

**The Confederation College
of Applied Arts and Technology
Financial Statements
For the year ended March 31, 2013**

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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 statement of financial position as at March 31, 2013 and the statements of operations, changes in net financial assets, remeasurement gains and losses, 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 public sector accounting standards, 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, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Independent Auditor's Report (cont'd)

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that The Confederation College of Applied Arts and Technology adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at March 31, 2012 and April 1, 2011, and the statements of operations, changes in net financial assets, remeasurement gains and losses and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

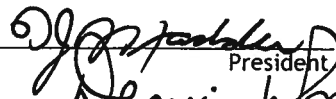
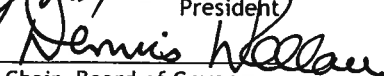
Thunder Bay, Ontario
June 6, 2013

**The Confederation College
of Applied Arts and Technology
Statement of Financial Position**

March 31, 2013 March 31, 2012 April 1, 2011

Assets			
Current			
Cash	\$ 494,209	\$ 1,783,015	\$ 13,449,819
Accounts receivable (Note 5)	7,488,342	6,293,159	5,247,049
Temporary investments (Note 4)	7,000,000	8,000,000	5,000,000
Inventory	569,060	532,637	495,700
Current portion of notes receivable	60,915	26,566	35,787
Grants receivable	710,402	3,323,404	1,583,894
Prepaid expenses	194,580	334,514	275,712
Sinking fund investments	-	3,098,760	-
	16,517,508	23,392,055	26,087,961
Investment portfolio - endowments restricted (Note 6)	6,996,785	6,402,971	5,981,272
Sinking fund investments	-	-	3,044,434
Notes and long-term receivable	16,440	26,929	48,783
Construction in progress (Note 7)	4,860,026	3,760,558	17,784,970
Capital assets (Note 8)	46,132,348	50,067,283	31,710,930
	\$ 74,523,107	\$ 83,649,796	\$ 84,658,350
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 9)	\$ 4,688,574	\$ 6,067,712	\$ 8,110,007
Deferred revenue (Note 10)	3,771,866	6,051,900	7,656,706
Vacation pay	2,850,095	2,991,230	2,736,799
Current portion of long term debt (Note 11)	379,131	3,702,571	1,088,823
	11,689,666	18,813,413	19,592,335
Post-employment benefits and compensated absences (Note 12)	2,880,000	3,074,000	3,356,000
Deferred capital contributions (Note 13)	40,851,003	44,196,600	27,684,450
Deferred capital contributions relating to construction in progress (Note 13)	4,860,231	3,286,071	14,520,044
Long term debt (Note 11)	1,673,699	70,884	3,773,955
	61,954,599	69,440,968	68,926,784
Net assets			
Unrestricted			
Operating	6,737,914	6,762,873	7,714,920
Post-employment benefits and compensated absences	(2,880,000)	(3,074,000)	(3,356,000)
Vacation pay	(2,850,095)	(2,991,230)	(2,736,799)
	1,007,819	697,643	1,622,121
Invested in capital assets (Note 14)	3,246,816	5,214,498	5,240,602
Internally restricted (Note 15)	540,697	1,216,043	1,458,530
Externally restricted (Note 16)	776,391	565,139	725,152
Endowments restricted (Note 17)	6,996,785	6,505,324	6,461,176
	12,568,508	14,198,647	15,507,581
Accumulated remeasurement gains	-	10,181	223,985
	12,568,508	14,208,828	15,731,566
	\$ 74,523,107	\$ 83,649,796	\$ 84,658,350

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 Operations**

For the years ended March 31	2013	2012
Revenue		
Grants and reimbursements	\$ 43,259,532	\$ 45,248,683
Tuition revenue	13,478,593	11,896,793
Contract training	8,024,226	6,161,474
Amortization of deferred capital contributions	3,896,106	4,488,362
Other income	3,487,209	2,108,758
Donations and fundraising	164,694	322,347
Ancillary operations	3,619,048	3,287,195
	75,929,408	73,513,612
Expenses		
Salaries and benefits	48,735,120	47,883,953
Operating expenses	20,225,779	15,407,903
Plant and property maintenance	2,862,123	2,956,812
Amortization of capital assets	5,142,490	5,660,361
Bursaries and scholarships	920,016	932,748
Donations and fundraising	250	301,942
Ancillary operations	1,832,945	1,596,883
	79,718,723	74,740,602
Deficiency of revenue over expenses for the year	\$ (3,789,315)	\$ (1,226,990)

