

Consolidated financial statements of

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

March 31, 2020

The Algonquin College of Applied Arts and Technology

March 31, 2020

Table of contents

Independent Auditor's Report	1-2
Consolidated statement of financial position	3
Consolidated statement of operations.....	4
Consolidated statement of changes in net assets.....	5
Consolidated statement of remeasurement gains and losses	6
Consolidated statement of cash flow	7
Notes to the consolidated financial statements	8-28
Supplementary information - Revenue - Schedule A	29
Supplementary information – Campus Services operations summary - Schedule B	30

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of the Algonquin College of Applied Arts and Technology (the "College") are the responsibility of management and have been approved by the Board of Governors.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAS for Government NPOs"). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The College maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the College's assets are appropriately accounted for and adequately safeguarded.

The College's insurance liabilities have been reviewed by management in consultation with its broker. There are no material liabilities in either fact or contingency as at the date of this report.

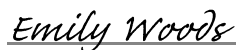
The Board of Governors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit and Risk Management Committee.

The Audit and Risk Management Committee is appointed by the Board of Governors and meets regularly with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the consolidated financial statements and the external auditor's report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements. The Committee also considers, for review and approval by the Board, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by BDO Canada LLP, the external auditors in accordance with Canadian generally accepted auditing standards, on behalf of the Board. BDO Canada LLP has full and free access to the Audit and Risk Management Committee.

A handwritten signature in blue ink, appearing to read "Claude Brulé".

Claude Brulé
President and CEO

A handwritten signature in blue ink, appearing to read "Emily Woods".

Emily Woods (Jun 17, 2020 10:49 EDT)

Emily Woods
Acting Chief Financial Officer

June 17, 2020

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of The Algonquin College of Applied Arts and Technology (the "College"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, the consolidated statement of changes in net assets, the consolidated statement of cash flows and the consolidated statement of remeasurement gains and losses for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the College as at March 31, 2020, and its consolidated results of operations, its consolidated cash flows, and its consolidated remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario
June 8, 2020

The Algonquin College of Applied Arts and Technology

Consolidated statement of financial position
as at March 31, 2020

	2020	2019
	\$	\$
Assets		
Current assets		
Cash	59,675,325	82,237,781
Short-term investments (Note 3)	30,058,132	25,275,967
Accounts receivable (Note 4)	28,955,553	22,979,043
Inventory (Note 5)	2,044,066	1,547,807
Prepaid expenses	4,588,422	2,463,197
	125,321,498	134,503,795
Investments (Note 3)	33,104,861	36,489,999
Long Term Prepaid - Students' Association	5,500,000	-
Endowment assets (Note 7a)	26,943,483	27,469,921
Capital assets (Note 8)	295,526,547	304,412,969
	486,396,389	502,876,684
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	20,622,040	37,075,026
Accrued salaries and employee deductions payable	8,342,754	9,766,716
Algonquin College - Saudi Arabia (Note 6a)	257,032	257,032
Deferred revenue (Note 9)	45,091,799	50,433,479
Current portion of long-term debt (Note 10a)	3,501,708	3,298,244
	77,815,333	100,830,497
Long-term debt (Note 10a)	38,367,852	41,869,559
Interest rate swaps (Note 10b)	5,199,705	5,279,707
Vacation, sick leave and post-employment benefits (Note 11)	20,247,712	19,237,801
Deferred capital contributions (Note 12)	159,717,061	165,222,307
	301,347,662	332,439,871
Commitments and guarantees and contingencies (Note 13)		
Net assets (deficiency)		
Unrestricted	1,000,000	1,000,000
Investment in capital assets (Note 14)	93,939,926	94,022,852
Vacation, sick leave and post-employment benefits (Note 11)	(20,247,712)	(19,237,801)
Internally restricted (Note 15)	88,821,096	72,988,225
Endowment fund (Note 7b)	26,943,484	27,469,921
	190,456,795	176,243,197
Accumulated remeasurement losses	(5,408,068)	(5,806,384)
	185,048,726	170,436,813
	486,396,389	502,876,684

Approved by the Board


Chair


Member

See accompanying notes to the financial statements.

