liabilities.

Held to Maturity

Held to maturity investments include financial assets with fixed or determinable payments that the College's management has the intention and ability to hold to maturity. They are initially recognized at fair value including direct and incremental transaction costs. They are subsequently valued at amortized cost using the effective interest method less any provision for impairment.

Sinking fund investments have been classified as held to maturity.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is generally determined on a first-in, first-out basis.

**The Confederation College
of Applied Arts and Technology
Notes to Financial Statements**

March 31, 2012

2. Significant Accounting Policies (cont'd)

Property, Plant and Equipment	<p>Purchased property, plant and equipment are recorded at cost. Contributed assets are recorded at fair value at the date of contribution. Amortization is provided as follows:</p> <table border="0"> <tr> <td style="padding-left: 20px;">Site improvements</td> <td style="padding-left: 20px;">-</td> <td>5 year straight line basis</td> </tr> <tr> <td style="padding-left: 20px;">Buildings</td> <td style="padding-left: 20px;">-</td> <td>40 year straight line basis</td> </tr> <tr> <td style="padding-left: 20px;">Leasehold improvements</td> <td style="padding-left: 20px;">-</td> <td>10 year straight line basis</td> </tr> <tr> <td style="padding-left: 20px;">Furniture and equipment</td> <td style="padding-left: 20px;">-</td> <td>5 year straight line basis</td> </tr> <tr> <td style="padding-left: 20px;">Library books</td> <td style="padding-left: 20px;">-</td> <td>5 year straight line basis</td> </tr> <tr> <td style="padding-left: 20px;">Major equipment</td> <td style="padding-left: 20px;">-</td> <td>10 year straight line basis</td> </tr> </table> <p>Projects in progress relate to capital projects that are incomplete as at March 31, 2012. Amortization will be recorded upon substantial completion at the applicable rates noted above.</p>	Site improvements	-	5 year straight line basis	Buildings	-	40 year straight line basis	Leasehold improvements	-	10 year straight line basis	Furniture and equipment	-	5 year straight line basis	Library books	-	5 year straight line basis	Major equipment	-	10 year straight line basis
Site improvements	-	5 year straight line basis																	
Buildings	-	40 year straight line basis																	
Leasehold improvements	-	10 year straight line basis																	
Furniture and equipment	-	5 year straight line basis																	
Library books	-	5 year straight line basis																	
Major equipment	-	10 year straight line basis																	
Deferred Capital Contributions	<p>Capital grants and contributions are deferred and amortized over the useful life of the assets purchased/contributed.</p>																		
Revenue Recognition	<p>The College follows the deferral method of accounting for contributions, which include donations and government grants.</p> <p>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.</p> <p>Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized.</p> <p>Operating grants from the Ministry of Training, Colleges and Universities and other government agencies are recorded as revenue in the year to which they relate. Grants approved but not received at the end of the fiscal year are accrued. Where a portion of a grant relates to a future year it is deferred and recognized in the subsequent year.</p> <p>Endowment contributions are recognized as direct increases in net assets in the period in which they are received.</p> <p>Tuition is recognized as revenue when courses and seminars are held. Tuition fees are deferred to the extent that the related courses extend beyond the fiscal year of the College.</p> <p>Student fees are recognized as revenue when courses and seminars are held.</p>																		

The Confederation College of Applied Arts and Technology Notes to Financial Statements

March 31, 2012

2. Significant Accounting Policies (cont'd)

Revenue Recognition (cont'd)	<p>Sales and services revenue is recognized at point of sale or when the service has been provided.</p> <p>Pledges are recorded when the amount to be received is reasonably estimated and ultimate collection is reasonably assured.</p>
Cost Allocation	<p>Direct costs are charged to programs and courses on an actual basis wherever possible and elsewhere allocated on the basis of full-time equivalent students.</p>
Employee Future Benefits	<p>The College maintains deferred benefit plans providing other retirement and post-employment benefits to most of its employees. The benefits include ongoing premiums for basic life insurance, extended health/vision/hearing care, and dental care provided they were in effect on the date of retirement. The College has recorded the liability for these benefits.</p>

3. Cash and Credit Facilities

The College's bank accounts are held at one chartered bank and as a result it is exposed to the credit risk arising from this concentration to the extent that account balances exceed federally insured limits. The bank accounts earn interest at prime less 1.75%.