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

For the year ended March 31						2013	2012
	<u>Unrestricted</u>	<u>Capital</u>	<u>Restricted</u>				
			Internally Restricted	Externally Restricted	Endowments Restricted	Total	Total
Balance, beginning of year	\$ 697,643	\$ 5,214,498	\$ 1,216,043	\$ 565,139	\$ 6,505,324	\$ 14,198,647	\$ 15,507,581
Reclassification of unrealized gain (loss)	10,181	(8,941)	-	-	-	1,240	54,326
Transfer from restricted to unrestricted - PSAB restatement	1,619,667	-	-	-	-	1,619,667	-
Endowments received during the year	-	-	-	-	491,461	491,461	44,148
Change in tuition set aside for student assistance	-	-	-	46,808	-	46,808	(180,418)
Change in externally restricted scholarships and bursaries	(164,444)	-	-	164,444	-	-	-
Change in internally restricted net assets	675,346	-	(675,346)	-	-	-	-
Deficiency of revenues over expenses	(3,789,315)	-	-	-	-	(3,789,315)	(1,226,990)
Investment in capital assets	1,958,741	(1,958,741)	-	-	-	-	-
Balance, end of year	\$ 1,007,819	\$ 3,246,816	\$ 540,697	\$ 776,391	\$ 6,996,785	\$ 12,568,508	\$ 14,198,647

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

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

Statement of Remeasurement Gains and Losses

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Accumulated remeasurement gains at beginning of year	\$ 10,181	\$ 223,985
Realized fair value changes to sinking fund	(10,181)	(213,804)
Accumulated remeasurement gains at end of year	\$ -	\$ 10,181

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

For the year ended March 31	2013	2012
Net inflow (outflow) of cash related to the following		
Operating		
Excess of revenue over expenditure	\$ (3,789,315)	\$ (1,226,990)
Items not involving cash:		
Amortization of deferred capital contributions	(3,896,106)	(4,488,362)
Amortization of property, plant and equipment	5,142,490	5,660,361
Other - PSAB restatement	1,619,667	-
Change in employee future benefits	(5,000)	24,000
Change in accrued sick leave liability	(189,000)	(306,000)
	(1,117,264)	(336,991)
Change in non-cash working capital balances (Note 20)	(2,278,977)	(6,274,029)
	(3,396,241)	(6,611,020)
Financing		
Long term debt advances	1,981,944	-
Repayment of long term debt	(3,702,569)	(1,089,323)
	(1,720,625)	(1,089,323)
Capital		
Deferred capital contributions	2,114,488	9,552,735
Construction in progress	(1,099,468)	14,024,412
Purchase of capital assets	(1,207,555)	(24,016,714)
	(192,535)	(439,567)
Investing		
(Increase) decrease in notes and loans receivable	(23,860)	31,075
Increase in investment portfolio - Endowment Restricted	(593,814)	(421,699)
Proceeds from sinking fund investment	3,100,000	-
Increase (decrease) in tuition set aside for student assistance	46,808	(180,418)
Purchase of temporary investment	1,000,000	(3,000,000)
Increase in endowments, net of awards	491,461	44,148
	4,020,595	(3,526,894)
Net cash outflow	(1,288,806)	(11,666,804)
Cash, beginning of year	1,783,015	13,449,819
Cash, end of year	\$ 494,209	\$ 1,783,015

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, 2013

1. Significant Accounting Policies

Description of Organization	<p>The Confederation College of Applied Arts and Technology established in 1967, is an Ontario college of applied arts and technology duly established pursuant to Ontario regulation 34/03 made under the Ontario Colleges of Applied Arts and Technology Act, 2002. The College is an agency of the Crown and 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.</p> <p>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).</p>
Basis of Presentation	<p>The financial statements of the College have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").</p>
Revenue Recognition	<p>The College follows the deferral method of accounting for contributions, which include donations and government grants.</p> <p>Tuition fees and contract training revenues are recognized as income to the extent that the related courses and services are provided within the fiscal year of the College.</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>Ancillary revenues including parking, bookstore, residence and other sundry revenues are recognized when products are delivered or services are provided to the student or client, the sales price is fixed and determinable, and collection is reasonably assured.</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>Externally restricted contributions and restricted investment income are recognized as revenue in the year in which the related expenses are incurred.</p>

