

Financial Statements of

**THE ALGONQUIN COLLEGE OF
APPLIED ARTS AND
TECHNOLOGY**

March 31, 2013

Independent Auditor's Report

To the Board of Governors of The Algonquin College of Applied Arts and Technology

We have audited the accompanying financial statements of The Algonquin College of Applied Arts and Technology (the "College"), which comprise the statement of financial position as at March 31, 2013 and the statements of operations, changes in net assets, remeasurement gains and losses and cash flow 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 for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

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 for government not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 3 to the financial statements and the fact that the College adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012, with its transition date being April 1, 2011. These standards have been applied retrospectively by management to comparative figures included 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 assets and cash flow for the year ended March 31, 2012, including the accompanying notes. We were not engaged to report on the comparative figures and as such, they have not been audited.



Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

June 17, 2013

**THE ALGONQUIN COLLEGE OF APPLIED ARTS AND
TECHNOLOGY**
Financial Statements
March 31, 2013

	<u>PAGE</u>
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Remeasurement Gain and Losses	4
Statement of Cash Flow	5
Notes to the Financial Statements	6 - 41
Supplementary Information - Revenue - Schedule A	42
Supplementary Information - Ancillary Services Summary - Schedule B	43

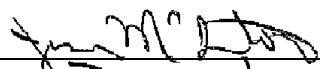
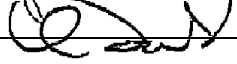
**THE ALGONQUIN COLLEGE OF APPLIED ARTS AND
TECHNOLOGY**

Statement of Financial Position

as at March 31, 2013

	March 31, 2013	March 31, 2012 (Unaudited) (Note 3)	April 1, 2011 (Unaudited) (Note 3)
CURRENT ASSETS			
Cash	\$ 27,284,600	\$ 11,325,802	\$ 25,530,161
Short-term investments (Note 6)	9,276,932	32,693,822	36,619,278
Accounts receivable (Note 4)	17,370,431	28,060,415	21,442,403
Inventory (Note 5)	1,872,660	1,610,211	2,094,369
Prepaid expenses	1,983,268	2,392,522	872,192
	57,787,891	76,082,772	86,558,403
INVESTMENTS (Note 6)	37,441,881	35,732,362	36,606,082
ENDOWMENT ASSETS (Note 7)	17,910,936	16,455,965	15,004,261
CAPITAL ASSETS (Note 8)	279,718,558	253,468,445	200,033,002
	\$ 392,859,266	\$ 381,739,544	\$ 338,201,748
CURRENT LIABILITIES			
Bank indebtedness (Note 10)	\$ -	\$ 15,131,580	\$ -
Accounts payable and accrued liabilities	14,255,600	28,916,658	25,734,667
Accrued salaries and employee deductions payable	5,754,634	5,205,502	9,791,279
Deferred revenue (Note 9)	21,580,732	17,988,093	20,268,829
Current portion of long-term debt (Note 10)	2,494,235	1,861,774	1,745,192
	44,085,201	69,103,607	57,539,967
LONG-TERM DEBT (Note 10)	62,365,832	43,563,318	45,425,093
VACATION, SICK LEAVE AND POST-EMPLOYMENT BENEFITS (Note 14)	19,862,995	19,900,763	21,256,839
DEFERRED CAPITAL CONTRIBUTIONS (Note 11)	165,940,500	156,075,513	134,331,273
INTEREST RATE SWAPS (Note 10)	13,722,914	14,148,233	10,357,273
	305,977,442	302,791,434	268,910,445
COMMITMENTS, CONTINGENCIES AND GUARANTEES (Notes 16 and 17)			
NET ASSETS (DEFICIENCY)			
Unrestricted	1,000,000	1,000,000	1,000,000
Investment in capital assets (Note 12)	48,917,991	38,033,918	27,543,653
Vacation, sick leave and post-employment benefits (Note 14)	(19,862,995)	(19,900,763)	(21,256,839)
Interest rate swaps (Note 10)	-	(14,148,233)	(10,357,273)
Internally restricted (Note 20)	52,638,806	57,507,223	57,357,501
Endowment Fund (Note 13)	17,910,936	16,455,965	15,004,261
	100,604,738	78,948,110	69,291,303
ACCUMULATED REMEASUREMENT LOSSES	(13,722,914)	-	-
	86,881,824	78,948,110	69,291,303
	\$ 392,859,266	\$ 381,739,544	\$ 338,201,748

APPROVED BY THE BOARD


 _____ Chairman

 _____ Member

See accompanying notes to the financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

year ended March 31, 2013

	<u>2013</u>	<u>2012</u> (Unaudited) (Note 3)
Revenue (Schedule A)		
Grants and reimbursements	\$ 98,589,195	\$ 97,417,268
Student tuition fees	84,061,460	78,009,874
Contract educational services	29,892,634	29,867,414
Ancillary services (Schedule B)	34,295,089	32,751,447
Other	15,628,424	14,441,906
Amortization and write off of deferred capital contributions (Note 11)	8,024,264	6,306,002
	270,491,066	258,793,911
Expenses		
Salaries and benefits	149,478,200	143,616,983
Building maintenance and utilities	12,971,045	10,756,444
Instructional supplies and equipment	5,617,501	5,231,807
Bursaries and other student aid	7,845,724	7,111,578
Interest	722,702	656,242
Amortization and write off of capital assets (Note 11)	14,810,940	12,719,526
Ancillary services (Schedule B)	28,668,764	26,682,942
Other	44,360,534	41,378,402
	264,475,410	248,153,924
Change in vacation, sick leave and post-employment benefits liabilities (Note 14)	(37,768)	(1,356,076)
	264,437,642	246,797,848
EXCESS OF REVENUE OVER EXPENSES	\$ 6,053,424	\$ 11,996,063

See accompanying notes to the financial statements.

**THE ALGONQUIN COLLEGE OF APPLIED ARTS AND
TECHNOLOGY**

Statement of Changes in Net Assets

year ended March 31, 2013

	<u>Unrestricted</u>	Investment in Capital <u>Assets</u> (Note 12)	Vacation, Sick Leave and Post-Employment <u>Benefits</u> (Note 14)	Interest Rate <u>Swaps</u> (Note 10)	Internally <u>Restricted</u> (Note 20)	Endowment <u>Fund</u> (Note 13)	2013	2012 (Unaudited) (Note 3)
NET ASSETS (DEFICIENCY), BEGINNING OF YEAR	\$ 1,000,000	\$ 38,033,918	\$ (19,900,763)	\$ (14,148,233)	\$ 57,507,223	\$ 16,455,965	\$ 78,948,110	\$ 69,291,303
Adjustment related to the reclassification of unrealized gains and losses on financial instruments to the statement of remeasurement gains and losses (note 3)	-	-	-	14,148,233	-	-	14,148,233	-
Excess (deficiency) of revenue over expenses	6,053,424	-	-	-	-	-	6,053,424	11,996,063
Change in vacation, sick leave and post-employment benefits liabilities (Note 14)	(37,768)	-	37,768	-	-	-	-	-
Internally imposed restrictions	4,868,417	-	-	-	(4,868,417)	-	-	-
Net change in investment in capital assets (Note 12)	(10,884,073)	10,884,073	-	-	-	-	-	-
Endowment contributions and investment income (Note 13)	-	-	-	-	-	1,454,971	1,454,971	1,451,704
Change in fair value of interest rate swaps (Note 10)	-	-	-	-	-	-	-	(3,790,960)
NET ASSETS (DEFICIENCY), END OF YEAR	\$ 1,000,000	\$ 48,917,991	\$ (19,862,995)	\$ -	\$ 52,638,806	\$ 17,910,936	\$ 100,604,738	\$ 78,948,110

