

**The Confederation College
of Applied Arts and Technology
Financial Statements
For the year ended March 31, 2011**

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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 balance sheet as at March 31, 2011, 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, 2011 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 24, 2011

The Confederation College of Applied Arts and Technology Balance Sheet

March 31	2011	2010
Assets		
Current		
Cash (Note 2)	\$ 13,449,819	\$ 8,781,503
Temporary investment (Note 3)	5,000,000	5,000,000
Grants receivable	1,583,894	1,365,698
Accounts receivable (Note 4)	4,737,544	2,985,196
Inventories	495,700	491,402
Prepaid expenses	275,712	135,466
Current portion of notes and loans receivable	35,787	57,986
	25,578,456	18,817,251
Notes and loans receivable	48,783	71,254
Investment portfolio - endowments restricted (Notes 5 and 15)	5,981,272	5,298,745
Sinking fund investments (Note 6)	2,820,449	2,576,211
Property, plant and equipment (Note 7)	49,495,900	36,243,760
	\$ 83,924,860	\$ 63,007,221
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 7,600,502	\$ 4,652,742
Accrued vacation pay (Note 9)	2,736,799	2,593,018
Deferred revenue and contributions (Note 10)	7,656,706	7,290,666
Current portion of long term debt	1,088,823	1,299,928
Current portion of obligations under capital leases	-	21,541
	19,082,830	15,857,895
Accrued sick leave liability (Note 9)	921,551	947,974
Employee future benefits (Note 9)	653,000	707,000
Long term debt (Note 11)	3,773,955	4,387,140
Deferred capital contributions (Note 12)	42,204,494	28,299,560
	66,635,830	50,199,569
Net assets		
General unrestricted	7,714,920	5,550,394
Employee future benefits unrestricted (Note 9)	(4,311,350)	(4,247,992)
Internally restricted	1,458,530	458,530
Externally restricted (Note 13)	725,152	892,558
Investment in capital assets (Note 14)	5,240,602	4,855,417
Endowments restricted (Note 15)	6,461,176	5,298,745
	17,289,030	12,807,652
	\$ 83,924,860	\$ 63,007,221

On behalf of the Board:



 President


 Chair, Board of Governors

The accompanying summary of significant accounting policies and 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

2011

2010

	General Unrestricted	Employee Future Benefits Unrestricted	Internally Restricted	Externally Restricted	Investment In Capital Assets	Endowments Restricted	Total	Total
		(Note 9)		(Note 13)	(Note 14)	(Note 15)		
Balance, beginning of year	\$ 5,550,394	\$ (4,247,992)	\$ 458,530	\$ 892,558	\$ 4,855,417	\$ 5,298,745	\$ 12,807,652	\$ 11,242,137
Excess of revenue over expense for the year	3,345,335	-	-	-	-	-	3,345,335	635,127
Change in tuition set aside for student assistance	-	-	-	(26,388)	-	-	(26,388)	67,202
Change in other restricted net assets	141,018	-	-	(141,018)	-	-	-	-
Change in unrestricted net assets	63,358	(63,358)	-	-	-	-	-	-
Transfer from unrestricted to internally restricted	(1,000,000)	-	1,000,000	-	-	-	-	-
Change in investment in capital assets	(385,185)	-	-	-	385,185	-	-	-
Endowment contributions and investment income, net of awards	-	-	-	-	-	1,162,431	1,162,431	863,186
Net change for the year	2,164,526	(63,358)	1,000,000	(167,406)	385,185	1,162,431	4,481,378	1,565,515
Balance, end 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