The Algonquin College of Applied Arts and Technology

Consolidated statement of operations
as at March 31, 2020

	2020	2019
	\$	\$
Revenue (Schedule A)		
Grants and reimbursements	108,410,486	116,335,685
Student tuition fees	160,690,254	143,914,193
Contract educational services	42,995,124	40,296,899
Campus Services (Schedule B)	33,175,277	37,188,621
Other	26,004,512	23,730,096
Amortization of deferred capital contributions (Note 12)	7,720,677	7,365,994
	378,996,330	368,831,489
Expenses		
Salaries and benefits	205,575,759	198,190,945
Building maintenance and utilities	23,521,785	24,947,086
Instructional supplies and equipment	6,064,986	6,616,353
Bursaries and other student aid	7,909,629	7,963,403
Interest	724,278	769,825
Amortization and write off of capital assets (Note 14)	15,975,181	18,216,201
Campus Services (Schedule B)	26,443,277	28,812,847
Other	79,434,861	68,095,544
	365,649,756	353,612,205
Change in vacation, sick leave and post-employment benefits liabilities (Note 11)	1,009,911	258,958
Total Expenses	366,659,667	353,871,163
Excess of revenue over expenses from operations before the undernoted item	12,336,663	14,960,326
Gain on sale of March Road land in Kanata	2,403,372	-
Excess of revenue over expenses	14,740,035	14,960,326

See accompanying notes to the financial statements.

The Algonquin College of Applied Arts and Technology

Consolidated statement of changes in net assets
as at March 31, 2020

	Unrestricted	Investment in capital assets	Vacation, sick leave and post-employment benefits	Internally restricted	Endowment fund	2020	2019
	\$	\$ (Note 14)	\$ (Note 11)	\$ (Note 15)	\$ (Note 7)	\$	\$
Net assets (deficiency), beginning of year	1,000,000	94,022,852	(19,237,801)	72,988,225	27,469,921	176,243,197	159,833,365
Excess of revenue over expenses	14,740,035	-	-	-	-	14,740,035	14,960,326
Change in vacation, sick leave and post-employment benefits liabilities (Note 11)	1,009,911	-	(1,009,911)	-	-	-	-
Internally imposed restrictions	(15,832,871)	-	-	15,832,871	-	-	-
Net change in investment in capital assets (Note 14)	82,925	(82,925)	-	-	-	-	-
Endowment contributions and investment income (Note 7)	-	-	-	-	(526,437)	(526,437)	1,449,506
Net assets (deficiency), end of year	1,000,000	93,939,927	(20,247,712)	88,821,096	26,943,484	190,456,795	176,243,197

See accompanying notes to the financial statements.

The Algonquin College of Applied Arts and Technology

Consolidated statement of remeasurement gains and losses as at March 31, 2020

	2020	2019
	\$	\$
Accumulated remeasurement losses, beginning of year	(5,806,384)	(7,317,650)
Unrealized gains attributable to:		
Fair value decline in investments	(208,363)	(526,676)
Interest rate swaps	80,002	452,224
	(128,361)	(74,453)
Realization of prior year (gains) / losses	526,676	1,585,719
	398,315	1,511,266
Accumulated remeasurement losses, end of year	(5,408,068)	(5,806,384)