See accompanying notes to the financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Remeasurement Gains and Losses

year ended March 31, 2013

Accumulated remeasurement gains (losses), beginning of year	\$ -
Adjustment related to the reclassification of unrealized gains and losses on financial instruments to the statement of remeasurement gains and losses (note 3)	(14,148,233)
Unrealized gains attributable to: Interest rate swaps	425,319
ACCUMULATED REMEASUREMENT LOSSES, END OF YEAR	\$ (13,722,914)

See accompanying notes to the financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Cash Flow

year ended March 31, 2013

(in thousands of dollars)

	2013	2012 (Unaudited) (Note 3)
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 6,053,424	\$ 11,996,063
Items not affecting cash		
Amortization of capital assets	14,728,114	12,574,458
Write off of capital assets	82,826	145,068
Amortization and write off of deferred capital contributions	(8,024,264)	(6,306,002)
Change in vacation, sick leave and post-employment benefits liabilities (Note 14)	(37,768)	(1,356,076)
	12,802,332	17,053,511
Changes in non-cash operating working capital items (Note 18)	317,502	(11,338,706)
	13,119,834	5,714,805
FINANCING ACTIVITIES		
Principal repayments of long-term debt	(1,861,774)	(1,745,193)
Increase in long-term debt	21,296,749	-
Disposal of investments	23,416,890	4,799,176
Purchases of investments	(1,709,519)	-
Decrease in bank indebtedness	(15,131,580)	15,131,580
Contributions to Endowment Fund (Note 13)	716,663	1,689,617
	26,727,429	19,875,180
CAPITAL ACTIVITIES		
Capital asset additions (Note 12)	(40,283,681)	(66,138,675)
Capital contributions received (Note 11)	17,111,879	28,033,948
	(23,171,802)	(38,104,727)
INVESTING ACTIVITIES		
Disposal of endowed assets	9,533,983	9,613,672
Purchases of endowed assets	(10,250,646)	(11,303,289)
	(716,663)	(1,689,617)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,958,798	(14,204,359)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,325,802	25,530,161
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 27,284,600	\$ 11,325,802
Interest paid in the year	\$ 3,158,049	\$ 2,992,543

See accompanying notes to the financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

1. DESCRIPTION OF THE ORGANIZATION

The Algonquin College of Applied Arts and Technology (the "College") was incorporated as a College in 1966 under the laws of the Province of Ontario. The College is dedicated to providing post-secondary education.

The College is a registered charity and therefore is, under Section 149 of the Income Tax Act, exempt from payment of income taxes.

The financial statements reflect the assets, liabilities, net assets, revenue, expenditures and other transactions of all of the operations and organizations controlled by the College. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue; restricted purpose endowment funds, and the ancillary operations of the College.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations ("PSAS") and include the following significant accounting policies:

a) *Basis of presentation*

The College uses the deferral method of accounting for contributions for government not-for-profit organizations.

These financial statements do not reflect the assets, liabilities and results of operations of the various student organizations at the College.

b) *Adoption of new accounting standards*

As at April 1, 2012, the College adopted Public Sector Accounting Handbook Section 3450, *Financial Instruments*. This new standard provides guidance for recognition, measurement and disclosure of financial instruments. The transitional provisions in the standard state that when a government organization applies this standard in the same year it adopts PSAS for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the government organization immediately preceding its adoption of Public Sector Accounting Standards.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) *Adoption of new accounting standards (Continued)*

Consequently, unrealized gains and losses reported in the opening statement of financial position remain in the statement of operations and the statement of changes in net assets as at April 1, 2011 and as at and for the year ended March 31, 2012. The impacts of the adoption of these new standards are as follows:

The College now discloses a Statement of Re-measurement Gains and Losses. An opening unrealized loss of \$14,148,233 was transferred from net assets to accumulated remeasurement losses.

The Statement of Financial Position discloses accumulated remeasurement losses of \$13,722,914 as at March 31, 2013, which would have previously been classified as a deficiency of interest rate swap net assets.

As the College previously recorded its interest rate swaps and investments at fair value, there were no other quantitative impacts on the Statement of Financial Position.

The College has previously disclosed in its prior financial statements the various risks related to financial instruments. Note 15 provides the additional risk disclosures required by this new Standard.

c) *Revenue*

- i. Unrestricted contributions are recognized as revenue when received or receivable. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenditures are recognized. Contributions to endowment funds are recognized as direct increases in net assets in the period received.

Operating grants are recorded as revenue in the period to which they relate. Grant amounts relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Grants approved but not received are accrued.

- ii. Contributions received for capital assets are deferred and amortized into revenue over the same term and on the same basis as the related capital asset. Contributions of land are recognized as direct increases in investment in capital assets in the period received.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) *Revenue (Continued)*

- iii. Student tuition fees are recorded in the accounts based on the academic period of the specific courses. Tuition fees are deferred to the extent that the courses extend beyond the fiscal year of the College.
- iv. Contract educational services are recorded in the accounts based on the services provided in the College's fiscal year on a percentage of completion basis.
- v. Unrestricted investment income is recognized as revenue in the year that the related expenditures are incurred. As of April 1, 2012, all unrealized gains or losses in the fair value of unrestricted investments are recognized in the Statement of Remeasurement Gains and Losses; once realized, these gains and losses are recognized in the Statement of Operations. Prior to April 1, 2012, unrestricted investment income is recognized as revenue when earned.

d) *Employee benefit plans*

The College accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of retirement ages of employees and expected health care costs.

The College is an employer member of the Colleges of Applied Arts and Technology Pension Plan, which is a multi-employer, defined benefit pension plan. The College has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) *Financial instruments*

All financial instruments reported on the statement of financial position of the College are classified as follows:

Cash	Fair value
Short-term investments	Fair value
Accounts receivable	Amortized cost
Investments	Fair value
Endowment assets	Fair value
Bank indebtedness	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Accrued salaries and employee deductions payable	Amortized cost
Long-term debt	Amortized cost
Interest rate swaps	Fair value

i. *Investments*

Purchases of investments are recorded on the settlement date. Transaction costs related to the acquisition of investments are expensed. Short-term investments are fixed-term investments maturing in the next fiscal year.

ii. *Endowed investments*

Realized investment income and unrealized gains or losses from the change in fair value are recorded in the statement of changes in net assets.