The accompanying summary of significant accounting policies and 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	2011	2010
Revenue		
Grants and reimbursements (Schedule)	\$ 37,685,326	\$ 37,030,348
Student tuition (Schedule)	10,084,620	10,209,903
Other academic activities (Schedule)	16,069,054	15,997,343
Ancillary operations	3,486,034	3,427,694
Supplementary	1,851,596	2,229,572
Amortization of deferred capital contributions (Note 12)	3,309,125	3,260,025
Donations and fundraising	309,480	241,019
Other operating revenue	2,081,922	2,193,190
	<u>74,877,157</u>	<u>74,589,094</u>
Expense		
Academic	30,174,397	32,954,926
Other academic activities	13,351,607	11,956,346
Education resources and student services	5,100,122	5,652,406
Administrative	8,226,874	8,012,202
Plant and property	4,497,387	4,664,636
Ancillary operations	3,207,161	3,207,412
Supplementary	1,851,374	2,228,444
Amortization of capital assets	4,609,044	5,067,604
Scholarships, donations and fundraising	450,498	310,324
Change in employee future benefits	(54,000)	(14,624)
Change in accrued vacation pay and sick leave liability	117,358	(85,709)
	<u>71,531,822</u>	<u>73,953,967</u>
Excess of revenue over expense for the year	\$ 3,345,335	\$ 635,127

The accompanying summary of significant accounting policies and 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	2011	2010
Cash flows from operating activities		
Excess of revenue over expense for the year	\$ 3,345,335	\$ 635,127
Items not involving cash		
Amortization of deferred capital contributions	(3,309,125)	(3,260,025)
Amortization of property, plant and equipment	4,887,170	5,360,487
Change in employee future benefits	(54,000)	(14,623)
Change in accrued sick leave liability	(26,423)	(84,675)
	<u>4,842,957</u>	<u>2,636,291</u>
Change in non-cash working capital balances (Note 19)	1,342,493	(288,167)
	<u>6,185,450</u>	<u>2,348,124</u>
Cash flows from investing activities		
(Increase) decrease in notes and loans receivable	44,670	(17,541)
Increase in investment portfolio - Endowment Restricted	(682,527)	(863,186)
Purchase of property, plant and equipment	(18,139,310)	(6,858,629)
Increase (decrease) in tuition set aside for student assistance	(26,388)	67,202
Increase in endowments, net of awards	1,162,431	863,186
	<u>(17,641,124)</u>	<u>(6,808,968)</u>
Cash flows from financing activities		
Long term debt advances	475,675	480,994
Repayment of long term debt	(1,299,965)	(1,090,763)
Repayment of capital lease obligations	(21,541)	(44,852)
Deferred capital contributions	16,969,821	6,088,585
	<u>16,123,990</u>	<u>5,433,964</u>
Increase in cash for the year	4,668,316	973,120
Cash, beginning of year	8,781,503	7,808,383
Cash, end of year	\$ 13,449,819	\$ 8,781,503

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Confederation College of Applied Arts and Technology Summary of Significant Accounting Policies

March 31, 2011

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.
Financial Instruments	<p>Unless otherwise noted, it is management's opinion that the College is not exposed to significant interest, currency or credit risks arising from financial instruments.</p> <p>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.</p> <p>Held for Trading</p> <p>Financial instruments are classified under this category if they are:</p> <ul style="list-style-type: none">(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") <p>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.</p>

**The Confederation College
of Applied Arts and Technology
Summary of Significant Accounting Policies (cont'd)**

March 31, 2011

**Financial Instruments
(cont'd)**

Held for Trading (cont'd)

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.

Available for Sale

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.

**The Confederation College
of Applied Arts and Technology
Summary of Significant Accounting Policies (cont'd)**

March 31, 2011

**Financial Instruments
(cont'd)**

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 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.

**Property, Plant and
Equipment**

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:

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

Projects in progress relate to capital projects that are incomplete as at March 31, 2011. Amortization will be recorded upon substantial completion at the applicable rates noted above.

**Deferred Capital
Contributions**

Capital grants and contributions are deferred and amortized over the useful life of the assets purchased/contributed.