The Algonquin College of Applied Arts and Technology

Consolidated statement of cash flow as at March 31, 2020

	2020	2019
	\$	\$
Operating activities		
Excess of revenue over expenses	14,740,035	14,960,326
Items not affecting cash		
Amortization of capital assets	15,975,181	14,723,321
Write off of capital assets	1,524,659	3,492,880
Amortization and adjustment of deferred capital contributions	(7,720,677)	(7,365,994)
Change in vacation, sick leave and post-employment benefits liabilities (Note 11)	1,009,911	258,958
	25,529,109	26,069,491
Changes in non-cash operating working capital items (Note 17)	(31,816,623)	21,690,747
	(6,287,514)	47,760,238
Financing activities		
Principal repayments of long-term debt	(3,298,244)	(3,106,940)
Net withdrawals from endowment fund	(164,693)	(129,182)
Long Term Prepaid with Students' Association	(5,500,000)	-
	(8,962,937)	(3,236,122)
Capital activities		
Capital asset additions (Note 14)	(8,518,031)	(33,904,324)
Capital contributions received (Note 12)	2,120,038	10,744,234
	(6,397,993)	(23,160,090)
Investing activities		
Investment (liability) in Algonquin College - Saudi Arabia	-	(257,031)
Disposal of investments	37,843,057	45,216,596
Purchases of investments	(39,137,529)	(39,418,482)
Disposal of endowed assets	22,986,412	19,539,201
Purchases of endowed assets	(22,605,952)	(19,410,019)
	(914,012)	5,670,265
Increase in cash and cash equivalents	(22,562,456)	27,034,291
Cash and cash equivalents, beginning of year	82,237,781	55,203,490
Cash and cash equivalents, end of year	59,675,325	82,237,781
Interest paid in the year	2,576,665	2,768,728

See accompanying notes to the financial statements.

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

1. Description of the College

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 exempt, under Section 149 of the Income Tax Act, from payment of income taxes.

2. Significant accounting policies

The consolidated financial statements of the College have been prepared by management in accordance with Canadian public sector accounting standards for Government Not-for-Profit Organizations (NPOs), including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs") and include the following significant accounting policies:

a) *Basis of presentation*

These consolidated financial statements include the accounts of the College and its controlled for-profit entities:

- 2364193 Ontario Inc., which is fully consolidated in these consolidated financial statements, and
- Algonquin College - Saudi Arabia, which is accounted for on a modified equity basis. Information concerning this entity is presented in the notes to these financial statements.

These consolidated financial statements do not reflect the assets, liabilities and results of operations of the various student organizations at the College, as these Organizations are not controlled by the College.

b) *Revenue*

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

- 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 expenses 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 or deferred.

- 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.
- 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.

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

2. Significant accounting policies (continued)

b) Revenue (continued)

- v. Unrestricted investment income is recognized as revenue on an accrual basis. All unrealized gains or losses in the fair value of unrestricted investments are recognized in the consolidated statement of remeasurement gains and losses; once realized, these gains and losses are recognized in the consolidated statement of operations.

c) 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 costs of this pension plan are the employers contributions due to the plan in the period.

d) Financial instruments

All financial instruments reported on the consolidated 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
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

Fair value for investments is determined at quoted market prices. The College has designated its fixed income securities that would otherwise be classified into the amortized cost category at fair value as the College manages and reports the performance on a fair value basis.

i. Cash

Cash is comprised of the net amount of: cash on hand and short-term investments, if any, which are highly liquid, subject to insignificant risk of changes in value and have a short maturity term of less than 90 days from the date of acquisition.

ii. 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 within the next fiscal year.

Unrealized gains or losses on investments denominated in foreign currencies are recorded in the consolidated statement of remeasurement gains and losses; once realized, they are derecognized from the consolidated statement of remeasurement gains and losses and recognized in the consolidated statement of operations.

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

2. Significant accounting policies (continued)

iii. *Endowed investments*

Realized investment income and unrealized gains or losses from the change in fair value are recognized in deferred contributions until the criterion attached to the restrictions has been met, when they are transferred to the consolidated statement of operations. 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.

d) *Financial instruments (continued)*

iv. *Foreign currency*

Investments denominated in foreign currencies are translated using rates of exchange in effect at the consolidated statement of financial position date.

v. *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.

Unrealized gains or losses on interest rate swaps are recorded in the consolidated statement of remeasurement gains and losses; once realized, they are derecognized from the consolidated statement of remeasurement gains and losses and recognized in the consolidated statement of operations.

e) *Other financial instruments*

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

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. Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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.

i. Furniture and library holdings are charged to expenses in the year of acquisition.

ii. Land originally acquired at the Ottawa campus is recorded at a nominal value of \$1 with subsequent additions recorded at cost. Land is not amortized due to its infinite life.

iii. Works of Art are recorded at a fair market value appraisal. These capital assets are not subject to amortization as it is assumed that they will retain their value over time.