The College's credit facilities include an approved operating line of credit with the Royal Bank of \$1,500,000 with interest at bank prime less 0.6%. At year end the outstanding balance under this credit facility agreement was \$nil (2011 - \$nil).

In addition, the College has an approved revolving credit facility with the Royal Bank in the amount of \$1,650,000. Of this amount, \$243,794 (2011 - \$923,149) was outstanding with respect to the Royal Bank loans described in Note 12.

4. Temporary Investment

The temporary investment consists of a Guaranteed Investment Certificate bearing interest at 1.59% and maturing September 25, 2012.

5. Accounts Receivable

	2012	2011
Students and sponsors	\$ 1,816,475	\$ 1,239,918
General	4,029,580	3,763,447
The Confederation College Foundation	447,104	243,684
	<u>\$ 6,293,159</u>	<u>\$ 5,247,049</u>

**The Confederation College
of Applied Arts and Technology
Notes to Financial Statements**

March 31, 2012

6. Investment Portfolio - Endowments Restricted

The College's investment portfolio is comprised of a number of different securities carrying a variety of terms and conditions. Investments consist of the following:

	2012		2011	
	Market	Cost	Market	Cost
Endowed				
Canadian equities	\$ 869,638	\$ 799,167	\$ 1,027,130	\$ 824,941
Canadian bonds	2,560,147	2,464,782	2,456,942	2,381,903
Foreign equities	2,660,393	2,613,105	2,188,732	2,326,376
Foreign bonds	36,187	34,965	36,848	34,964
Cash account	276,606	276,139	271,620	271,446
	\$ 6,402,971	\$ 6,188,158	\$ 5,981,272	\$ 5,839,630

The cash account does not earn interest. Canadian and foreign bonds are comprised of a number of different bonds, with maturity dates ranging from June 2012 to June 2036, and yield an average of 4.6% (2011 - 4.5%) over the term of the investments.

7. Sinking Fund Investments

Sinking fund investments are comprised of Ontario Hydro bonds, maturing April 2012 at \$3,100,000 yielding 9.49% over the term of the investment.

	2012	2011
Cost	\$ 558,234	\$ 558,234
Accumulated investment income	2,530,345	2,262,215
	\$ 3,088,579	\$ 2,820,449

The market value of the bonds at March 31, 2012 is approximately \$3,098,760 (2011 - \$3,044,434). At maturity, the proceeds of the investment will be used to retire the \$3,100,000 Ontario Ministry of Housing mortgage described in Note 12.

**The Confederation College
of Applied Arts and Technology
Notes to Financial Statements**

March 31, 2012

8. Property, Plant and Equipment

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 295,057	\$ -	\$ 295,057	\$ -
Site improvements	2,014,986	2,014,986	2,014,986	2,014,986
Buildings	73,780,196	33,339,737	55,645,353	31,699,710
Leasehold improvements	333,188	333,188	333,188	333,188
Furniture and equipment	71,098,864	63,026,226	65,216,994	59,529,102
Library books	20,000	20,000	20,000	20,000
Major equipment	5,232,096	3,972,967	5,232,096	3,449,758
Projects in progress	3,760,558	-	17,784,970	-
	\$ 156,534,945	\$ 102,707,104	\$ 146,542,644	\$ 97,046,744
Net book value		\$ 53,827,841		\$ 49,495,900

Projects in progress

Projects in progress consist of two construction projects. The first project relates to a renewable energy solution project, the Bio-Energy Learning and Research Centre Project, on which \$3,286,071 (2011 - \$817,907) has been spent to date. This \$5,225,998 project has been undertaken to design and install a biomass wood waste burning heat system combined with the use of other green technologies, such as, thermal energy capture and a green roof. This project, funded by various federal and provincial grants, donations, and financing, is scheduled for completion in the next fiscal year.

The second is a building upgrade project, the Thunder Bay Student Residence Retrofit project, on which \$474,487 has been spent to date. This \$1,700,000 project will be funded primarily by debt financing and is scheduled for completion in the next fiscal year.

During the current year, the Regional Education Alliance for Community Health project was completed. The amount relating to this project that was included in construction in progress in the prior year is now included in buildings.