**The Confederation College
of Applied Arts and Technology
Summary of Significant Accounting Policies (cont'd)**

March 31, 2011

Revenue Recognition

The College follows the deferral method of accounting for contributions, which include donations and government grants.

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.

Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized.

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.

Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

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.

Student fees are recognized as revenue when courses and seminars are held.

Sales and services revenue is recognized at point of sale or when the service has been provided.

Pledges are recorded when the amount to be received is reasonably estimated and ultimate collection is reasonably assured.

Cost Allocation

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.

Employee Future Benefits

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.

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

March 31, 2011

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. Cash and Credit Facilities

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 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 (2010 - \$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, \$1,135,590 was outstanding with respect to the Royal Bank loans described in Note 11.

3. Temporary Investment

The temporary investment consists of a Guaranteed Investment Certificate bearing interest at 1.35% and maturing June 23, 2011.

4. Accounts Receivable

	2011	2010
Students and sponsors	\$ 730,413	\$ 749,959
General	3,763,447	1,739,308
The Confederation College of Applied Arts and Technology Foundation	243,684	495,929
	\$ 4,737,544	\$ 2,985,196

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

March 31, 2011

5. 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:

	2011		2010	
	Market	Cost	Market	Cost
Endowed				
Canadian equities	\$ 1,027,130	\$ 824,941	\$ 844,065	\$ 790,344
Canadian bonds	2,456,942	2,381,903	2,140,946	2,054,507
Foreign equities	2,188,732	2,326,376	1,757,215	2,011,659
Foreign bonds	36,848	34,964	-	-
Cash account	271,620	271,446	556,519	303,106
	\$ 5,981,272	\$ 5,839,630	\$ 5,298,745	\$ 5,159,616

The cash account does not earn interest. Canadian and foreign bonds are comprised of a number of different bonds, with varying maturity dates, and yield an average of 4.5% over the term of the investments. The fair value of investments approximate market values.

6. Sinking Fund Investments

Sinking fund investments are comprised of Ontario Hydro bonds, maturing at \$3,100,000 in the year 2012 and yielding 9.48% over the term of the investment.

	2011		2010	
Cost	\$ 558,234	\$ 558,234		
Accumulated investment income	2,262,215	2,017,977		
	\$ 2,820,449	\$ 2,576,211		

The market value of the bonds at March 31, 2011 is approximately \$3,044,434 (2010 - \$2,959,109). At maturity, the proceeds of the investment will be used to retire the \$3,100,000 Ontario Ministry of Housing mortgage described in Note 11.

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

March 31, 2011

7. Property, Plant and Equipment

	2011		2010	
	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	55,645,353	31,699,710	54,682,354	30,472,158
Leasehold improvements	333,188	333,188	333,188	319,888
Furniture and equipment	65,216,994	59,529,102	62,820,452	56,405,993
Library books	20,000	20,000	20,000	20,000
Major equipment	5,232,096	3,449,758	5,232,096	2,926,548
Projects in progress	17,784,970	-	3,005,200	-
	\$ 146,542,644	\$ 97,046,744	\$ 128,403,333	\$ 92,159,573
Net book value		\$ 49,495,900		\$ 36,243,760

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 \$817,907 (2010 - \$441,580) has been spent to date. This \$5,225,987 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 new building and equipment project, the Regional Education Alliance for Community Health project, on which \$16,967,063 has been spent to date. This \$22,660,000 project has been undertaken to construct a new building for the Health Sciences program. This project is funded primarily by the Ministry of Training, Colleges & Universities and fundraising and is scheduled for completion in the next fiscal year.