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.

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

2. Significant accounting policies (continued)

vi. Assets under development are not amortized until the asset is complete and ready for use.

g) *Capital assets (continued)*

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
Parking lots	10 years
Equipment, and computers	5 years
Automotive equipment	5 years
Software	3-10 years

h) *Expenses*

In the consolidated statement of operations, the College presents its expenses by object, except for Campus services which are presented by function.

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

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 consolidated financial statements.

j) *Taxes*

The College uses the taxes payable method to account for all income taxes related to its controlled for-profit entities.

k) *Use of estimates*

The preparation of these consolidated 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 consolidated financial statements, as well as 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 consolidated financial statements include assumptions used in determining the fair value of investments and interest rate swaps, the allowance for doubtful accounts, the amount of certain accrued liabilities, the estimated useful lives of tangible capital assets and the assumptions underlying the post-employment benefit liabilities calculations.

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

3. Investments

Short-term investments of \$30,058,132 (2019 - \$25,275,967) consist entirely of fixed income securities that will be maturing within a year. Long-term investments consist of the following:

	2020	2019
	\$	\$
Fixed income securities	32,068,604	35,091,015
Equity instruments	1,036,257	1,398,984
	33,104,861	36,489,999

The College's fixed income securities have effective interest rates ranging from 0.75% to 4.25% and maturity dates ranging from April 2020 to June 2027 (2019 - 0.75% to 5.68% and maturity dates ranging from April 2019 to December 2021).

4. Accounts receivable

	2020	2019
	\$	\$
Government of Ontario	4,038,008	5,027,668
Harmonized Sales Tax receivable	1,112,129	1,574,831
Trade	5,647,867	3,239,343
Students	8,735,125	8,202,178
Other	12,397,593	7,534,724
Allowance for doubtful accounts	(2,975,169)	(2,599,701)
	28,955,553	22,979,043

Details on due dates for receivables are as follows:

	2020				
	0-30 days	31-60 days	61-90 days	Over 90 days	Total
	\$	\$	\$	\$	\$
Government of Ontario	4,038,008	-	-	-	4,038,008
Harmonized Sales Tax receivable	1,112,129	-	-	-	1,112,129
Trade	2,708,504	2,538,506	39,604	361,253	5,647,867
Students	76,147	5,715,144	-	2,943,834	8,735,125
Other	12,386,844	3,561	1,247	5,941	12,397,593
Allowance for doubtful accounts	-	(1,143,029)	-	(1,832,140)	(2,975,169)
	20,321,633	7,114,181	40,851	1,478,888	28,955,553

	2019				
	0-30 days	31-60 days	61-90 days	Over 90 days	Total
	\$	\$	\$	\$	\$
Government of Ontario	5,027,668	-	-	-	5,027,668
Harmonized Sales Tax receivable	1,574,831	-	-	-	1,574,831
Trade	2,491,028	150,220	99,700	498,395	3,239,343
Students	104,487	5,129,214	-	2,968,477	8,202,178
Other	7,528,045	979	653	5,047	7,534,724
Allowance for doubtful accounts	(17,763)	(871,966)	-	(1,709,972)	(2,599,701)
	16,708,296	4,408,447	100,353	1,761,947	22,979,043

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

5. Inventory

	2020	2019
	\$	\$
Bookstore	1,747,295	1,219,535
Food services	253,119	286,228
Publishing centre	22,106	20,498
Hospitality	21,546	21,546
	2,044,066	1,547,807

The amount of inventory expensed during the year is \$12,840,579 (2019 - \$14,381,114).

