ALGONQUIN COLLEGE

President/Board of Governors

Agenda Item No: 4.0

Report title:	2018-2019 Draft Audited Financial Statements
Report to:	Board of Governors
Date:	June 10, 2019
Author/Presenter:	Duane McNair, Vice President, Finance and Administration

1. RECOMMENDATION:

   a. **THAT** the Board of Governors approves the 2018-2019 Draft Audited Financial Statements of Algonquin College (Appendix A: 2018-2019 Draft Audited Financial Statements – Algonquin College),
   AND
   b. **THAT** the Board of Governors approves the transfer of $197,538 from internally restricted net assets to unrestricted net assets,
   AND
   c. **THAT** the Board of Governors accepts for information the 2018-2019 Audited Financial Statements of The Algonquin College Foundation (Appendix B: 2018-2019 Audited Financial Statements – Algonquin College Foundation),
   AND
   d. **THAT** the Board of Governors accepts for information the 2018-2019 Audited Financial Statements for 2364193 Ontario Inc. (Appendix C: 2018-2019 Audited Financial Statements – 2364193 Ontario Inc.),
   AND
   e. **THAT** the Board of Governors accepts for information the 2018-2019 Management Discussion and Analysis Report (Appendix D: 2018-2019 Management Discussion and Analysis Report).

2. PURPOSE / EXECUTIVE SUMMARY:

   The purpose of this report is:

   a. To present the 2018-2019 Draft Audited Financial Statements of Algonquin College,
   AND
   b. To request approval for the transfer of $197,538 from internally restricted net assets to unrestricted net assets,
   AND
   c. To present, for information, the 2018-2019 Audited Financial Statements of the Algonquin College Foundation,
   AND

d. To present, for information, the 2018-2019 Audited Financial Statements of 2364193 Ontario Inc.,
AND
e. To present, for information, the 2018-2019 Management Discussion and Analysis Report.

3. BACKGROUND:

Colleges are consolidated into the Province of Ontario's financial statements. Colleges are required to submit their financial statement details to the Ministry of Training Colleges and Universities no later than May 15, 2019. The Ministry permits adjustments to the submitted financial statement information up to June 17, 2019.

The Draft Audited Financial Statements of Algonquin College are prepared in a format required by the Ministry of Training Colleges and Universities that complies with financial reporting standards set by the Public Sector Accounting Board.

The College's audit firm, BDO, LLP, has substantially completed the audit of Algonquin College's financial statements for the fiscal year ending March 31, 2019. These financial statements are presented in draft form to the Audit and Risk Management Committee each year in May, with a subsequent year-end report to the Board of Governors in June accompanied with the final financial statements. The financial statements remain "draft" until formally approved by the Board of Governors on June 10, 2019.

The Financial Statements of the Algonquin College Foundation and of 2364193 Ontario Inc. have also been audited by the College's audit firm, BDO, LLP. The statements of the Algonquin College Foundation were approved by the Foundation Board of Directors on June 6, 2019. The statements of 2364193 Ontario Inc. were approved by its Board of Directors on May 23, 2019. The Audited Financial Statements for the Algonquin College Foundation and the Audited Financial Statements for 2364193 Ontario Inc. are being presented to the Board of Governors for information.

4. DISCUSSION:

The following is a brief overview of the Draft Audited Financial Statements for The Algonquin College of Applied Arts and Technology. The full statements can be found in Appendix A: 2018-2019 Draft Audited Financial Statements – Algonquin College.

Statement of Financial Position

Current assets have increased by $16.0 million primarily due to an increase in accounts receivables, and cash holdings.

Long-term assets have increased by $20.4 million primarily due to increases in the net book value of capital assets, most notably in buildings and site improvements.

Current liabilities have increased by $18.5 million primarily due to an increase in accounts payable, accrued liabilities, and deferred revenue.

These cumulative changes to the Statement of Financial Position have resulted in a quick ratio of 1.33 compared to 1.44 for the prior year. This ratio is used to measure an entity's ability to pay back its short-term liabilities (debt and payables) with its short-term assets (cash, inventory, receivables). Algonquin College's benchmark quick ratio is equal to or greater than 1.00. Therefore, our quick ratio remains strong.