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

March 31, 2011

8. Accounts Payable and Accrued Liabilities

	2011	2010
Trade accounts payable	\$ 5,457,751	\$ 1,800,931
Accrued liabilities	234,680	661,951
Accrued salaries and employees' deductions	1,908,071	2,189,860
	\$ 7,600,502	\$ 4,652,742

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

	2011	2010
Accrued vacation pay	\$ 2,736,799	\$ 2,593,018
Accrued sick leave liability	\$ 921,551	\$ 947,974
Employee future benefits		
Non-pension post-retirement benefits	\$ 301,000	\$ 331,000
Post-employment benefits		
Premium waiver during long term disability	63,000	75,000
Contribution of medical and dental benefits during long term disability	404,000	432,000
WSIB future benefits	-	-
	768,000	838,000
Value of Assets		
Post-employment benefits	115,000	131,000
	\$ 653,000	\$ 707,000
	\$ 4,311,350	\$ 4,247,992

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, 2011 of the future benefits was determined using a discount rate of 4.75% (2010 - 4.75%).

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

March 31, 2011

9. 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 increase at 7.5% per annum for 2008 and decrease proportionately thereafter to an ultimate rate of 4.5% in 2023.

10. Deferred Revenue and Contributions

	2011	2010
Ontario Ministry of Training, Colleges and Universities		
Aboriginal Educational and Training Strategy	\$ 284,351	\$ 293,704
Apprenticeship training	211,037	233,346
Bursaries	225,767	423,570
Campus safety	21,935	17,912
Campus Renewal Program	23,418	42,279
Collaborative nursing	1,282,228	1,536,196
College Equipment Renewal Fund	17,304	40,416
Employment programs	359,226	149,262
Lease grant	6,793	995
Other	-	51,222
Second career	501,422	1,260,895
Special needs and tutoring	96,791	124,619
Centre for Applied Media Production	83,068	430,519
Centre for Continuing Education	36,597	25,439
College service fee	46,814	60,464
Contract training	134,188	220,552
Full-time post secondary tuition deferral	723,104	806,607
IT residence infrastructure	-	1,398
Miscellaneous contracts and projects	770,328	739,715
Regional Alliance for Community Health Project	1,863,184	-
School College Work Initiative	185,149	185,149
Student IT fee	21,726	86,928
Student tech fee	156,852	-
Trades and Technology Project	605,424	559,479
	\$ 7,656,706	\$ 7,290,666

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

March 31, 2011

11. Long Term Debt

	2011	2010
Royal Bank loan for Bio-Energy Learning and Research Centre project, interest only at prime (currently 3.00%) plus 1%, due March 2012	\$ 475,675	\$ 437,380
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 2012	56,755	82,810
Royal Bank demand loan for CRM project, repayable at \$2,365 monthly including interest at 5.16%, due 2012	27,610	53,849
Royal Bank loan for plant tractor, repayable at \$776 monthly including interest at 5.16%, due 2012	9,064	17,677
Royal Bank loan for motorcycles, repayable at \$1,111 monthly plus interest at prime (currently 3.00%) less 1.0%, due 2012	2,085	15,008
Toronto Dominion Bank term loan financing Banner ISIS computer system, repayable \$36,723 monthly including interest at 4.69%, due March 2013	839,629	1,230,806
Royal Bank loan for Banner Project #2, repayable at \$3,728 monthly including interest at 4.5%, due 2013	85,422	125,342
Royal Bank loan for Fitness Centre flooring, repayable at \$4,288 monthly including interest at 4.5%, due 2013	103,761	149,621
Royal Bank loan for welding equipment, repayable at \$1,116 monthly including interest at 5.09%, due 2013	42,871	53,784
Royal Bank loan for garbage compactor, repayable at \$602 monthly including interest at 3.45%, due 2014	21,139	27,267
Royal Bank loan for region cars, repayable at \$2,814 monthly including interest at 3.45%, due 2014	98,767	127,396
Royal Bank demand loan for Fitness Centre HVAC system	-	23,915
Toronto Dominion Bank term loan financing Honeywell HVAC system	-	242,213
	4,862,778	5,687,068
Current portion	1,088,823	1,299,928
	\$ 3,773,955	\$ 4,387,140