6. Controlled entities

a) *Investment in Algonquin College - Saudi Arabia*

Algonquin College - Saudi Arabia is a limited liability company, incorporated on June 26, 2013 under the laws of the Kingdom of Saudi Arabia, as a for-profit entity with an August 31 year-end. It is a subsidiary of Algonquin College of Applied Arts and Technology. The due from Algonquin College - Saudi Arabia is without defined terms of repayment and is non-interest bearing.

	2020	2019
	\$	\$
Due to Algonquin College - Saudi Arabia as at March 31	(257,032)	(257,032)
Net liability, end of year	(257,032)	(257,032)

As at August 31, 2016, Algonquin College - Saudi Arabia terminated the relationship with the Colleges of Excellence in Saudi Arabia. A final settlement agreement was reached in February 2018, and the amount due to Algonquin College - Saudi Arabia represents the remaining value due to the Colleges of Excellence in Saudi Arabia.

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

6. Controlled entities (continued)

The financial position of Algonquin College - Saudi Arabia and the results of its operations and its cash flows as at and for the year ended March 31, 2020 is as follows:

	2020	2019
	\$	\$
Financial position		
Assets	257,032	257,032
Liabilities	257,032	257,032
Equity (Deficit)		
Shareholders' equity (deficiency)	-	-
	-	-
	257,032	257,032
Results of operations		
Revenue	-	-
Expenses	-	257,031
Net loss	-	(257,031)

b) Algonquin College Foundation

The College controls the Algonquin College Foundation by virtue of a Memorandum of Agreement between the two parties. 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 and is exempt from income taxes.

On March 7, 2019, the Foundation's Board of Directors unanimously approved a motion to voluntarily dissolve the Foundation, effective June 6, 2019. The Foundation's net assets were subsequently transferred to the College at their carrying amounts on June 26, 2019 of \$192,162. On September 17, 2019 the Government of Canada ("the Government") issued a Notice of Intention to revoke the Foundation's registration as a charity, officially dissolving the Foundation. On October 12, 2019, the Government formally revoked the Foundation's charitable status.

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

7. Endowment assets

- a) 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

	2020	2019
	\$	\$
Endowed investments		
Cash equivalents	2,127,426	4,009,519
Fixed income securities	8,851,991	7,941,402
Equities	15,964,066	15,519,000
	26,943,483	27,469,921

Cost

	2020	2019
	\$	\$
Endowed investments		
Cash equivalents	2,126,451	4,007,292
Fixed income securities	8,525,201	7,701,330
Equities	14,500,782	12,386,983
	25,152,434	24,095,605

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 bonds, corporate bonds with a minimum credit rating of BBB, and cash equivalents.

The fixed income securities have effective interest rates of 0.75% to 7.35% and maturity dates ranging from June 2021 to December 2043 (2019 - 1.00% to 7.35% and maturity dates ranging from May 2019 to December 2043).

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.

- b) 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. The changes during the year in the Endowment Fund / Assets are as follows:

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

7. Endowment assets (continued)

	2020	2019
	\$	\$
Opening balance	27,469,921	26,020,415
Contributions	1,225,007	652,025
Realized investment income	1,665,864	524,964
Distributions	(1,833,977)	(982,630)
Net contribution to Endowment Fund	1,056,893	194,359
Change in unrealized gains (losses) due to changes in fair value of endowment assets	(1,583,331)	1,255,147
Net change in Endowment Fund	(526,438)	1,449,506
Ending balance	26,943,483	27,469,921

The College's endowment policy is to annually distribute investment income equal to 5% of the Endowment Fund's book value at the end of the preceding fiscal year. The policy requires 4% to be distributed as student financial aid and 1% to cover a portion of fundraising expenses. 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.