Fair value is determined at quoted market prices. Sales and purchases of endowed investments are recorded on the settlement date. Transaction costs related to the acquisition of endowed investments are recorded against the realized investment income of the endowment fund.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) *Financial instruments (Continued)*

iii. *Interest rate swaps*

The College is party to interest rate swap agreements used to manage the exposure to market risks from changing interest rates. The College's policy is not to utilize derivative financial instruments for trading or speculative purposes.

As of April 1, 2012, unrealized gains or losses on interest rate swaps are recorded in the Statement of Remeasurement Gains and Losses; once realized, they are derecognized from the statement of remeasurement gains and losses and recognized in the Statement of Operations.

Prior to April 1, 2012, the College applied hedge accounting on its interest rate swaps. The portion of the hedge that was determined to be effective was recognized in the statement of changes in net assets. The difference between the interest rate swap and the actual interest rate on the long-term debt is recognized as an adjustment to interest expense on long-term debt

iv. *Other financial instruments*

The College records accounts receivable, bank indebtedness, accounts payable and accrued liabilities, accrued salaries and employee deductions payable and long-term debt at amortized cost using the effective interest method of amortization.

f) *Inventory*

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

g) *Capital assets*

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 the 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.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) *Capital assets (Continued)*

- i. Furniture and library holdings are charged to expenditures in the year of acquisition.
- ii. Computer software is charged to expenditures in the year of acquisition.
- iii. Land originally acquired at the Woodroffe campus is recorded at a nominal value of \$1 with subsequent additions recorded at cost.
- iv. Donated capital assets are recorded at the value of the receipt issued to the donor, which reflects estimated fair value of the capital asset at the time of the donation.
- v. Construction in progress is not amortized until the project is complete and the facilities are available for use.

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:

Buildings	40 years
Site improvements	10-20 years
Equipment and computers	5 years

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimate undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

h) *Expenditures*

In the Statement of Operations, the College presents its expenditures by object, except for Ancillary services which are presented by function.

Expenditures are recognized in the year incurred and are recorded in the applicable function to which they are directly related. The College does not allocate expenditures among functions after initial recognition.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) *Contributed services*

Volunteers contribute an indeterminable number of hours per year to assist the College in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

j) *Use of estimates*

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known. The most significant estimates used in preparing these financial statements include assumptions used in determining the fair value of investments, endowment assets and interest rate swaps, the amount of accrued liabilities, the estimated useful lives of tangible capital assets and the calculation of post-employment benefit liabilities.

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK

On April 1, 2012, the College adopted Canadian public sector accounting standards for government not-for-profit organizations. In accordance with Section 2125 of the Public Sector Accounting Handbook, *First-time adoption by government organizations*, ("Section 2125"), the date of transition to the new standards is April 1, 2011 and the College has prepared and presented an opening statement of financial position at the date of transition to the new standards. This opening statement of financial position is the starting point for the College's accounting under the new standards. In its opening Statement of Financial Position, under the recommendations of Section 2125, the College:

- a) recognized all assets and liabilities whose recognition is required by the new standards;
- b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

- c) reclassified items that it recognized previously as one type of asset, liability or component of net assets, but are recognized as a different type of asset, liability or component of net assets under the new standards; and
- d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 2125, the accounting policies set out in Note 2 have been consistently applied to all years presented (except for the new standards on financial instruments as disclosed in Note 2) and adjustments resulting from the adoption of the new standards have been applied retrospectively. No exemptions were elected on transition by the College.

Impact of the adoption of the new standards on the Statement of Financial Position as at April 1, 2011:

The impact of the adoption of the new standards on the Statement of Financial Position as at April 1, 2011 is summarized as follows:

	Balance as previously reported March 31, <u>2011</u> (Unaudited)	<u>Adjustment</u> (Unaudited)	<u>Reference</u>	Balance as Adjusted as at April 1, <u>2011</u> (Unaudited)
Vacation, sick leave and post-employment benefits	\$ 15,541,410	\$ 5,715,429	(a)	\$ 21,256,839
Total liabilities	263,195,016	5,715,429		268,910,445
Vacation, sick leave and post-employment benefits	(15,541,410)	(5,715,429)		(21,256,839)
Total net assets	\$ 75,006,732	\$ (5,715,429)		\$ 69,291,303

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

Impact of the adoption of the new standards on the Statement of Financial Position as at March 31, 2012:

The impact of the adoption of the new standards on the Statement of Financial Position as at March 31, 2012 is summarized as follows:

	Balance as previously reported March 31, <u>2012</u> (Unaudited)	<u>Adjustment</u> (Unaudited)	<u>Reference</u>	Balance as Adjusted as at March 31, <u>2012</u> (Unaudited)
Vacation, sick leave and post-employment benefits	\$ 14,442,977	\$ 5,457,786	(b)	\$ 19,900,763
Total liabilities	297,333,648	5,457,786		302,791,434
Vacation, sick leave and post-employment benefits	(14,442,977)	(5,457,786)		(19,900,763)
Total net assets	\$ 84,405,896	\$ (5,457,786)		\$ 78,948,110

Impact of the adoption of the new standards on the Statement of Operations for the year ended March 31, 2012:

The impact of the adoption of the new standards on the Statement of Operations for the year ended March 31, 2012 is summarized as follows:

	Balance as previously reported March 31, <u>2012</u> (Unaudited)	<u>Adjustment</u> (Unaudited)	<u>Reference</u>	Balance as Adjusted March 31, <u>2012</u> (Unaudited)
Change in vacation, sick leave and post-employment benefits	\$ (1,098,433)	\$ (257,643)	(c)	\$ (1,356,076)
Excess of revenue over expenses	\$ 11,738,420	\$ (257,643)	(c)	\$ 11,996,063

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

Explanation of adjustments

(a) Post-employment benefits liability as at April 1, 2011

The College modified its discount rate to comply with Canadian Public Sector Accounting Standards; the rate used under Part V of the CICA Handbook as at March 31, 2011 was 4.75%; the change in discount rate resulted in an increase of the vacation, sick leave and post-employment benefits liability of \$325,000.

In addition, under Canadian Public Sector Accounting Standards, non-vested sick leave must be recognized as a liability, which was not a requirement under Part V of the CICA Handbook; this resulted in an increase of the vacation, sick leave and post-employment benefits liability of \$6,502,000.

The College recalculated its vested sick leave obligation actuarially using assumptions consistent with those used for calculating non-vested sick leave; this resulted in a decrease in the vacation, sick leave and post-employment benefits liability of \$1,111,571. Vested sick leave was previously valued on a cash basis.

(b) Post-employment benefits liability as at March 31, 2012

The College modified its discount rate to comply with Canadian Public Sector Accounting Standards; the rate used under Part V of the CICA Handbook as at March 31, 2012 was 4 %; the change in discount rate resulted in an increase of the vacation, sick leave and post-employment benefits liability for an amount of \$368,000.

In addition, under Canadian Public Sector Accounting Standards, non-vested sick leave must be recognized as a liability, which was not a requirement under Part V of the CICA Handbook; this resulted in an increase of the vacation, sick leave and post-employment benefits liability of \$6,186,000.