**The Confederation College
of Applied Arts and Technology
Notes to Financial Statements**

March 31, 2012

9. Accounts Payable and Accrued Liabilities

	2012	2011
Trade accounts payable	\$ 3,237,043	\$ 5,967,256
Accrued liabilities	304,481	234,680
Accrued salaries and employees' deductions	2,526,188	1,908,071
	<u>\$ 6,067,712</u>	<u>\$ 8,110,007</u>

10. Accrued Vacation Pay, Accrued Sick Leave Liability and Employee Future Benefits

	2012	2011
Accrued vacation pay	\$ 2,991,230	\$ 2,736,799
Accrued sick leave liability	\$ 795,334	\$ 921,551
Employee future benefits		
Non-pension post-retirement benefits	\$ 273,000	\$ 301,000
Post-employment benefits		
Premium waiver during long term disability	64,000	63,000
Contribution of medical and dental benefits during long term disability	433,000	404,000
	<u>770,000</u>	<u>768,000</u>
Value of Assets		
Post-employment benefits	111,000	115,000
	<u>\$ 659,000</u>	<u>\$ 653,000</u>
	<u>\$ 4,445,564</u>	<u>\$ 4,311,350</u>

The major actuarial assumptions employed for the valuation of employee future benefits are as follows:

a) *Interest (Discount) Rate*

The present value as at March 31, 2012 of the future benefits was determined using a discount rate of 4.20% (2011 - 4.75%).

**The Confederation College
of Applied Arts and Technology
Notes to Financial Statements**

March 31, 2012

10. Accrued Vacation Pay, Accrued Sick Leave Liability and Employee Future Benefits (cont'd)

b) *Drug Costs*

Drug costs were assumed to increase at a 10.5% rate for 2011 and decrease proportionately thereafter to an ultimate rate of 4.5% in 2026.

c) *Hospital and Other Medical*

Hospital and other medical costs were assumed to increase at 4.5% per annum.

d) *Dental Costs*

Dental costs were assumed to remain at 4.5% per annum.

11. Deferred Revenue and Contributions

	2012	2011
Ontario Ministry of Training, Colleges and Universities		
Aboriginal Educational and Training Strategy	\$ 11,120	\$ 284,351
Apprenticeship training	119,692	211,037
Bursaries	123,770	225,767
Campus safety	44,825	21,935
Campus Renewal Program	-	23,418
Collaborative nursing	1,173,006	1,282,228
College Equipment Renewal Fund	-	17,304
Employment programs	355,365	359,226
Lease grant	-	6,793
Second career	140,765	501,422
Special needs and tutoring	47,862	96,791
Centre for Applied Media Production	-	83,068
Centre for Continuing Education	-	36,597
College service fee	22,197	46,814
Contract training	1,283,895	134,188
Full-time post secondary tuition deferral	868,558	723,104
Miscellaneous contracts and projects	944,545	770,328
Regional Alliance for Community Health Project	-	1,863,184
School College Work Initiative	608,993	185,149
Student IT fee	19,195	21,726
Student tech fee	241,324	156,852
Trades and Technology Project	46,788	605,424
	\$ 6,051,900	\$ 7,656,706

**The Confederation College
of Applied Arts and Technology
Notes to Financial Statements**

March 31, 2012

12. Long Term Debt

	<u>2012</u>	<u>2011</u>
Ontario Ministry of Housing mortgage on Sibley Hall, repayable \$142,135 semi-annually, interest only at 9.17%, due 2012	\$ 3,100,000	\$ 3,100,000
Royal Bank demand loan for Banner ISIS computer system, repayable at \$2,507 monthly plus interest at 5.68%, due 2013	29,183	56,755
Toronto Dominion Bank term loan financing Banner ISIS computer system, repayable \$36,723 monthly including interest at 4.69%, due 2013	429,661	839,629
Royal Bank loan for Banner Project #2, repayable at \$3,728 monthly including interest at 4.5%, due 2013	43,670	85,422
Royal Bank loan for Fitness Centre flooring, repayable at \$4,288 monthly including interest at 4.5%, due 2013	55,999	103,761
Royal Bank loan for welding equipment, repayable at \$1,116 monthly including interest at 5.09%, due 2013	31,389	42,871
Royal Bank loan for garbage compactor, repayable at \$602 monthly including interest at 3.45%, due 2014	14,730	21,139
Royal Bank loan for region cars, repayable at \$2,814 monthly including interest at 3.45%, due 2014	68,823	98,767
Royal Bank demand loan for CRM project	-	27,610
Royal Bank loan for plant tractor	-	9,064
Royal Bank loan for motorcycles	-	2,085
Royal Bank loan for Bio-Energy Learning and Research Centre project	-	475,675
	<u>3,773,455</u>	<u>4,862,778</u>
Current portion	<u>3,702,571</u>	<u>1,088,823</u>
	<u>\$ 70,884</u>	<u>\$ 3,773,955</u>