As at March 31, 2020, the Endowment Fund / Assets included a balance of \$3,587,707 (2019 - \$3,755,820) which represents the cumulative realized investment income in excess of amounts distributed. The changes during the year are as follows:

	2020	2019
	\$	\$
Amount available for future distribution, beginning of year	3,755,820	4,213,486
Realized investment income	1,665,864	524,964
Amount distributed	(1,833,977)	(982,630)
Amount available for future distribution, end of year	3,587,707	3,755,820

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

8. Capital assets

			2020
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	5,370,626	-	5,370,626
Buildings	365,398,526	124,240,914	241,157,612
Assets under development	1,946,357	-	1,946,357
Site improvements	50,564,053	22,633,161	27,930,892
Parking lots	926,213	858,773	67,440
Computers and equipment	39,674,750	32,956,288	6,718,462
Automotive equipment	364,511	260,999	103,512
Software	14,115,847	1,947,701	12,168,146
Works of Art	63,500	-	63,500
	478,424,383	182,897,836	295,526,547

			2019
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	6,895,284	-	6,895,284
Buildings	365,333,010	115,643,657	249,689,353
Assets under development	5,980,374	-	5,980,374
Site improvements	40,118,924	19,639,314	20,479,610
Parking lots	926,213	766,152	160,061
Computers and equipment	39,142,884	31,792,282	7,350,602
Automotive equipment	410,476	242,523	167,953
Software	14,057,711	431,479	13,626,232
Works of Art	63,500	-	63,500
	472,928,376	168,515,407	304,412,969

Assets under development are comprised of construction in progress and software under development. During the year the College did not record any asset write-down (2019 - \$3,481,840).

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements
March 31, 2020

9. Deferred revenue

Details of the year-end balance are as follows:

	2020	2019
	\$	\$
Student tuition fees	34,530,286	40,458,810
Grant and reimbursements	1,839,615	1,861,636
Contract education services	974,340	2,426,089
Student aid	1,734,728	1,188,183
Miscellaneous projects	6,012,830	4,498,761
	45,091,799	50,433,479

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, equipment and programs.

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

10. Long-term debt and interest rate swaps

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:

	2020	2019
	\$	\$
Residence I building loan, bearing interest at prime plus 1.00% maturing in 2025, with average monthly payments of \$96,153	5,112,654	5,825,595
Residence II building loan, bearing interest at prime plus 0.25% maturing in 2027, with average monthly payments of \$122,050	8,073,576	8,952,339
Residence III building loan, bearing interest at prime plus 0.25% maturing in 2029, with monthly payment of \$123,894	9,508,666	10,302,816
Police and Public Safety Institute loan, bearing interest at prime plus 1.00%, maturing in 2025, with average monthly payments of \$35,151	1,896,662	2,164,394
Student Commons loan, bearing interest at 4.008%, maturing in 2037, with semi-annual payments of \$678,301	17,278,002	17,922,659
	41,869,560	45,167,803
Less: current portion	(3,501,708)	(3,298,244)
	38,367,852	41,869,559

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

10. Long-term debt and interest rate swaps (continued)

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

	\$
2021	3,501,708
2022	3,718,123
2023	3,948,332
2024	4,193,234
2025	4,453,786
Thereafter	22,054,376
	<hr/> 41,869,560

b) Interest rate swaps

The College has 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 at March 31, 2020 is \$5,199,705 (2019 - \$5,279,707).

11. 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. Since the Plan is a multi-employer plan, the College's contributions are accounted for as if the plan were a defined contribution plan with the College's contributions being expensed in the period they come due.

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, 2020 indicated an actuarial surplus of \$2.86 billion (2019 - \$2.6 billion).

Contributions to the Plan and its associated retirement compensation arrangement made during the year by the College on behalf of its employees amounted to \$16,384,622 (2019 - \$16,792,398) and are included in salaries and benefits in the consolidated 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 January 1, 2017 and was extrapolated for accounting purposes to March 31, 2020.