The College recalculated its vested sick leave obligation actuarially using assumptions consistent with those used for calculating non-vested sick leave; this resulted in a decrease in the vacation, sick leave and post-employment benefits liability of \$1,096,214. Vested sick leave was previously valued on a cash basis.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

Explanation of adjustments (Continued)

(c) Post-employment benefits expense for the year ended March 31, 2012

The additional change in vacation, sick leave and post-employment benefits of \$257,643 represents the net increase of the variance in the post-employment benefit liability between March 31, 2012 and April 1, 2011.

4. ACCOUNTS RECEIVABLE

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Government of Ontario	\$ 1,491,690	\$ (296,698)	\$ (608,320)
HST receivable	1,486,497	3,211,870	2,665,074
Other receivables	14,392,244	25,145,243	19,385,649
	\$ 17,370,431	\$ 28,060,415	\$ 21,442,403

Details on due dates for receivables are as follows:

	<u>0-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>Over 90 days</u>	<u>Total</u>
Government of Ontario	\$ 1,491,690	\$ -	\$ -	\$ -	\$ 1,491,690
HST receivable	926,706	-	-	559,790	1,486,496
Other receivables	10,672,151	2,948,354	45,570	2,058,020	15,724,095
Allowance for doubtful accounts	-	(585,018)	-	(746,832)	(1,331,850)
	\$13,090,547	\$ 2,363,336	\$ 45,570	\$ 1,870,978	\$17,370,431

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

5. INVENTORY

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Bookstore	\$ 1,561,392	\$ 1,342,318	\$ 1,849,107
Food services	253,668	241,172	220,436
Publishing centre	35,409	15,187	16,984
Stationery and supplies	4,581	11,534	7,842
Hospitality	17,610	-	-
	\$ 1,872,660	\$ 1,610,211	\$ 2,094,369

The amount of inventory expensed during the year is \$16,569,446 (2012 - \$16,951,325).

6. INVESTMENTS

Short term investments of \$9,276,932 (2012 - \$32,693,822; April 1, 2011 - \$36,619,278) consist entirely of fixed income securities that will be maturing within a year. Long-term investments consist of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Fixed income securities	\$ 35,725,354	\$ 34,095,345	\$ 34,998,927
Bond funds	1,218,734	1,162,282	1,150,449
Equity	497,793	474,735	469,902
	\$ 37,441,881	\$ 35,732,362	\$ 36,606,082

The College's fixed income securities have effective interest rates ranging from 3.1% to 5.7% and maturity dates ranging from January 2014 to November 2018 (March 31, 2012 - 3.1% to 5.45% and maturity dates ranging from April 2012 to November 2018; April 1, 2011 - 3.03% to 6.9% and maturity dates ranging from May 2011 to August 2015).

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

7. ENDOWMENT ASSETS

Endowment assets represent funds held or receivable by the College which have been permanently endowed. The carrying value of endowed investments is recorded at fair value.

The endowment assets consist of the following:

Fair value

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Receivable from Government of Ontario for Ontario Trust for Student Support matching funds (Note 22)	\$ -	\$ 684,167	\$ 383,012
Endowed investments:			
Cash equivalents	493,767	1,626,721	1,232,541
Bonds	5,674,855	4,509,659	4,169,647
Equities	11,742,314	9,635,418	9,219,061
	\$ 17,910,936	\$ 16,455,965	\$ 15,004,261

Cost

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Receivable from Government of Ontario for Ontario Trust for Student Support matching funds (Note 22)	\$ -	\$ 684,167	\$ 383,012
Endowed investments:			
Cash equivalents	493,767	1,626,728	1,232,583
Bonds	5,389,148	4,257,952	4,059,893
Equities	10,051,878	8,649,283	7,853,026
	\$ 15,934,793	\$ 15,218,130	\$ 13,528,514

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

7. ENDOWMENT ASSETS (Continued)

Endowed investments are managed by investment managers under an investment policy approved by the Board of Governors. The investment policy limits investments to Canadian and foreign equities traded on a public market, Canadian and the United States government and corporate bonds with a minimum rating of A-, and cash equivalents.

The bonds have effective interest rates of 2.05% to 7.9% and maturity dates ranging from June 2014 to June 2023 (March 31, 2012 - 3.1% to 7.8% and maturity dates ranging from May 2012 to February 2022; April 1, 2011 - 3.1% to 7.8% and maturity dates ranging from May 2012 to February 2022).

The College regularly reviews endowed investments to determine whether unrealized losses represent temporary changes in fair value or are a result of other than temporary impairments. The consideration of whether an investment is other than temporarily impaired is based on a number of factors which include, but are not limited to, the financial condition of the issuer and the length and magnitude of the unrealized loss and specific credit events.

The College also considers its intent and ability to hold an investment for a sufficient period of time for the value of the unrealized loss to recover. Management believes that no unrealized losses are considered to be other than temporary.

8. CAPITAL ASSETS

	March 31, 2013		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 7,336,878	\$ -	\$ 7,336,878
Buildings	317,211,947	70,902,389	246,309,558
Site improvements	25,679,900	15,204,712	10,475,188
Parking lots	4,391,024	3,551,062	839,962
Computers and equipment	63,435,559	48,721,873	14,713,686
Automotive equipment	208,535	165,249	43,286
	\$ 418,263,843	\$ 138,545,285	\$ 279,718,558

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

8. CAPITAL ASSETS (Continued)

	March 31, 2012		
	Cost	Accumulated Amortization (Unaudited) (Note 3)	Net Book Value
Land	\$ 7,336,878	\$ -	\$ 7,336,878
Buildings	237,939,142	64,005,303	173,933,839
Site improvements	24,158,743	13,052,525	11,106,218
Parking lots	4,391,024	3,343,886	1,047,138
Computers and equipment	63,514,487	49,806,667	13,707,820
Automotive equipment	334,505	250,828	83,677
Construction in progress	46,252,875	-	46,252,875
	<u>\$ 383,927,654</u>	<u>\$ 130,459,209</u>	<u>\$253,468,445</u>
	April 1, 2011		
	Cost	Accumulated Amortization (Unaudited) (Note 3)	Net Book Value
Land	\$ 7,336,878	\$ -	\$ 7,336,878
Buildings	154,453,091	59,948,593	94,504,498
Site improvements	22,719,009	10,875,418	11,843,591
Parking lots	4,514,418	3,486,998	1,027,420
Computers and equipment	59,851,610	47,994,501	11,857,109
Automotive equipment	369,439	241,942	127,497
Construction in progress	73,336,009	-	73,336,009
	<u>\$ 322,580,454</u>	<u>\$ 122,547,452</u>	<u>\$200,033,002</u>

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

9. DEFERRED REVENUE

Details of the year-end balance are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Student tuition fees	\$ 15,135,400	\$13,228,518	\$ 13,079,220
Grants and reimbursements	102,632	93,561	537,668
Contract education services	3,199,920	1,984,796	2,512,805
Student aid	691,585	481,744	651,684
Miscellaneous projects	2,451,195	2,199,474	3,487,452
	<u>\$ 21,580,732</u>	<u>\$17,988,093</u>	<u>\$ 20,268,829</u>

Student tuition fees are for academic courses which extend beyond the fiscal year of the College.