Principal payments are due as follows:

Date	Amount
2013	\$ 3,702,571
2014	58,521
2015	12,363
	<u>\$ 3,773,455</u>

**The Confederation College
of Applied Arts and Technology
Notes to Financial Statements**

March 31, 2012

13. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and is calculated on the same basis as the amortization expense related to the acquired capital assets. The changes in the deferred capital contributions balance are as follows:

	2012	2011
Balance, beginning of year	\$ 42,204,494	\$ 28,299,560
Add contributions for capital purposes	9,552,735	16,969,821
Add sinking fund investment income	268,130	244,238
Less amortization of deferred capital contributions	(4,488,362)	(3,309,125)
Balance, end of year	<u>\$ 47,536,997</u>	<u>\$ 42,204,494</u>

14. Net Assets - Externally Restricted

Externally restricted net assets are funds committed for specific purposes as follows:

	Balance beginning of year	Revenue/ Reallocation in year	Expense in year	Balance end of year
Tuition set aside for student assistance	\$ 486,822	\$ -	\$ 180,418	\$ 306,404
Scholarships and bursaries	61,858	66,733	49,626	78,965
Contributions for capital expenditures	176,472	255,614	252,316	179,770
	<u>\$ 725,152</u>	<u>\$ 322,347</u>	<u>\$ 482,360</u>	<u>\$ 565,139</u>

The Ministry of Training, Colleges and Universities requires a certain portion of the additional tuition fee revenue generated by announced fee increases to be set aside for student assistance.

15. Net Assets - Investment in Capital Assets

	2012	2011
Capital assets, net book value	\$ 53,827,841	\$ 49,495,900
Less amounts financed by:		
Working capital	(455,977)	(8,475)
Long term debt	(3,773,455)	(4,862,778)
Deferred capital contributions	(47,536,997)	(42,204,494)
Add sinking fund investments	3,088,579	2,820,449
Invested in capital assets, end of year	<u>\$ 5,149,991</u>	<u>\$ 5,240,602</u>

The Confederation College of Applied Arts and Technology Notes to Financial Statements

March 31, 2012

16. Net Assets - Endowments Restricted

Contributions restricted for endowment consist of restricted donations received by the College under the umbrella of the Ontario Student Opportunity Trust Fund ("OSOTF") Phase I and II and the Ontario Trust for Student Support ("OTSS") programs and other such restricted contributions that were not matched. The externally restricted endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund and the Ontario Trust for Student Support matching program to award student aid as a result of raising an equal amount of endowed donations. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the OSOTF and the OTSS guidelines. The College ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

The College has recorded the following amounts under the programs:

OSOTF I

	2012	2011
Schedule of Changes in Endowment Fund Balance		
Fund balance, beginning of year	\$ 3,663,155	\$ 3,663,155
Unrealized gain (unrealized loss)	-	-
Cash donations received	-	-
	3,663,155	3,663,155
Schedule of Changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	309,162	230,524
Unrealized gain (loss)	(62,841)	254,648
Realized investment income (loss) net of direct investment-related expenses and preservation of capital contributions	-	-
Bursaries awarded (2012 = 336, 2011 = 523)	(153,215)	(176,010)
	93,106	309,162
Expendable fund balance, end of year	93,106	309,162
Total endowment fund balance, end of year	\$ 3,756,261	\$ 3,972,317
Market value of fund, end of year	\$ 3,756,261	\$ 3,972,317