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

11. Employee benefits plans (continued)

b) Post-employment benefits (continued)

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

	2020	2019
	%	%
Discount rate	1.6%	2.2%
Dental benefits cost and premium escalation	4.0%	4.0%
Medical benefits cost escalation		
Hospital and other medical	4.0%	4.0%
Vision/hearing	4.0%	4.0%
Drugs	8.0% in 2020 decreasing to 4.0% by 2040	8.0% in 2019 decreasing to 4.0% by 2040
Medical premium escalation	6.55% in 2020 decreasing to 4.0% by 2040	6.8% in 2019 decreasing to 4.0% by 2040
Expected return on assets	2.2% per annum	2.2% per annum

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

	2020	2019
	\$	\$
Post-employment benefits	2,624,806	2,762,170
Vacation	12,270,906	10,970,631
Sick leave	5,352,000	5,505,000
	20,247,712	19,237,801

The employee future benefit liability change for the year ended March 31, 2020 is an increase of \$1,009,911 (2019 - increase of \$258,958). This amount is comprised of:

	2020	2019
	\$	\$
Current year service cost	364,000	433,000
Interest expense on accrued benefit obligation	149,000	178,000
Amortization of actuarial (gain) loss	(51,000)	(38,000)
Benefit payments made by the College during the year	547,911	(314,042)
	1,009,911	258,958

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

12. 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 consolidated statement of operations.

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

Balance, beginning of year	165,222,307	161,727,635
Less amortization of deferred capital contributions	(7,720,677)	(7,365,994)
	157,501,630	154,361,641

Add capital contributions received:

Industry and Individual contributions:

Pembroke campus relocation	-	10,978
DARE District	47,441	141,162

Government contributions:

Other capital projects	1,555,335	6,082,614
Apprenticeship Enhancement Fund	217,265	317,102
Post Secondary Institutions Strategic Investment Fund	-	4,092,378

Contributions from the Students' Association

	300,000	100,000
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Contributions received before donated equipment	2,120,041	10,744,234
Donated equipment	95,390	116,432
	2,215,431	10,860,666
Balance, end of year	159,717,061	165,222,307

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

13. Commitments, guarantees and contingencies

Commitments

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

	\$
2021	1,324,571
2022	749,576
2023	704,240
	<u>2,778,387</u>

Letters of credit

The College is contingently liable under letters of credit amounting to \$2,155,107 (2019 - \$653,506), which have been issued in the normal course of business.

Guarantees

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's 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.

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 consolidated financial statements of the College. Please refer to Note 6 a) for additional information regarding Algonquin College - Saudi Arabia.

14. Investment in capital assets

The investment in capital assets consists of the following:

	2020	2019
	\$	\$
Capital assets	295,526,547	304,412,965
Less amounts financed by		
Deferred capital contributions - used (Note 12)	(159,717,061)	(165,222,308)
Long term debt	(41,869,560)	(45,167,805)
	<u>93,939,926</u>	<u>94,022,852</u>

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements
March 31, 2020

14. Investment in capital assets (continued)

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

	2020	2019
	\$	\$
Capital asset additions		
Total additions	8,613,421	34,020,756
Less		
Donated equipment	(95,390)	(116,432)
Additions net of donated equipment	8,518,031	33,904,324
Less		
Building/construction in progress financed with donations	(47,441)	(152,140)
Building/construction in progress financed with contributions from the Students' Association	(300,000)	(100,000)
Other capital assets financed with capital contributions	(1,772,596)	(10,492,094)
Capital assets purchased with College funds	6,397,994	23,160,090
External financing and other		
Decrease in long-term debt	3,298,243	3,106,939
Amortization of deferred capital contributions	7,720,677	7,365,994
Amortization of capital assets	(15,975,181)	(14,734,361)
Write-off of capital assets	-	(3,481,840)
Net book value of March Road Land in Kanata sold in 2019-20	(1,524,659)	-
Net change in investment in capital assets	(82,926)	15,416,822

15. Capital disclosures

Capital

The College considers its operating capital to consist of long-term debt including the interest rate swaps, 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 Note 7 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 Advanced Education and Skills Development 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 consolidated financial statements
March 31, 2020

15. 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 net assets consist of the following:

	2020	2019
	\$	\$
Appropriations	-	100,000
Specific reserves		
Other projects and initiatives	46,580,549	28,736,411
Campus Services reserve fund	4,459,891	4,960,500
Contingency reserve fund	10,383,118	9,760,000
Employment stabilization funds	588,915	575,566
Reserve fund		
Future capital expansion	24,405,251	28,855,748
Gain on sale of March Road land	2,403,372	-
Balance, end of year	88,821,096	72,988,225

16. Financial instruments

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) pandemic resulting in economic uncertainties impacting the College's financial instrument risks as outlined below. At this time, the full potential impact of COVID-19 on the College is not known (Note 18).