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

March 31, 2013

1. Significant Accounting Policies (cont'd)

Revenue Recognition (cont'd)	<p>Capital grants and restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.</p> <p>Endowment contributions are recognized as direct increases in endowed net assets.</p> <p>Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Restricted investment income that must be maintained as an endowment is credited to net assets. Unrestricted investment income is recognized as revenue when earned.</p>																		
Cash and Cash Equivalents	<p>Cash is defined as cash and short-term investments with maturity dates of less than 90 days.</p>																		
Inventory	<p>Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.</p>																		
Capital Assets	<p>Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the College's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.</p> <p>Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated to be as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Buildings</td> <td style="text-align: center;">-</td> <td style="text-align: right;">40 years</td> </tr> <tr> <td>Major equipment</td> <td style="text-align: center;">-</td> <td style="text-align: right;">10 years</td> </tr> <tr> <td>Leasehold improvements</td> <td style="text-align: center;">-</td> <td style="text-align: right;">10 years</td> </tr> <tr> <td>Site improvements</td> <td style="text-align: center;">-</td> <td style="text-align: right;">5 years</td> </tr> <tr> <td>Furniture and equipment</td> <td style="text-align: center;">-</td> <td style="text-align: right;">5 years</td> </tr> <tr> <td>Library books</td> <td style="text-align: center;">-</td> <td style="text-align: right;">5 years</td> </tr> </table> <p>Construction in progress relates to capital projects that are incomplete as at March 31, 2013. Amortization will be recorded upon substantial completion at the applicable rates noted above.</p>	Buildings	-	40 years	Major equipment	-	10 years	Leasehold improvements	-	10 years	Site improvements	-	5 years	Furniture and equipment	-	5 years	Library books	-	5 years
Buildings	-	40 years																	
Major equipment	-	10 years																	
Leasehold improvements	-	10 years																	
Site improvements	-	5 years																	
Furniture and equipment	-	5 years																	
Library books	-	5 years																	

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

March 31, 2013

1. Significant Accounting Policies (cont'd)

Retirement and Post Employment Benefits and Compensated Benefits

The College provides defined retirement and post employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, vesting sick leave and non-vesting sick leave. The College has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis
- (ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (iii) The cost of vesting and non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.
- (iv) The discount rate used in the determination of the above-mentioned liabilities is equal to the College's internal rate of borrowing.

Financial Instruments

The College classifies its financial instruments as either fair value or amortized cost. The College's accounting policy for each category is as follows:

Fair value

This category includes derivatives and equity instruments quoted in an active market. The College has designated its bond portfolio that would otherwise be classified into the amortized cost category at fair value as the College manages and reports performance of it on a fair value basis.

They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

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

March 31, 2013

1. Significant Accounting Policies (cont'd)

Financial Instruments (cont'd) Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

Amortized cost

This category includes accounts receivable, notes and long-term receivable, accounts payable and accrued liabilities, bank loans and term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

Management Estimates

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of fair value for long-term investments, allowance for doubtful accounts, the useful life of capital assets and actuarial estimation of post-employment benefits and compensated absences liabilities.

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

March 31, 2013

2. First Time Adoption of Public Sector Accounting Standards

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

1. Public sector accounting standards including 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 including PS 4200 - 4270 for government not-for-profit organizations.

Effective April 1, 2012, the College adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for Government NPOs). These are the College's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retroactive application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for Government NPOs balance sheet at the date of transition of April 1, 2011 with the exception of PS 2601 - Foreign Currency Translation and PS 3450 - Financial Instruments, which has been applied with an effective date of April 1, 2012 (see Note 3 - Change in Accounting Policy).

The College issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for Government NPOs resulted in adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of the College. An explanation of how the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs has affected the College's financial position, operations, changes in net assets and cash flows is set out in the following notes and tables.

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

March 31, 2013

2. First Time Adoption of Public Sector Accounting Standards (cont'd)

The following exemptions and exceptions were used at the date of transition to Canadian public sector accounting standards for government not-for-profit organizations:

Optional exemptions

Actuarial Gains and Losses

Pre-changeover GAAP allowed the College to only recognize actuarial gains and losses that exceeded certain prescribed amounts ("the corridor approach"). PSAB for Government NPOs requires the amortization of actuarial gains and losses on post-employment benefit obligations and compensated absences to be amortized over the estimated average remaining service life of employees. Retroactive application of this approach would require the College to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to PSAB for Government NPOs into a recognized portion and an unrecognized portion. The College has elected to recognize all cumulative actuarial gains and losses as the date of transition to PSAB for Government NPOs directly in net assets. Actuarial gains and losses subsequent to the date of transition to PSAB for Government NPOs are accounted for in accordance with *PS 3250 - Retirement Benefits*.

Mandatory exceptions

Estimates

The estimates previously made by the College under pre-changeover Canadian GAAP were not revised for the application of PSAB for Government NPOs except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the College has not used hindsight to revise estimates.