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

March 31, 2011

11. Long Term Debt (cont'd)

Principal payments due in the next five years are as follows:

Date	Amount
2012	\$ 1,088,823
2013	3,703,067
2014	58,521
2015	12,367
	<hr/>
	\$ 4,862,778
	<hr/>

12. 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:

	2011	2010
	<hr/>	<hr/>
Balance, beginning of year	\$ 28,299,560	\$ 25,247,911
Add contributions for capital purposes	16,969,821	6,088,585
Add sinking fund investment income	244,238	223,089
Less amortization of deferred capital contributions	(3,309,125)	(3,260,025)
	<hr/>	<hr/>
Balance, end of year	\$ 42,204,494	\$ 28,299,560
	<hr/>	<hr/>

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

March 31, 2011

13. 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	\$ 513,210	\$ -	\$ 26,388	\$ 486,822
Scholarships and bursaries	90,038	68,729	96,909	61,858
Contributions for capital expenditures	289,310	240,751	353,589	176,472
	\$ 892,558	\$ 309,480	\$ 476,886	\$ 725,152

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.

14. Net Assets - Investment in Capital Assets

	2011	2010
Capital assets, net book value	\$ 49,495,900	\$ 36,243,760
Less amounts financed by:		
Working capital	(8,475)	43,615
Long term debt	(4,862,778)	(5,687,068)
Obligations under capital lease	-	(21,541)
Deferred capital contributions	(42,204,494)	(28,299,560)
Add sinking fund investments	2,820,449	2,576,211
Invested in capital assets, end of year	\$ 5,240,602	\$ 4,855,417

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

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15. 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

	2011	2010
Schedule of Changes in Endowment Fund Balance		
Fund balance, beginning of year	\$ 3,663,155	\$ 3,472,618
Unrealized gain (unrealized loss)	-	74,547
Cash donations received	-	115,990
	3,663,155	3,663,155
Schedule of Changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	230,524	-
Unrealized gain	254,648	372,124
Realized investment income (loss) net of direct investment-related expenses and preservation of capital contributions	-	-
Bursaries awarded (2011 = 523, 2010 = 321)	(176,010)	(141,600)
	309,162	230,524
Expendable fund balance, end of year	309,162	230,524
Total endowment fund balance, end of year	\$ 3,972,317	\$ 3,893,679
Market value of fund, end of year	\$ 3,972,317	\$ 3,893,679

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

OSOTF II Second Phase

	2011	2010
Schedule of Changes in Endowment Fund Balance		
Fund balance, beginning of year	\$ 252,078	\$ 252,078
Endowed donations (shares)	-	-
	252,078	252,078
Schedule of Changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	17,449	-
Unrealized gain	17,627	30,274
Realized investment income (loss) net of direct investment-related expenses and preservation of capital contributions	-	-
Bursaries awarded (2011 = 17, 2010 = 28)	10,750	(12,825)
	45,826	17,449
Expendable fund balance, end of year	45,826	17,449
Total endowment fund balance, end of year	\$ 297,904	\$ 269,527
Market value of fund, end of year	\$ 297,904	\$ 269,527
OTSS		
Cash donations matched	\$ 423,915	\$ 184,582
Schedule of Changes in Endowment Fund Balance		
Fund balance, beginning of year	\$ 1,108,859	\$ 710,863
Unrealized gain (unrealized loss)	-	41,218
Eligible cash donations received	318,381	117,445
Matching funds from MTCU	718,795	239,333
	2,146,035	1,108,859
Fund balance, end of year	2,146,035	1,108,859
Schedule of Changes in Expendable Funds Available for Awards		
Fund balance, beginning of year	26,680	-
Realized investment income (loss) net of direct investment-related expenses and preservation of capital contributions	74,265	45,805
Bursaries awarded (2011 = 98, 2010 = 40)	(56,025)	(19,125)
	44,920	26,680
Fund balance, end of year	44,920	26,680
Total endowment fund balance, end of year	\$ 2,190,955	\$ 1,135,539
Market value of fund, end of year	\$ 2,190,955	\$ 1,135,539