**The Confederation College
of Applied Arts and Technology
Notes to Financial Statements**

March 31, 2012

16. Net Assets - Endowments Restricted (cont'd)

OSOTF II Second Phase

	<u>2012</u>	<u>2011</u>
Schedule of Changes in Endowment Fund Balance		
Fund balance, beginning of year	\$ 252,078	\$ 252,078
Endowed donations (shares)	-	-
	<u>252,078</u>	<u>252,078</u>
Schedule of Changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	45,826	17,449
Unrealized gain (loss)	(4,854)	17,627
Realized investment income (loss) net of direct investment-related expenses and preservation of capital contributions	-	-
Bursaries awarded (2012 = 9, 2011 = 17)	(2,900)	10,750
	<u>38,072</u>	<u>45,826</u>
Expendable fund balance, end of year	<u>38,072</u>	<u>45,826</u>
Total endowment fund balance, end of year	<u>\$ 290,150</u>	<u>\$ 297,904</u>
Market value of fund, end of year	<u>\$ 290,150</u>	<u>\$ 297,904</u>
OTSS		
Cash donations matched	\$ -	\$ 423,915
Schedule of Changes in Endowment Fund Balance		
Fund balance, beginning of year	\$ 2,146,035	\$ 1,108,859
Unrealized gain (unrealized loss)	-	-
Eligible cash donations received	167,898	318,381
Matching funds from MTCU	194,695	718,795
	<u>2,508,628</u>	<u>2,146,035</u>
Fund balance, end of year	<u>2,508,628</u>	<u>2,146,035</u>
Schedule of Changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	44,920	26,680
Realized investment income (loss) net of direct investment-related expenses and preservation of capital contributions	(40,700)	74,265
Bursaries awarded (2012 = 88, 2011 = 98)	(53,935)	(56,025)
	<u>(49,715)</u>	<u>44,920</u>
Fund balance, end of year	<u>(49,715)</u>	<u>44,920</u>
Total endowment fund balance, end of year	<u>\$ 2,458,913</u>	<u>\$ 2,190,955</u>
Market value of fund, end of year	<u>\$ 2,458,913</u>	<u>\$ 2,190,955</u>

**The Confederation College
of Applied Arts and Technology
Notes to Financial Statements**

March 31, 2012

16. Net Assets - Endowments Restricted (cont'd)

Report of OTSS awards issued for the period of April 1, 2011 to March 31, 2012:

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-Time	34	\$24,790	54	\$29,145	88	\$53,935
Part-Time	n/a	n/a	n/a	n/a	n/a	n/a
Total	34	\$24,790	54	\$29,145	88	\$53,935
					2012	2011
Grand total of endowment funds, end of year					\$ 6,505,324	\$ 6,461,176
Total market value of fund assets, end of year					\$ 6,505,324	\$ 6,461,176

17. Pension Plans

Substantially all of the employees of the College are members of the Colleges of Applied Arts and Technology ("CAAT") Pension Plan (the "Plan"), which is a multi-employer plan available to all eligible employees of the participating members of CAAT. Under this arrangement, the College makes contributions to this plan equal to those of the employees. The Plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees and members will receive benefits based on the length of service and rates of pay. The College follows defined contribution accounting for its portion of the multi-employer plan. The Plan is administered by the College of Applied Arts and Technology Board of Trustees and the most recent audited financial statements of the Plan available at the time of financial statement preparation were as at December 31, 2011. The results disclosed net assets available for benefits with a market value of \$5,627 million. The latest actuarial valuation filed with the Financial Services Commission of Ontario on January 1, 2012 indicated a plan surplus of \$154 million (\$88 million - January 1, 2011) on a going-concern basis. Because the Plan is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of member organizations and their employees. As a result, the College does not recognize any share of the Plan's pension surplus or deficit. The employer portion of pension contributions included in the statement of operations for the year was \$3,638,103 (2011 - \$3,465,574).

**The Confederation College
of Applied Arts and Technology
Notes to Financial Statements**

March 31, 2012

18. Commitments

The College has leased realty for the Aviation Centre of Excellence at an annual rental of approximately \$70,000, with annual increases of 2.5%, and an expiry date of 2053.

The College has leased other realty at a total annual rental of approximately \$98,000 in 2013, \$4,500 in 2014, \$4,500 in 2015, \$4,500 in 2016 and \$4,500 in 2017.

19. Contingencies

In the normal course of operations, the College is involved in a number of grievances and disputes. As of the date of this financial statement preparation, the likelihood and impact of these matters on the College's financial statements is unknown. Should any costs be incurred as a result of these matters, they will be expensed in the year of settlement.