Reconciliation of net assets and excess of revenue over expenses

In preparing these financial statements, management has amended certain accounting policies previously applied in the pre-changeover Canadian GAAP financial statements to comply with PSAB for Government NPOs. The comparative figures for March 31, 2012 were restated to reflect these adjustments. The following reconciliations and explanatory notes provide a description of the effect of the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs on net assets and excess of revenues over expenses:

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

March 31, 2013

2. First Time Adoption of Public Sector Accounting Standards (cont'd)

Statement of Financial Position as at April 1, 2011 - Transition Date

	<u>Transitional Adjustments</u>			PSAB for Government NPOs
	Pre- changeover Canadian GAAP	Adj. (i)	Adj. (ii)	
Liabilities				
Post-employment benefits and compensated absences				
Vesting sick leave	\$ 921,551	\$ -	\$ -	\$ (175,551)
Non-vesting sick leave	-	1,971,000	-	-
Retirement benefits	653,000	-	(74,000)	60,000
	<u>\$ 1,574,551</u>	<u>\$ 1,971,000</u>	<u>\$ (74,000)</u>	<u>\$ (115,551)</u>
				<u>\$ 3,356,000</u>
Net Assets				
Post-employment benefits and compensated absences	<u>\$(1,574,551)</u>	<u>\$(1,971,000)</u>	<u>\$ 74,000</u>	<u>\$ 115,551</u>
				<u>\$ (3,356,000)</u>

Statement of Financial Position for the year-ended March 31, 2012

	<u>Transitional Adjustments</u>			PSAB for Government NPOs
	Pre- changeover Canadian GAAP	Adj. (i)	Adj. (ii)	
Liabilities				
Post-employment benefits and compensated absences				
Vesting sick leave	\$ 795,334	\$ -	\$ -	\$ (260,334)
Non-vesting sick leave	-	1,876,000	-	-
Retirement benefits	659,000	-	-	4,000
	<u>\$ 1,454,334</u>	<u>\$ 1,876,000</u>	<u>\$ -</u>	<u>\$ (256,334)</u>
				<u>\$ 3,074,000</u>
Net Assets				
Post-employment benefits and compensated absences	<u>\$(1,454,334)</u>	<u>\$(1,876,000)</u>	<u>\$ -</u>	<u>\$ 256,334</u>
				<u>\$ (3,074,000)</u>

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

March 31, 2013

2. First Time Adoption of Public Sector Accounting Standards (cont'd)

Statement of Operations for the year-ended March 31, 2012

	Sub-note	Pre-changeover Canadian GAAP	Adjustments	PSAB for Government NPOs
Expenses				
Operating expenses	(i), (ii), (iii)	\$ 74,902,385	\$ (161,783)	\$ 74,740,602
Deficiency of revenue over expenses	(i), (ii), (iii)	\$ (1,388,773)	\$ 161,783	\$ (1,226,990)

Statement of Cash Flows for the year-ended March 31, 2012

The transition to PSAB for Government NPOs had no impact on total operating or financing activities on the statement of cash flows. The change in excess of revenues over expenses for year-ended March 31, 2012 has been offset by adjustments to operating activities. The transition to PSAB for Government NPOs resulted in the reclassification of cash receipts and outflows relating to the acquisition of capital assets from investing activities to capital activities. The capital section of the statement of cash flows did not exist prior to the transition to PSAB for Government NPOs.

Explanations for Adjustments to PSAB for Government NPOs

(i) Non-vesting Sick Leave

PSAB for Government NPOs requires the recognition of a liability for sick leave benefits that accumulate, but do not vest, which was not required under pre-changeover GAAP. As a result, the College has recognized a liability and charge to net assets as described in the tables above.

(ii) Amortization of Actuarial Gains/Losses

As discussed in Note 2 - First Time Adoption of Public Sector Accounting Standards, Optional Exemptions, the College has elected to recognize actuarial gains and losses at the date of transition to PSAB for Government NPOs directly in net assets. As a result, the College has recognized an increased liability and a charge to net assets as described in the tables above.

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

March 31, 2013

2. First Time Adoption of Public Sector Accounting Standards (cont'd)

(iii) Discount Rate Used to Calculate Post-Employment Benefits and Compensated Absences Liabilities

PSAB for Government NPOs requires these liabilities to be calculated with a discount rate that is equal to either the College's rate of borrowing or the rate of return on the plan assets. Pre-changeover GAAP required the discount rate to be equal to the yield on high quality corporate bonds. The College has chosen to discount these liabilities using its internal rate of borrowing. The change in the discount rate resulted in changes to the related liabilities and charges to net income as described in the tables above.

3. Change in Accounting Policy

On April 1, 2012, the College adopted Public Accounting Standards PS 3450 - Financial Instruments and PS 2601 - Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the College's accounting policy choices (see Note 1 - Significant Accounting Policies).

Currently, the College does not have any financial instruments that need to be remeasured in accordance with the provisions of this new standard.

4. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	2013		
	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Total</u>
Cash	\$ 494,209	\$ -	\$ 494,209
Accounts receivable	-	7,488,342	7,488,342
Temporary investments	7,000,000	-	7,000,000
Notes and long-term receivable	-	77,355	77,355
Accounts payable and accrued liability	-	4,688,573	4,688,573
	<u>\$ 7,494,209</u>	<u>\$ 12,254,270</u>	<u>\$ 19,748,479</u>

**The Confederation College
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Notes to Financial Statements**

March 31, 2013

4. Financial Instrument Classification (cont'd)

The College's bank accounts are held at one chartered bank and as a result is exposed to the credit risk arising from this concentration to the extent that the account balances exceed the 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 (2012 - \$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, \$366,986 (2012 - \$243,794) was outstanding with respect to the Royal Bank loans described in Note 11.