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Notes to Financial Statements**

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

Report of OTSS awards issued for the period of April 1, 2010 to March 31, 2011:

Status of Recipients	OSAP Recipients		Non-OSAP Recipients		Total	
	Number	Amount	Number	Amount	Number	Amount
Full-Time	38	\$23,025	60	\$33,000	98	\$56,025
Part-Time	n/a	n/a	n/a	n/a	n/a	n/a
Total	38	\$23,025	60	\$33,000	98	\$56,025

	2011	2010
Grand total of endowment funds, end of year	\$ 6,461,176	\$ 5,298,745
Total market value of fund assets, end of year	\$ 6,461,176	\$ 5,298,745

16. 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 Plan is administered by the College of Applied Arts and Technology Board of Trustees and the most recent actuarial valuation of the Plan was conducted at January 1, 2011. The results of this valuation disclosed a going concern surplus of \$88 million and a solvency deficit of \$1.58 billion. 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 \$3,465,574 (2010 - \$3,213,312).

**The Confederation College
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Notes to Financial Statements**

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17. Commitments

The College has leased realty for the Aviation Centre of Excellence at an annual rental of approximately \$68,000, 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 \$170,000 in 2011 and \$113,000 in 2012.

18. 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.

19. Statement of Cash Flows

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

	<u>2011</u>	<u>2010</u>
Grants receivable	\$ (218,196)	\$ (398,810)
Accounts receivable	(1,752,348)	1,458,901
Inventories	(4,298)	23,337
Prepaid expenses	(140,246)	107,905
Accounts payable and accrued liabilities	2,947,760	1,152,076
Accrued vacation pay	143,781	(1,034)
Deferred revenue and contributions	366,040	(2,630,542)
	<u>\$ 1,342,493</u>	<u>\$ (288,167)</u>

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

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20. 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, 2011

21. 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

	2011	2010
Total assets	\$ 568,329	\$ 843,562
Total liabilities	\$ 243,634	\$ 495,929
Total net assets	324,695	347,633
	\$ 568,329	\$ 843,562

Results of Operation and Net Assets

	2011	2010
Total revenue	\$ 742,436	\$ 1,158,947
Total expense	162,223	184,008
Net revenue available for donations	580,213	974,939
Donations made to the Confederation College of Applied Arts and Technology	(603,151)	(257,694)
Excess (deficiency) of revenue over expense	(22,938)	717,245
Net assets (deficiency), beginning of year	347,633	(369,612)
Net assets, end of year	\$ 324,695	\$ 347,633

**The Confederation College
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22. 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 and accrued liabilities 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 are not practical to determine due to the specific nature and terms of these debts and assumptions that would be required.

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
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Schedule - General Operating Revenue**

For the year ended March 31	2011	2010
Grants and reimbursements		
Post secondary	\$ 34,422,279	\$ 31,662,606
Apprenticeship training	1,157,258	1,212,814
Facilities renewal	2,105,789	4,154,928
	<u>\$ 37,685,326</u>	<u>\$ 37,030,348</u>
Student tuition		
Full-time post secondary	\$ 8,039,267	\$ 7,852,555
Part-time post secondary	552,803	661,670
Student services fees	1,492,550	1,695,678
	<u>\$ 10,084,620</u>	<u>\$ 10,209,903</u>
Other academic activities		
Provincially funded direct training grants	\$ 4,584,149	\$ 4,121,084
Contract training - Federal domestic	894,600	986,600
- Other contract training	4,558,612	5,249,427
- International	740,396	524,696
	<u>6,193,608</u>	<u>6,760,723</u>
Other academic services and projects	5,291,297	5,115,536
	<u>\$ 16,069,054</u>	<u>\$ 15,997,343</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.