20. Statement of Cash Flows

The change in non-cash working capital balances consists of the following:

	<u>2012</u>	<u>2011</u>
Grants receivable	\$ (1,739,510)	\$ (218,196)
Accounts receivable	(1,046,110)	(1,752,348)
Inventories	(36,937)	(4,298)
Prepaid expenses	(58,802)	(140,246)
Accounts payable and accrued liabilities	(2,042,295)	2,947,760
Accrued vacation pay	254,431	143,781
Deferred revenue and contributions	(1,604,806)	366,040
	<u>\$ (6,274,029)</u>	<u>\$ 1,342,493</u>

**The Confederation College
of Applied Arts and Technology
Notes to Financial Statements**

March 31, 2012

21. Capital Disclosures

The College considers its capital to be the balance retained in net assets, which is generally the difference between its assets and liabilities as reported on the balance sheet and includes general unrestricted net assets, employee future benefits unrestricted net assets, internally restricted net assets, externally restricted net assets, investment in capital assets and restricted endowment net assets. The College receives funding from the provincial government for the delivery of its programs. These funds are maintained and disbursed under the terms of the funding agreements and management is responsible for adhering to the provisions of these agreements.

The College's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide delivery of its programs to the public. Colleges are required under the current Ministry guidelines, to balance their budgets each year through a combination of managing expenses and utilizing reserves. Any in-year deficit not covered by reserves (accumulated deficits) must be recovered within two successive years under the Ministry's deficit recovery procedures.

Management maintains its capital by ensuring that annual operating and capital budgets are developed and approved by the Board of Governors based on both known and estimated sources of funding and financing available each year. These budgets are shared with all management to ensure that the capital of the College is maintained and are also published on the College's website or distributed to the public in hard copy upon request.

The Confederation College of Applied Arts and Technology Notes to Financial Statements

March 31, 2012

22. The Confederation College Foundation

The College has an economic interest in The Confederation College of Applied Arts and Technology Foundation. The Foundation was incorporated without share capital on February 18, 2005 under the Ontario Corporations Act. The operations of the Foundation are not included in these financial statements. The objectives of the Foundation are to empower the long-term vision, mission and success of the College through continued financial support and resources. The following summarizes the financial position and results of operation of the Foundation:

Financial Position

	2012	2011
Total assets	\$ 629,892	\$ 568,329
Total liabilities	\$ 447,054	\$ 243,634
Total net assets	182,838	324,695
	\$ 629,892	\$ 568,329

Results of Operation and Net Assets

	2012	2011
Total revenue	\$ 631,972	\$ 742,436
Total expense	44,987	162,223
Net revenue available for donations	586,985	580,213
Donations made to the Confederation College of Applied Arts and Technology	(728,842)	(603,151)
Deficiency of revenue over expense	(141,857)	(22,938)
Net assets, beginning of year	324,695	347,633
Net assets, end of year	\$ 182,838	\$ 324,695

**The Confederation College
of Applied Arts and Technology
Notes to Financial Statements**

March 31, 2012

23. Financial Instruments

a) Fair Values

The College's financial instruments are comprised of cash, temporary investments, grants, accounts, notes and loans receivable, the investment portfolio - endowments restricted, accounts payable and accrued liabilities and long term debt.

The fair values of cash, temporary investments, grants, accounts, notes and loans receivable, and accounts payable approximate their carrying value because of the short term nature of these instruments. The fair value of the investment portfolio - endowments restricted is determined using published fair market values of the individual investments as at the balance sheet date. The fair values of long term debt instruments approximate carrying value due to their short term maturity.

b) Risks arising from Financial Instruments

Credit Risk

Credit risk is the risk of financial loss to the College if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the College's accounts and grants receivable and investments in bonds. The College mitigates its potential credit risk from accounts receivable through credit evaluation, approval and monitoring processes. Furthermore, it evaluates the collectibility of accounts receivable and records an allowance for doubtful accounts, which reduces the receivables to the amount management reasonably believes will be collected. Credit risk with respect to investments in bonds is managed through the investment policies noted below.