Temporary investments consist of Guaranteed Investment Certificates with a Trust Company, comprised of one GIC investment for \$5,000,000 bearing interest at 1.65%, maturing January 4, 2014, and another for \$2,000,000 bearing interest at 1.63% maturing May 6, 2013.

Maturity profile of Guaranteed Investment Certificates held is as follows:

	2013				Total
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	
Carrying value	\$ 7,000,000	\$ -	\$ -	\$ -	\$ 7,000,000
Percent of total	100%	0%	0%	0%	

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**The Confederation College
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Notes to Financial Statements**

March 31, 2013

4. Financial Instrument Classification (cont'd)

	2013			Total
	Level 1	Level 2	Level 3	
Cash	\$ 494,209	\$ -	\$ -	\$ 494,209
Temporary investments	7,000,000	-	-	7,000,000
	<u>\$ 7,494,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,494,209</u>

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2013 and 2012. There were also no transfers in or out of Level 3.

5. Accounts Receivable

Accounts receivable are comprised of balances receivable from students, Sponsoring agencies and corporate clients for contract training. Credit risk is mitigated to some extent by requiring that payment be received before a student is allowed to register, unless they have certain pre-qualified conditions, such as funding through the Ontario Student Assistance Program, sponsorship funding, or split fee tuition fee option.

	2013	2012
Students and sponsors	\$ 1,538,590	\$ 1,816,475
Due from The Confederation College Foundation	244,456	447,104
General	5,705,296	4,029,580
	<u>\$ 7,488,342</u>	<u>\$ 6,293,159</u>

**The Confederation College
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Notes to Financial Statements**

March 31, 2013

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:

	2013		2012	
	Market	Cost	Market	Cost
Endowed				
Canadian equities	\$ 1,175,043	\$ 1,042,640	\$ 869,638	\$ 799,167
Canadian bonds	3,915,631	3,792,075	2,560,147	2,464,782
Foreign equities	520,064	459,424	2,660,393	2,613,105
Foreign bonds	115,277	116,184	36,187	34,965
Cash and equivalents account	1,270,770	1,269,705	276,606	276,139
	\$ 6,996,785	\$ 6,680,028	\$ 6,402,971	\$ 6,188,158

The cash account does not earn interest. Canadian and foreign bonds are comprised of a number of different bonds, with maturity dates ranging from 2014 to 2023, and yield an average of 3.7% (2012 - 4.6%) over the term of the investments.

7. Construction in Progress

Construction in progress represents costs incurred to date on the construction of a renewable energy solution project, the Bio-Energy Learning and Research Centre Project, on which \$4,860,026 (2012 - \$3,286,071) 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 and commissioning in the next fiscal year.

**The Confederation College
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Notes to Financial Statements**

March 31, 2013

8. Capital Assets

	2013		2012	
	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	34,938,868	73,780,196	33,339,737
Leasehold improvements	333,188	333,188	333,188	333,188
Furniture and equipment	72,306,398	66,046,354	71,098,864	63,026,226
Library books	20,000	20,000	20,000	20,000
Major equipment	5,232,096	4,496,177	5,232,096	3,972,967
	\$ 153,981,921	\$107,849,573	\$152,774,387	\$ 102,707,104
Capital Assets Net book value		\$46,132,348		\$ 50,067,283

9. Accounts Payable and Accrued Liabilities

	2013	2012
Trade	\$ 2,559,050	\$ 3,237,043
Accrued liabilities	345,929	304,481
Accrued salaries and employees' deductions	1,783,595	2,526,188
	\$ 4,688,574	\$ 6,067,712

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

March 31, 2013

10. Deferred Revenue

	2013	2012
Ontario Ministry of Training, Colleges and Universities		
Aboriginal Educational and Training Strategy	\$ 106,940	\$ 23,812
Apprentice training	77,370	82,702
Campus safety	32,406	44,825
Capital TNT	-	46,788
Capital BioEnergy Project	349,396	-
Collaborative nursing	749,188	1,081,784
Employment programs	149,622	282,575
Other MTCU	56,974	26,934
Ontario MTCU bursaries	114,987	123,770
Second career	233,610	140,765
Special needs and tutoring	47,139	47,862
CODE SCWI	479,845	608,993
College service fee	86,610	46,878
Contract training	430,537	718,283
Full-time post secondary tuition deferral	-	868,558
IT residence infrastructure	27,145	20,408
Miscellaneous contracts and projects	552,946	1,557,333
Student IT fee	48,304	19,195
Student tech fee	228,847	310,435
	\$ 3,771,866	\$ 6,051,900