Grants and reimbursements are unexpended externally restricted grants to be spent on future specific projects, including improvements and investments in the College's campus facilities, information systems, equipment and programs.

Contract education services represent prepayments for courses to be held in subsequent years.

Student aid represents the unexpended donations and interest to be spent on student scholarships and bursaries in future years.

Miscellaneous projects include contributions, deposits and prepayments related to small, miscellaneous activities of the College.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

10. LONG-TERM DEBT, INTEREST RATE SWAPS, AND BANK INDEBTEDNESS

a) Long-term debt:

The College has entered into the following long-term debt agreements to finance the construction of student residences, the Police and Public Safety Institute, and the Student Commons Building:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Residence I building loan, bearing interest at prime plus 1.00%, maturing in 2025, with monthly payments of \$91,054	\$ 9,211,047	\$ 9,651,491	\$ 10,062,651
Residence II building loan, bearing interest at prime plus 0.25%, maturing in 2027, with monthly payment of \$120,279	13,166,550	13,720,892	14,239,922
Residence III building loan, bearing interest at prime plus 0.25%, maturing in 2029, with monthly payment of \$115,644	14,191,271	14,714,705	15,207,876
Police and Public Safety Institute loan, bearing interest at prime plus 1.00%, maturing in 2025, with monthly payments of \$67,833	6,994,450	7,338,004	7,659,836
Student Commons Loan, bearing interest at 4.008%, maturing in 2037, with semi-annual payments of \$678,301	21,296,749	-	-
	64,860,067	45,425,092	47,170,285
Less current portion	2,494,235	1,861,774	1,745,192
	\$ 62,365,832	\$43,563,318	\$ 45,425,093

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

10. LONG-TERM DEBT, INTEREST RATE SWAPS, AND BANK INDEBTEDNESS (Continued)

a) Long-term debt: (Continued)

Interest is payable on a monthly basis. The principal of the loans is payable as follows:

2014	\$ 2,494,235
2015	2,647,532
2016	2,810,558
2017	2,983,946
2018	3,168,368
Thereafter	<u>50,755,428</u>
	<u>\$ 64,860,067</u>

b) Interest rate swaps:

The College has entered into interest rate swap agreements to manage the volatility of interest rates. The College converted a net notional \$59.0 million of floating rate long-term debt relating to the three phases of the Residence and the Police and Public Safety Institute. The fixed rates received under the interest rate swaps range from 5.97% to 6.95%. The maturity dates of the interest rate swaps are the same as the maturity dates of the associated long-term debt, ranging from 2025 to 2029.

The fair value of the interest rate swaps is \$13,722,914 (March 31, 2012 - \$14,148,233; April 1, 2011 - \$10,357,273). In accordance with the transitional requirements for financial instruments, the fair value of the interest rate swaps as at April 1, 2012 was derecognized from the statement of changes in net assets to the statement of remeasurement gains and losses.

c) Bank indebtedness

Bank indebtedness represents short-term financing by the Ontario Financing Authority (OFA) for the expansion of the Pembroke Campus and the building of the Student Commons. The loan for the Pembroke Campus expansion was paid in full in July 2012. The loan for the construction of the Student Commons was converted to a long term loan in December 2012 and is included in long term debt for the year ending March 31, 2013.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase and construction of capital assets. Investment income earned on government contributions received is also included in deferred capital contributions. The amortization of the deferred capital contributions is recorded as revenue in the statement of operations.

In 2005, the Algonquin College Foundation launched a building campaign to raise \$2 million for the construction of the Automotive Technology Trades Centre. Construction of the Automotive Technology Trades Centre was completed in 2007; however, pledges continue to be received. Total cumulative contributions received up to March 31, 2013 amounted to \$650,744 (2012 - \$618,661).

In 2008, the Foundation launched building campaigns to raise \$7 million for the construction of the Algonquin Centre for Construction Excellence, \$2.5 million for the expansion of the Pembroke campus, and \$1 million for the expansion of the Perth campus. The unused portion of contributions received will be used as construction continues on these projects. Total cumulative contributions received up to March 31, 2013 amounted to \$6,455,071 (March 31, 2012 - \$4,901,443)

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

11. DEFERRED CAPITAL CONTRIBUTIONS (Continued)

The changes in the deferred capital contributions balance are as follows:

	March 31, 2013	March 31, 2012 (Unaudited) (Note 3)
Balance, beginning of year	\$ 156,075,513	\$ 134,331,273
Less amortization of deferred capital contributions	(8,024,264)	(6,279,287)
Less deferred capital contributions relating to disposal of building	-	(26,715)
	148,051,249	128,025,271
Add capital contributions received:		
Industry and individual contributions		
Automotive Technology Trades Centre	32,083	31,042
Algonquin Centre for Construction Excellence	1,135,958	-
Pembroke campus expansion	208,582	316,196
Perth campus expansion	197,235	732
Other capital projects	777,370	16,294
Government contributions:		
Algonquin Centre for Construction Excellence	-	6,091,797
Perth campus expansion	-	700,999
Other capital projects	2,654,455	2,846,614
Enabling Accessibility Fund	977,000	2,023,000
Contributions from the Student Association		
Pembroke campus expansion	1,562,333	1,304,334
Perth campus expansion	-	266,667
Student Commons building	10,344,235	14,452,567
	17,889,251	28,050,242
Balance, end of year	\$ 165,940,500	\$ 156,075,513

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

11. DEFERRED CAPITAL CONTRIBUTIONS (Continued)

The portion of deferred capital contributions that were unused at the end of the year are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Algonquin Centre for Construction Excellence	\$ -	\$ -	\$ 6,364,473
Pembroke campus expansion	-	1,197,658	881,562
Perth campus expansion	-	-	1,766,174
Balance, end of year	\$ -	\$ 1,197,658	\$ 9,012,209

The used portion of deferred capital contributions was \$165,940,500 (March 31, 2012 - \$154,877,855; April 1, 2011 - \$125,319,064).

12. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Capital assets	\$ 279,718,558	\$ 253,468,445	\$ 200,033,002
Less amounts financed by:			
Deferred capital contributions - used (Note 11)	(165,940,500)	(154,877,855)	(125,319,064)
Long-term debt	(64,860,067)	(45,425,092)	(47,170,285)
Bank indebtedness	-	(15,131,580)	-
	\$ 48,917,991	\$ 38,033,918	\$ 27,543,653

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

12. INVESTMENT IN CAPITAL ASSETS (Continued)

The net change in investment in capital assets is calculated as follows:

	March 31, 2013	March 31, 2012
		(Unaudited) (Note 3)
Capital asset additions:		
Total additions	\$ 41,061,051	\$ 66,154,969
Less:		
Donated equipment	(777,370)	(16,294)
Building/construction in progress financed with donations	(2,771,514)	(1,963,608)
Building/construction in progress financed with contributions from the Students' Association	(11,906,568)	(16,556,902)
Other capital assets financed with capital contributions	(3,631,455)	(17,327,992)
Capital assets purchased with College funds	21,974,142	30,290,173
External financing:		
Increase (decrease) in long-term debt	(19,434,975)	1,745,196
Increase (decrease) in Ontario Financing Authority	15,131,580	(15,131,580)
Amortization of deferred capital contributions	8,024,264	6,279,287
Amortization of capital assets	(14,728,114)	(12,574,458)
Write-off of capital assets	(82,826)	(109,225)
Amounts relating to disposal of buildings		
Write off of buildings	-	(35,843)
Write off of deferred capital contributions	-	26,715
Net change in investment in capital assets	\$ 10,884,073	\$ 10,490,265

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

13. ENDOWMENT FUND

Endowed funds consist of external contributions that either the donor or the College has designated as a permanent endowment. The endowed funds cannot be expended by the College. The annual income earned on the endowed funds may be expended only for the externally restricted purpose specified by the donor or the College. Total endowments include \$17,003,883 (March 31, 2012 - \$15,622,595; April 1, 2011 - \$14,132,109) in endowed funds relating to the Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support (Note 21). Included in the student aid portion of the deferred revenue (Note 9) is \$182,275 (March 31, 2012 - \$191,693; April 1, 2011 - \$209,046) of investment income available for distribution relating to the Ontario Student Opportunity Trust Fund.

The Endowment Fund generated \$909,440 (2012 - \$189,026) of realized investment revenue and an unrealized gain of \$738,307 (2012 - unrealized loss of \$237,912).

The College's endowment policy is to annually distribute investment income equal to 4% of the Endowment Fund book value at the end of the preceding fiscal year. In the year, \$639,179 (2012 - \$556,978) was distributed from the Endowment Fund to deferred revenue-student aid for use in the year.

The purpose of this policy is to allow the College to distribute a consistent amount of income from the endowed funds on an annual basis regardless of the investment income actually earned in the fiscal year.

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Permanently endowed Contributions	\$ 16,462,884	\$ 16,016,481	\$ 13,958,913
Cumulative amount distributed in excess of realized investment income	(528,091)	(798,352)	(430,400)
	15,934,793	15,218,129	13,528,513
Unrealized gains due to changes in fair value of endowment assets	1,976,143	1,237,836	1,475,748
Endowment Fund balance	\$ 17,910,936	\$ 16,455,965	\$ 15,004,261

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

14. EMPLOYEE BENEFITS PLANS

a) *Pension plan*

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 defined benefit pension plan available to all eligible employees of the participating members of the CAAT. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the highest five consecutive years prior to retirement, termination or death. The College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long term viability of the Plan.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2013 indicated an actuarial surplus of \$347 million.

Contributions to the Plan made during the year by the College on behalf of its employees amounted to \$12,280,678 (2012 - \$11,121,208) and are included in salaries and benefits on the Statement of Operations.

b) *Post-employment benefits*

The College provides extended health care, dental insurance and life insurance benefits to certain of its employees under a multi-employer plan under CAAT. This coverage may be extended to the post-employment period. The most recent actuarial valuation of post-employment benefits was completed by the Plan's Actuary as at March 1, 2012, and was extrapolated for accounting purposes to March 31, 2013.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The College recognizes as expense for current services the amount of its required contribution in a given year and the change in the accrued benefit liability in the year.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

14. EMPLOYEE BENEFITS PLANS (Continued)

b) *Post-employment benefits (Continued)*

The significant actuarial assumptions adopted in estimating the College's accrued benefit liability are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Discount rate	2.1%	2.25%	3.05%
Dental benefits cost and premium escalation	4.0%	4.5%	4.5%
Medical benefits cost escalation			
Hospital and other medical	4.5%	4.5%	4.5%
Vision/hearing	4.5%	4.5%	4.5%
Drugs	10.5% in 2011 decreasing to 4.0% by 2026	10.5% in 2011 decreasing to 4.5% by 2026	10.5% in 2011 decreasing to 4.5% by 2026
Medical premium escalation	8.0% in 2011 decreasing to 4.5% by 2026	8.0% in 2011 decreasing to 4.5% by 2026	8.0% in 2011 decreasing to 4.5% by 2026
Expected return on assets	1.7%	3.3%	3.3%

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

14. EMPLOYEE BENEFITS PLANS (Continued)

b) *Post-employment benefits (Continued)*

The composition of the vacation, sick leave and post-employment net asset deficiency is as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Post-employment benefits	\$ 3,874,300	\$ 3,499,400	\$ 3,467,401
Vacation	9,010,695	8,896,363	9,450,438
Sick leave	6,978,000	7,505,000	8,339,000
	<u>\$ 19,862,995</u>	<u>\$19,900,763</u>	<u>\$ 21,256,839</u>

The employee future benefit liability change for the year ended March 31, 2013 is \$(37,768) (2012 - \$(1,356,076)). This amount is comprised of:

	March 31, 2013	March 31, 2012
		(Unaudited) (Note 3)
Current year service cost	\$ 966,232	\$ (61,076)
Interest expense on accrued benefit obligation	186,000	264,000
Amortization of actuarial loss	46,000	-
Benefit payments made by the College during the year	<u>(1,236,000)</u>	<u>(1,559,000)</u>
	<u>\$ (37,768)</u>	<u>\$ (1,356,076)</u>

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

15. FINANCIAL INSTRUMENTS

Fair values

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, accrued salaries and employee deductions payable, approximate their fair value due to the relatively short periods to maturity of the instruments.

The carrying value of long-term debt approximates fair value as interest is charged at a variable market rate.

Fair value hierarchy

Financial instruments are grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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 fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the Statement of Financial Position, classified using the fair value hierarchy described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 27,284,600	\$ -	\$ -	\$ 27,284,600
Short-term investments	-	9,276,932	-	9,276,932
Long-term investments	497,793	36,944,088	-	37,441,881
Endowment assets	12,236,081	5,674,855	-	17,910,936
Interest rate swaps	-	13,722,914	-	13,722,914
Total	\$ 40,018,474	\$ 65,628,789	\$ -	\$ 105,637,263

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

15. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The College is exposed to interest rate risk with respect to its interest-bearing investments, long-term debt and interest rate swaps.

As at March 31, 2013, a 1% increase in nominal interest rates would result in a decline of investments of approximately \$1,165,111 and an appreciation of the interest rate swap's fair value of approximately \$2,827,219. Conversely, a 1% decrease in nominal interest rates would result in an increase of investments of approximately \$1,290,532 and a decrease of the interest rate swap's fair value of approximately \$2,827,219. These amounts do not include other variables such as convexity.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The College is exposed to price risk with respect to its equity investments.

As at March 31, 2013, a 5% increase in price would result in an increase of investments of approximately \$612,006.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The College believes that it is not exposed to significant currency risks arising from its financial instruments.