Statement of Operations

The College has realized an excess of revenue over expenses of $15.0 million for the year ended March 31, 2019. The Statement of Operations provides further details of revenues and expenditures. Schedule A in Appendix A of the financial statements provides a detailed listing of revenues, and Schedule B provides details related to Campus Services' financial results.

Consolidated Statement of Changes in Net Assets

The Consolidated Statement of Changes in Net Assets provides a summary of activities processed through the College's various accounts. Net assets increased from $159.8 million to $176.2 million. Note 15 (Capital Disclosures) Internally Restricted Net Assets provides a detailed listing of the balances within this account.

Algonquin College Foundation

The Audited Financial Statements for the Algonquin College Foundation for the year ended March 31, 2019 are included in Appendix B: 2018-2019 Audited Financial Statements – Algonquin College Foundation. The Foundation Board of Directors approved the Draft Audited Financial Statements on June 6, 2019. Note 3, Related Party transactions of the financial statements provides the details of operations between the Foundation and the College.

2364193 Ontario Inc.

The Audited Financial Statements for 2364193 Ontario Inc. for the year ended March 31, 2019 are included in Appendix C: 2018-2019 Audited Financial Statements – 2364193 Ontario Inc. The Audited Financial Statements were approved by its Board of Directors on May 23, 2019. The only remaining holding of the corporation is $100 of share capital.

5. LINK TO STRATEGIC PLAN:

STRATEGIC PLAN 2017-2022			
LEARNER DRIVEN **Goal One** **Establish Algonquin as the leader in personalized learning across all Ontario colleges.**	☒	**CONNECTED** **Goal Four** **Become an integral partner to our alumni and employers.**	☒
QUALITY AND INNOVATION **Goal Two** **Lead the college system in co-op and experiential learning.**	☒	**SUSTAINABLE** **Goal Five** **Enhance Algonquin's global impact and community social responsibility.**	☒
Goal Three **Attain national standing in quality, impact and innovation within each school and service.**	☒	**PEOPLE** **Goal Six** **Be recognized by our employees and the community as an exceptional place to work.**	☒

6. STUDENT IMPACT:

Expenditures realized for this past year will ensure that students benefit from additional investments in information technology infrastructure, renovations, and adaptations to learning spaces, maintenance of existing learning spaces, investment in new program development, academic equipment, and an increased provision for mandated student aid.

7. FINANCIAL IMPACT:

The College is assessed as being in good financial health with an increase of over $16 million in net assets that will provide opportunities to invest in future strategic projects and fund student financial aid.

8. HUMAN RESOURCES IMPACT:

These audited financial statements do not have a direct impact on human resources. Costs for employee salaries, benefits, and pension plan contributions are reflected in these financial statements.

9. GOVERNMENT / REGULATORY / LEGAL IMPACT:

In accordance with the Ministry of Training Colleges and Universities directives, the College was required to submit draft financial statement information to the Ministry by May 15, 2019.

The College must submit Final Audited Financial Statements, approved by the Board of Governors, to the Ministry of Training Colleges and Universities by June 17, 2019.

10. COMMUNICATIONS:

The audited statements will be posted to the College's website once formally approved by the Board of Governors.

11. CONCLUSION:

The College has concluded the 2018-2019 fiscal year with overall positive financial results as reflected in the Draft Audited Financial Statements. The College maintains good financial health and is well positioned to invest capital in strategic and student-focused initiatives.

Respectfully submitted:

Duane McNair
Vice President, Finance and Administration

Approved for submission:

Cheryl Jensen
President and CEO

Appendices:

Appendix A: 2018-2019 Draft Audited Financial Statements – Algonquin College
Appendix B: 2018-2019 Draft Audited Financial Statements – Algonquin College Foundation
Appendix C: 2018-2019 Audited Financial Statements – 2364193 Ontario Inc.
Appendix D: 2018-2019 Management Discussion and Analysis Report