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

March 31, 2013

11. Long Term Debt

	2013	2012
Ontario Financing Authority loan for Residence retrofit repayable at \$131,559 semi-annually at 2.405%, due 2020	\$ 1,685,844	\$ -
Royal Bank loan for aircraft and fuel tank, repayable at \$6,433 monthly including interest at 2.76%, due 2015	220,000	-
Royal Bank loan for camera repayable at \$2,205 monthly including interest at 2.76% due 2015	76,100	-
Royal Bank loan for Fitness Centre flooring, repayable at \$4,288 monthly including interest at 4.5%, due 2013	6,045	55,999
Royal Bank loan for welding equipment, repayable at \$1,116 monthly including interest at 5.09%, due 2013	19,309	31,389
Royal Bank loan for garbage compactor, repayable at \$602 monthly including interest at 3.45%, due 2014	8,027	14,730
Royal Bank loan for region cars, repayable at \$2,814 monthly including interest at 3.45%, due 2014	37,505	68,823
Ontario Ministry of Housing mortgage on Sibley Hall	-	3,100,000
Toronto Dominion Bank term loan financing Banner ISIS	-	429,661
Royal Bank demand loan for Banner ISIS computer system	-	29,183
Royal Bank loan for Banner Project #2	-	43,670
Total	2,052,830	3,773,455
Current portion	379,131	3,702,571
	\$ 1,673,699	\$ 70,884

The scheduled principal amounts repayable within the next five years and thereafter are as follows:

Date	Amount
2014	\$ 379,131
2015	341,094
2016	334,878
2017	240,560
2018	246,380
Thereafter	510,787
	\$ 2,052,830

**The Confederation College
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12. Post-Employment Benefits and Compensated Absences Liability

The following tables outline the components of the College's post-employment benefits and compensated absences liabilities and the related expenses.

	2013			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 774,000	\$ 1,825,000	\$ 416,000	\$ 3,015,000
Value of plan assets	(95,000)	-	-	(95,000)
Unamortized actuarial losses	(21,000)	(21,000)	2,000	(40,000)
	<u>\$ 658,000</u>	<u>\$ 1,804,000</u>	<u>\$ 418,000</u>	<u>\$ 2,880,000</u>

	2012			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	\$ 786,000	\$ 1,965,000	\$ 548,000	\$ 3,299,000
Value of plan assets	(111,000)	-	-	(111,000)
Unamortized actuarial losses	(12,000)	(89,000)	(13,000)	(114,000)
	<u>\$ 663,000</u>	<u>\$ 1,876,000</u>	<u>\$ 535,000</u>	<u>\$ 3,074,000</u>

	2013			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	\$ 22,000	\$ 102,000	\$ 22,000	\$ 146,000
Interest on accrued benefit obligation	5,000	44,000	11,000	60,000
Amortized actuarial losses	2,000	10,000	4,000	16,000
	<u>\$ 29,000</u>	<u>\$ 156,000</u>	<u>\$ 37,000</u>	<u>\$ 222,000</u>

	2012			
	Post-employee Benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	\$ 57,000	\$ 92,000	\$ 21,000	\$ 170,000
Interest on accrued benefit obligation	7,000	59,000	19,000	85,000
	<u>\$ 64,000</u>	<u>\$ 151,000</u>	<u>\$ 40,000</u>	<u>\$ 255,000</u>

Above amounts exclude pension contributions to the Colleges of Applied Arts and Technology pension plan, a multi-employer plan, described below.

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

March 31, 2013

12. Post-Employment Benefits and Compensated Absences Liability (cont'd)

Retirement Benefits

CAAT Pension Plan

A majority of the College's employees are participants in the defined benefit contributory retirement pension plan of the Colleges of Applied Arts and Technology. The plan is a multi-employer plan and therefore the College's contributions are accounted for as if the plan were a defined contribution plan with the College's contributions being expensed in the period they come due. Any unfunded liability is to be paid directly by the Ministry of Training, Colleges and Universities. Contributions by the College on account of current service pension costs amounted to \$3,931,138 (2012 - \$3,638,103). The most recent actuarial valuation filed with pension regulators as at January 1, 2013 indicated an actuarial surplus of \$347 million.

Post-Employment Benefits

The College extends post employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The College recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

The major actuarial assumptions employed for the valuations are as follows:

a) Discount rate

The present value as at March 31, 2013 of the future benefits was determined using a discount rate of 2.10% (2012 - 2.25%).

b) Drug Costs

Drug costs were assumed to increase at a 10.5% rate per annum (2012 - 10.5%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2026 (2012 - 4.5%).

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.0% per annum (2012 - 4.5%).