Credit risk

Credit risk arises from the potential that counterparty to an investment will fail to perform its obligations. The College is exposed to credit risk on its accounts receivable and its investments. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit exposure is minimized by dealing mostly with creditworthy counterparties such as government agencies and public companies. The College also enforces approved collection policies for student accounts.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

15. FINANCIAL INSTRUMENTS (Continued)

Credit risk (continued)

Concentrations of amounts receivable are described in Note 4. Credit risk on endowment investments is also mitigated by the College's investment policy as described in note 7 to the financial statements. Primary credit portfolio concentrations on investments are detailed in Notes 6 and 7.

Liquidity risk

Liquidity risk is the risk that the College will not be able to meet all cash flow obligations as they come due. The College mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis. The College has the following financial liabilities as at March 31, 2013:

	<u>Net Book Value</u>	<u>2014</u>	<u>2015</u>	<u>2016 and after</u>
Accounts payable and accrued liabilities	\$ 14,255,600	\$ 14,255,600	\$ -	\$ -
Accrued salaries and employee deductions payable	5,754,634	5,754,634	-	-
Long-term debt	64,860,067	2,494,236	2,647,532	59,718,299
Interest rate swaps	13,722,914	-	-	13,722,914

16. COMMITMENTS AND GUARANTEE

The College has committed to make the following future minimum payments under various vehicle, premises rental and equipment leases:

2014	\$ 820,214
2015	456,566
2016	163,577
	<hr/>
	\$ 1,440,357

Letters of credit

The College is contingently liable under letters of credit amounting to \$1,414,090 (March 31, 2012 - \$1,414,091; April 1, 2011 - \$595,258) which have been issued in the normal course of business.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

16. COMMITMENTS AND GUARANTEE (Continued)

Guarantee

In the normal course of business, the College has entered into lease agreements for premises and equipment. It is common in such commercial lease transactions for the College, as the lessee, to agree to indemnify the lessor liabilities that may arise from the use of the leased assets. The maximum amount potentially payable under the foregoing indemnities cannot be reasonably estimated. The College has liability insurance that relates to the indemnifications described above.

17. CONTINGENCIES

The College is involved with pending litigation and claims which arise in the normal course of operations. In the opinion of the administration, any liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the College. Losses, if any, arising from these matters will be accounted for in the year in which they are resolved.

18. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	<u>2013</u>	<u>2012</u>
		(Unaudited) (Note 3)
Decrease (increase) in accounts receivable	\$ 10,689,984	\$ (6,618,012)
Decrease (increase) in inventory	(262,449)	484,158
Decrease (increase) in prepaid expenses	409,254	(1,520,330)
Increase (decrease) in accounts payable and accrued liabilities	(14,661,058)	3,181,991
Increase (decrease) in accrued salaries and employee deductions payable	549,132	(4,585,777)
Increase (decrease) in deferred revenue	3,592,639	(2,280,736)
	<u>\$ 317,502</u>	<u>\$ (11,338,706)</u>

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

19. RELATED PARTIES

The College controls the Algonquin College Foundation by virtue of its right to name the Board members of the Foundation. The objectives of the Foundation are to solicit, receive, manage and distribute money and other property to support education at the College. The Foundation was incorporated without share capital on December 4, 1995 under the Ontario Corporations Act.

During the year, the College received \$4,311,655 (2012 - \$4,114,827) from the Foundation consisting of:

	<u>2013</u>	<u>2012</u> (Unaudited) (Note 3)
Endowed contributions	\$ 1,098,485	\$ 1,736,227
Deferred capital contributions	1,573,744	1,899,122
Other restricted contributions	1,639,426	479,478
	<u>\$ 4,311,655</u>	<u>\$ 4,114,827</u>

The College provides the Foundation with office premises without charge and pays the salaries of all employees involved with the Foundation.

The summarized assets, liabilities and results of operations for the Foundation for the year ended March 31 is as follows:

	<u>March 31, 2013</u>	<u>March 31, 2012</u> (Unaudited) (Note 3)	<u>April 1, 2011</u> (Unaudited) (Note 3)
Financial position:			
Total assets	<u>\$ 196,482</u>	<u>\$ 1,564</u>	<u>\$ 2,045</u>
Liabilities and fund balances:			
Fund balances	<u>\$ 196,482</u>	<u>\$ 1,564</u>	<u>\$ 2,045</u>

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

19. RELATED PARTIES (Continued)

	<u>2013</u>	<u>2012</u> (Unaudited) (Note 3)
Results of operations:		
Total revenue	\$ 4,540,380	\$ 4,157,347
Total expenses	4,345,462	4,157,828
Excess (deficiency) of revenue over expenses	<u>\$ 194,918</u>	<u>\$ (481)</u>
Cash flows:		
Operating	<u>\$ 194,732</u>	<u>\$ (794)</u>
Cash flows for the year	<u>\$ 194,732</u>	<u>\$ (794)</u>

20. CAPITAL DISCLOSURES

Capital

The College considers its operating capital to consist of long-term debt, net assets invested in capital assets, internally restricted net assets and unrestricted net assets. The College's overall objective for its capital is to fund capital assets, future projects and ongoing operations. The College manages its capital by appropriating amounts to internally restricted net assets for anticipated future projects, contingencies and other capital requirements as disclosed below.

The College also considers its endowments, as disclosed in notes 7 and 13, as part of its capital. The College's objective with regard to endowments is to grow the endowment principal and maximize investment income to increase funding for student aid.

The College may not incur an accumulated deficit without the approval of the Minister of Training, Colleges and Universities of Ontario. The College would be required to eliminate any accumulated deficit within a prescribed period of time.

The College is not subject to any other externally imposed capital requirements and its approach to capital management remains unchanged from the prior year.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

20. CAPITAL DISCLOSURES (Continued)

Internally restricted net assets

Internally restricted net assets are funds restricted by the College for future projects to improve and invest in the College's campus facilities, information systems, equipment, programs, student aid and employee retraining.

Internally restricted assets consist of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Appropriations	\$ 2,195,444	\$ 1,076,746	\$ 450,743
Specific reserves:			
Other projects and initiatives	19,479,862	7,357,278	10,051,599
Ancillary services reserve fund	5,642,416	5,391,324	4,751,239
Contingency reserve fund	4,500,000	1,750,000	-
Employment stabilization funds	470,004	451,751	410,069
Other student aid	17,781	21,570	6,167
Reserve funds:			
Future capital expansion - sale of Rideau Campus	-	6,561,890	6,395,604
Future capital expansion	20,333,299	32,728,965	33,179,313
Rural campus reserve fund	-	2,167,699	2,112,767
Balance, end of year	\$ 52,638,806	\$57,507,223	\$57,357,501

On March 12, 2012, the Board of Governors approved the draw-down of \$23 million from Reserve Funds to finance construction of the new Pembroke Campus.