Market Risk

Market risk arises from the College's investment portfolio, which contains various Canadian, U.S. and international fixed income and equity instruments. It is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in interest rates or other market factors affecting equity prices. The College mitigates its market risk through the use of investment policies and managers, whose objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Confederation College of Applied Arts and Technology Notes to Financial Statements

March 31, 2012

24. Future Accounting Changes

The Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) have issued new standards for government (public sector) not-for-profit organizations (NPOs). For years beginning on or after January 1, 2012, government NPOs have a choice of:

1. Public Sector Accounting standards supplemented by PS 4200 - 4270 for government not-for-profit organizations; or
2. Public Sector Accounting standards

The College has chosen to follow Public Sector Accounting standards supplemented by PS 4200 - 4270 for government not-for-profit organizations. The College, jointly with the other colleges of Ontario, have determined the following to be key transitional issues for colleges:

Unvested sick leave: Currently colleges accrue vested sick leave in their financial statements, however they do not accrue sick leave that accumulates but does not vest. Under PSAB, accruing unvested sick leave is a requirement. This will lead to a significant increase in liabilities and decrease in net assets on transition.

Employee future benefits: Currently, the discount rates used to calculate the liability for employee future benefits is the market yield on high quality corporate bonds. Under PSAB, the rate used must be either the cost of borrowing or the plan asset earnings.

Financial Instruments: PSAB has introduced a financial instruments standard that has differences in the measurement, recognition and disclosure in comparison to current GAAP. From a recognition point of view, there should not be any changes for the College. However, from a disclosure point of view there is one change. PSAB introduces a new statement called the "Statement of Remeasurement Gains and Losses." All fair value changes to the College's financial instruments (investments, interest rate swap) will be recorded through this statement, as opposed to being recorded through a separate fund in the statement of net assets.

25. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

**The Confederation College
of Applied Arts and Technology
Schedule 1 - General Operating Revenue**

For the year ended March 31	2012	2011
Grants and reimbursements		
Post secondary	\$ 33,481,936	\$ 34,422,279
Apprenticeship training	1,324,918	1,157,258
Facilities renewal	301,975	2,105,789
	<u>\$ 35,108,829</u>	<u>\$ 37,685,326</u>
Student tuition		
Full-time post secondary	\$ 8,212,328	\$ 8,039,267
Part-time post secondary	727,613	552,803
Student services fees	2,188,106	1,492,550
	<u>\$ 11,128,047</u>	<u>\$ 10,084,620</u>
Other academic activities		
Provincially funded direct training grants	\$ 4,607,343	\$ 4,584,149
Contract training - Federal domestic	-	894,600
- Other contract training	6,263,576	4,558,612
- International	882,174	740,396
	<u>7,145,750</u>	<u>6,193,608</u>
Other academic services and projects	3,488,687	5,291,297
	<u>\$ 15,241,780</u>	<u>\$ 16,069,054</u>

The accompanying notes are an integral part of these financial statements.

**The Confederation College
of Applied Arts and Technology
Schedule 2 - First Generation Project
for 2010-2011 and 2011-2012**

March 31, 2012

	2010-2011 Approved Funding	2010-2011 Actual	2011-2012 Approved Funding	2011-2012 Actual
A. Salaries and Wages				
Project management	\$ -	\$ -	\$ -	\$ 18,263
Project mentors	292,000	286,577	350,000	344,814
Administrative staff	20,000	29,881	24,000	24,000
Total salaries and wages	312,000	316,458	374,000	387,077
B. Other Direct Operating Expenses				
Computer hardware/software	10,000	4,078	10,000	13,873
Travel and transportation	15,000	2,491	15,000	5,744
Communications	-	1,140	-	-
Marketing and advertising	5,000	2,779	5,000	3,189
Office supplies	5,000	10,351	5,000	3,095
Facilities rental	14,000	15,512	17,000	14,218
Professional tutoring/mentor	75,000	83,195	75,000	73,804
Total other expenses	124,000	119,546	127,000	113,923
Total expenses	\$ 436,000	\$ 436,004	\$ 501,000	\$ 501,000

We have audited the financial statements of The Confederation College of Applied Arts and Technology, which comprise the balance sheet as at March 31, 2012, and the statements of changes in net assets, operations and cash flows for the year then ended, and have issued our report thereon dated June 22, 2012 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. Schedule 2 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

Restriction on Distribution and Use

The supplementary information is prepared to assist The Confederation College of Applied Arts and Technology to meet the requirements of the Ministry of Training, Colleges and Universities. As a result, the supplementary information may not be suitable for another purpose. Our report is intended solely for The Confederation College of Applied Arts and Technology and the Ministry of Training, Colleges and Universities and should not be distributed to or used by parties other than The Confederation College of Applied Arts and Technology and the Ministry of Training, Colleges and Universities.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Thunder Bay, Ontario
June 22, 2012