Medical premium increases were assumed to increase at 8.0% per annum (2012 - 8.0%) and decrease proportionately thereafter to an ultimate rate of 4.0% in 2026 (2012 - 4.5%).

d) Dental costs

Dental costs were assumed to increase at 4.0% per annum (2012 - 4.5%).

Compensated Absences

Vesting Sick Leave

The College has provided for vesting sick leave benefits during the year. Eligible employees, after 10 years of service, are entitled to receive 50% of their accumulated sick leave credit on termination or retirement to a maximum of 6 months salary. The program to accumulate sick leave credits ceased for employees hired after March 31, 1991. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

**The Confederation College
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Notes to Financial Statements**

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12. Post-Employment Benefits and Compensated Absences Liability (cont'd)

Non-Vesting Sick Leave

The College allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that the employees' illness or injury exceeds the current year's allocation of days. Sick days are paid out at the salary in effect at the time of usage. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council.

The assumptions used in the valuation of vesting and non-vesting sick leave are the College's best estimates of expected rates of:

	2013	2012
Wage and salary escalation	1.95%	1.95%
Discount rate	2.10%	2.25%

The probability that the employee will use more sick days than the annual accrual and the excess number of sick days used are within ranges of 0% to 39.2% and 0 to 19.3 days respectively for age groups ranging from 20 and under to 65 and over in bands of 5 years.

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:

	2013	2012
Balance, beginning of year	\$ 47,482,671	\$ 42,204,494
Add contributions for capital purposes	2,114,488	9,552,735
Add realized sinking fund investment income	10,181	213,804
Less amortization of deferred capital contributions	(3,896,106)	(4,488,362)
Balance, end of year	45,711,234	47,482,671
Deferred capital contributions relating to construction in progress, end of year	4,860,231	3,286,071
Deferred capital contributions balance, end of year	\$ 40,851,003	\$ 44,196,600

**The Confederation College
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Notes to Financial Statements**

March 31, 2013

14. Net Assets - Investment in Capital Assets

	2013	2012
Capital assets, net book value	\$ 50,992,374	\$ 53,827,841
Less amounts financed by:		
Working capital	18,504	(455,977)
Long term debt (Note 11)	(2,052,830)	(3,773,455)
Deferred capital contributions (Note 13)	(45,711,234)	(47,482,671)
Add sinking fund investments	-	3,098,760
	\$ 3,246,814	\$ 5,214,498

15. Net Assets - Internally Restricted

Internally restricted net assets represents money set aside by College senior management for various strategic initiatives. During the year, \$675,346 was spent on these strategic initiatives, resulting in a balance at March 31, 2013, of \$ 540,697 remaining unspent internally restricted funds. This balance consists of \$250,000 for Board approved funding for the Applied Research department, \$205,000 for the employee professional development spending account, and \$85,697 for Phase 2 of the Bio-Energy Research Project.

16. 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	\$ 306,404	\$ 46,808	\$ -	\$ 353,212
Scholarships and bursaries	78,965	7,488	250	86,203
Contributions for capital expenditures	179,770	157,206	-	336,976
	\$ 565,139	\$ 211,502	\$ 250	\$ 776,391

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.

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

March 31, 2013

17. Net Assets - Endowments Restricted

Externally restricted net assets include restricted donations received by the College where the endowment principal is required to be maintained intact. The investment income generated from these endowments must be used in accordance with the various purposes established by donors. 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.

Externally restricted endowment funds include grants provided by the Government of Ontario from 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. Under these government programs, the government matches funds raised by the College. The purpose of the programs is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend College. The investment income generated from endowments must be used in accordance with the OSOTF and the OTSS guidelines.

The College has recorded the following amounts under the programs:

OSOTF I

	2013	2012
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	-	-
Fund balance, end of year	3,663,155	3,663,155
Schedule of Changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	93,106	309,162
Realized gain	62,843	-
Realized investment income (loss) net of direct investment-related expenses and preservation of capital contributions	121,057	(62,841)
Bursaries awarded (2013 = 277, 2012 = 336)	(108,515)	(153,215)
Expendable fund balance, end of year	168,491	93,106
Total endowment fund balance, end of year	\$ 3,831,646	\$ 3,756,261
Market value of fund, end of year	\$ 3,831,646	\$ 3,756,261

**The Confederation College
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Notes to Financial Statements**

March 31, 2013

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

OSOTF II Second Phase

	2013	2012
Schedule of Changes in Endowment Fund Balance		
Fund balance, beginning of year	\$ 252,078	\$ 252,078
Eligible cash donations received	-	-
	252,078	252,078
Schedule of Changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	38,072	45,826
Realized gain	4,854	-
Realized investment income (loss) net of direct investment-related expenses and preservation of capital contributions	9,351	(4,854)
Bursaries awarded (2013 = 7, 2012 = 9)	(2,300)	(2,900)
	49,977	38,072
Expendable fund balance, end of year	49,977	38,072
Total endowment fund balance, end of year	\$ 302,055	\$ 290,150
Market value of fund, end of year	\$ 302,055	\$ 290,150