21. COMPARATIVE FIGURES

Certain 2012 comparative figures have been reclassified to conform to the financial statement's presentation adopted for 2013.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

22. ONTARIO STUDENT OPPORTUNITY TRUST FUND AND ONTARIO TRUST FOR STUDENT SUPPORT

The College's endowments disclosed in Note 7 include monies provided by the Government of Ontario through matching programs to award student aid as a result of raising an equal amount of endowed donations. Matching funds were discontinued effective April 1, 2012. The College has recorded the following amounts under these programs:

a) *Ontario Student Opportunity Trust Fund PHASE I*

The endowed balance at March 31, 2013 is \$994,793 **(A)** (2012 - \$994,793)

Expendable funds available for awards for the year ended March 31 are as follows:

	March 31, 2013	March 31, 2012 (Unaudited) (Note 3)
Balance, beginning of year	\$ 27,989	\$ 39,232
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	39,855	36,366
Bursaries awarded	(43,983)	(47,609)
Balance, end of year (B)	\$ 23,861	\$ 27,989
Endowment total based on book value (=A+B)	\$ 1,018,654	\$ 1,022,782

The fair value of this endowment as at March 31, 2013 is \$1,103,823 (March 31, 2012 - \$1,014,156; April 1, 2011 - \$1,061,352).

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

22. ONTARIO STUDENT OPPORTUNITY TRUST FUND AND ONTARIO TRUST FOR STUDENT SUPPORT (Continued)

b) *Ontario Student Opportunity Trust Fund PHASE II*

The endowed balance at March 31, 2013 is \$2,002,396 **(A)** (2012 - \$2,002,396).

Expendable funds available for awards for the year ending March 31 are as follows:

	<u>March 31, 2013</u>	<u>March 31, 2012</u> (Unaudited) (Note 3)
Balance, beginning of year	\$ 6,190	\$ 5,364
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	79,945	78,074
Bursaries awarded	<u>(72,162)</u>	<u>(77,248)</u>
Balance, end of year (B)	<u>\$ 13,973</u>	<u>\$ 6,190</u>
Endowment total based on book value (=A+B)	<u>\$ 2,016,369</u>	<u>\$ 2,008,586</u>

The fair value of this endowment as at March 31, 2013 is \$2,244,422 (March 31, 2012 - \$2,062,099; April 1, 2011 - \$2,158,064).

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to the Financial Statements

year ended March 31, 2013

22. ONTARIO STUDENT OPPORTUNITY TRUST FUND AND ONTARIO TRUST FOR STUDENT SUPPORT (Continued)

c) *Ontario Trust for Student Support*

The endowed balance for at March 31, 2013 is \$12,173,194 **(A)** (2012 - \$12,173,194).

Expendable funds available for awards for the year ending March 31 are as follows:

	March 31, 2013	March 31, 2012 (Unaudited) (Note 3)
Balance, beginning of year	\$ 191,693	\$ 209,046
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	482,159	415,320
Bursaries awarded	(491,578)	(432,673)
Balance, end of year (B)	\$ 182,274	\$ 191,693
Endowment total based on book value (=A+B)	\$ 12,355,468	\$ 12,364,887

The fair value of this endowment as at March 31, 2013 is \$13,655,638 (March 31, 2012 - \$12,546,340; April 1, 2011 - \$10,912,693).

Schedule A

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Supplementary Information - Revenue

year ended March 31, 2013

	<u>2013</u>	2012 (Unaudited) (Note 3)
Grants and reimbursements:		
Post secondary activity	\$ 92,349,708	\$ 89,414,741
Apprentice programs	4,824,387	5,287,903
Special bursaries	1,415,100	2,714,624
	98,589,195	97,417,268
Student tuition fees:		
Full-time post secondary	65,095,310	60,170,029
Full-time non-funded	1,609,383	1,858,886
Part-time	11,152,400	11,091,231
Adult training	1,676,147	1,560,978
Student information technology and mobile computing fee	4,528,220	3,328,750
	84,061,460	78,009,874
Contract educational services:		
Provincially funded programs	15,899,305	12,887,470
International programs	364,939	328,464
Corporate and other programs	13,628,390	16,651,480
	29,892,634	29,867,414
Ancillary operations (Schedule B)	34,295,089	32,751,447
Other:		
Early Learning Centre	902,124	889,088
Student ancillary fees	5,069,232	4,292,876
Investment income	1,674,255	2,386,861
Miscellaneous	7,982,813	6,873,081
	15,628,424	14,441,906
Amortization of deferred capital contributions (Note 11)	8,024,264	6,306,002
TOTAL REVENUE	\$ 270,491,066	\$ 258,793,911

See accompanying notes to the financial statements.

**THE ALGONQUIN COLLEGE OF APPLIED ARTS AND
TECHNOLOGY**

Ancillary Operations Summary

Year ended March 31, 2013

	Gross Revenue	Internal Revenue	Net Revenue	Expenses	Internal Expenses	Net Expenses	March 31, 2013	
							Contribution Including Internal Transactions	Contribution Net of Internal Transactions
Food Services	\$ 8,748,862	\$ (363,475)	\$ 8,385,387	\$ 8,820,536	\$ (363,476)	\$ 8,457,060	\$ (71,674)	\$ (71,673)
Bookstore	16,051,473	(2,881,371)	13,170,102	15,235,277	(2,734,857)	12,500,420	816,196	669,682
Parking and Lockers	4,430,834	(538,886)	3,891,948	1,627,793	(197,975)	1,429,818	2,803,041	2,462,130
Publishing Centre	1,867,729	(1,655,098)	212,631	1,456,272	(1,290,483)	165,789	411,457	46,842
Residence	8,562,153	-	8,562,153	7,402,226	-	7,402,226	1,159,927	1,159,927
Director's Office	72,868	-	72,868	573,087	-	573,087	(500,219)	(500,219)
Overhead Allocation	-	-	-	-	(1,859,636)	(1,859,636)	-	1,859,636
Totals	\$ 39,733,919	\$ (5,438,830)	\$ 34,295,089	\$ 35,115,191	\$ (6,446,427)	\$ 28,668,764	\$ 4,618,728	\$ 5,626,325

							March 31, 2012	
							Contribution Including Internal Transactions	Contribution Net of Internal Transactions
	Gross Revenue	Internal Revenue	Net Revenue	Expenses	Internal Expenses	Net Expenses		
	(Unaudited) (Note 3)							
Food Services	\$ 8,812,412	\$ (386,457)	\$ 8,425,955	\$ 8,202,191	\$ (359,697)	\$ 7,842,494	\$ 610,221	\$ 583,461
Bookstore	16,471,199	(4,172,250)	12,298,949	15,232,166	(3,858,396)	11,373,770	1,239,033	925,179
Parking and Lockers	4,186,511	(551,319)	3,635,192	1,653,280	(217,719)	1,435,561	2,533,231	2,199,631
Publishing Centre	1,887,616	(1,703,840)	183,776	1,464,058	(1,321,519)	142,539	423,558	41,237
Residence	8,070,118	-	8,070,118	6,774,186	-	6,774,186	1,295,932	1,295,932
Director's Office	137,457	-	137,457	615,193	-	615,193	(477,736)	(477,736)
Overhead Allocation	-	-	-	-	(1,500,801)	(1,500,801)	-	1,500,801
Totals	\$ 39,565,313	\$ (6,813,866)	\$ 32,751,447	\$ 33,941,074	\$ (7,258,132)	\$ 26,682,942	\$ 5,624,239	\$ 6,068,505