OTSS

Schedule of Changes in Endowment Fund Balance		
Fund balance, beginning of year	\$ 2,508,628	\$ 2,146,035
Eligible cash donations received	338,023	167,898
Matching funds from MTCU	-	194,695
	2,846,651	2,508,628
Fund balance, end of year	2,846,651	2,508,628
Schedule of Changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	(49,715)	44,920
Realized gain	40,700	-
Realized investment income (loss) net of direct investment-related expenses and preservation of capital contributions	79,723	(40,700)
Bursaries awarded (2013 = 98, 2012 = 88)	(54,275)	(53,935)
	16,433	(49,715)
Fund balance, end of year	16,433	(49,715)
Total endowment fund balance, end of year	\$ 2,863,084	\$ 2,458,913
Market value of fund, end of year	\$ 2,863,084	\$ 2,458,913

**The Confederation College
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Notes to Financial Statements**

March 31, 2013

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

Report of OTSS awards issued for the period of April 1, 2012 to March 31, 2013:

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-time	165	\$67,390	217	\$97,700	382	\$165,090
Part-time	n/a	n/a	n/a	n/a	n/a	n/a
Total	165	\$67,390	217	\$97,700	382	\$165,090
					2013	2012
Grand total of endowment funds, end of year					\$ 6,996,785	\$ 6,505,324

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.

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:

	2013	2012
Grants receivable	\$ 2,613,002	\$ (1,739,510)
Accounts receivable	(1,195,183)	(1,046,110)
Inventories	(36,423)	(36,937)
Prepaid expenses	139,934	(58,802)
Accounts payable and accrued liabilities	(1,379,138)	(2,042,295)
Accrued vacation pay	(141,135)	254,431
Deferred revenue and contributions	(2,280,034)	(1,604,806)
	\$ (2,278,977)	\$ (6,274,029)

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

March 31, 2013

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, 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, 2013

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

	2013	2012
Total assets	\$ 435,542	\$ 629,892
Total liabilities	\$ 244,456	\$ 447,054
Total net assets	191,086	182,838
	\$ 435,542	\$ 629,892

Results of Operation and Net Assets

	2013	2012
Total revenue	\$ 646,017	\$ 631,972
Total expense	30,780	44,987
Net revenue available for donations	615,237	586,985
Donations made to the Confederation College of Applied Arts and Technology	(606,989)	(728,842)
Deficiency of revenue over expense	8,248	(141,857)
Net assets, beginning of year	182,838	324,695
Net assets, end of year	\$ 191,086	\$ 182,838

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

March 31, 2013

23. Financial Instrument Risk Management

Credit Risk

Credit risk is the risk of financial loss to the College if a debtor fails to make payments of interest and principal when due. The College is exposed to this risk relating to its cash, debt holdings in its investment portfolio, long-term receivable and accounts receivable. The College holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the College's cash accounts are insured up to \$300,000 (2012 - \$300,000).

The College's investment policy operates within the constraints of the investment guidelines issued by the MTCU and puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis. The guidelines permit the College's funds to be invested in bonds issued by the Government of Canada, a Canadian province or a Canadian municipality having a rating of A or better, or corporate investments having a rating of A (R-1) or better.

Accounts receivable are ultimately due from students, sponsors or corporate agencies. Credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population, and other internal controls built into the registration process.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The College's investment policy operates within the constraints of the investment guidelines issued by the MTCU. The policy's application is monitored by management, the investment managers and the board of governors. Diversification techniques are utilized to minimize risk. The Policy limits the investment in any one corporate issuer to a maximum of 10% of the College's total fixed income bonds.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Currency risk

Currency risk relates to the College operating in different currencies and converting non-Canadian earnings at different points in time at different foreign College levels when adverse changes in foreign currency College rates occur. The College does not have any material transactions or financial instruments denominated in foreign currencies.

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23. Financial Instrument Risk Management (cont'd)

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The College is exposed to this risk through its interest bearing investments, bank loans and term debt.

The College mitigates interest rate on investments by limiting them to short terms, and loans and term debt are at fixed interest rates.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The College is exposed to this risk through its equity holdings within its investment portfolio. At March 31, 2013, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the College's equities of \$150,000. Equities represent approximately 22% of the College's endowed investments, which is held for long term investment gains, which mitigates the impact to market fluctuations on the value of the equities.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

Liquidity risk is the risk that the College will not be able to meet all cash outflow obligations as they come due. The College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining guaranteed investment certificate investments that may be converted to cash in the near-term if unexpected cash outflows arise.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

24. Comparative Figures

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