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, 2020, a 1% increase in nominal interest rates would result in a decline of investments of approximately \$1,043,692 (2019 - \$924,539) and an appreciation of the interest rate swap's fair value of approximately \$1,039,402 (2019 - \$1,253,862). Conversely, a 1% decrease in nominal interest rates would result in an increase of investments of approximately \$1,021,663 (2019 - \$969,273), and a decrease of the interest rate swap's fair value of approximately \$1,097,654 (2019 - \$1,331,573). These amounts do not include other variables such as convexity.

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

16. Financial instruments (continued)

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.

Subsequent to year-end, the financial markets experienced a significant increase in volatility as a result of the uncertainty related to the COVID-19 pandemic which could have a negative effect on the investment portfolio of the College. This risk specifically relates to the College's externally restricted pooled fund investments, which are measured at their fair values as at March 31, 2020. Any related decline in fair value of these investments may impact the amount of scholarships and bursaries that the College is able to provide in the future. The extent of any future impact on the College's investments or operations as a result of COVID-19 is unknown.

As at March 31, 2020, a 5% increase in price would result in an increase of endowment assets of approximately \$1,472,000 (2019 - \$775,950).

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

Subsequent to year end, the credit risk related the College's bond holdings has increased due to the impact of COVID-19, which could lead to potential losses.

Credit risk arises from the potential that a 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 consolidated 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.

Credit risk on accounts receivables and long-term receivables are mitigated by financial and system controls on past due accounts. The College measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the College's historical experience regarding collections. Subsequent to year-end, the credit risk related to the College's accounts receivable for tuition revenue has increased due to the impact of COVID-19, which could lead to potential losses.

Concentrations of accounts 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. Primary credit portfolio concentrations on investments are detailed in Notes 3 and 7.

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements
March 31, 2020

16. Financial instruments (continued)

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, 2020:

	Net book value	2021	2022	2023 and after
	\$	\$	\$	\$
Accounts payable and accrued liabilities	20,622,044	20,622,044		
Accrued salaries and employee deductions payable	8,342,754	8,342,754		
Long-term debt	41,869,560	3,501,708	4,042,522	34,325,330
Interest rate swaps	5,199,705			5,199,705
	76,034,063	32,466,506	4,042,522	39,525,035

Fair values

The carrying values of cash and cash equivalents, 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 including the interest rate swaps approximates fair value.

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 Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

16. Financial instruments (continued)

Fair value hierarchy (continued)

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 consolidated statement of financial position, classified using the fair value hierarchy described above:

	2020		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	59,675,325	-	-
Short-term investments	-	30,058,132	-
Long-term investments	1,036,257	32,068,604	-
Endowment assets	22,571,261	4,372,222	-
Interest rate swaps	-	5,199,705	-
	83,282,843	71,698,663	-
	2019		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	82,237,781	-	-
Short-term investments	-	25,275,967	-
Long-term investments	1,398,984	35,091,015	-
Endowment assets	19,528,519	7,941,402	-
Interest rate swaps	-	5,279,707	-
	103,165,284	73,588,091	-

17. Changes in non-cash operating working capital items

	2020	2019
	\$	\$
Decrease (increase) in accounts receivable	(5,976,510)	2,824,406
Increase in inventory	(496,259)	(3,836)
Decrease (increase) in prepaid expenses	(2,125,225)	343,459
Increase (decrease) in accounts payable and accrued liabilities	(16,452,982)	8,044,610
Decrease (increase) in accrued salaries and employee deduction payable	(1,423,962)	(241,897)
Increase (decrease) in deferred revenue	(5,341,680)	10,724,023
	(31,816,619)	21,690,765

The Algonquin College of Applied Arts and Technology

Notes to the consolidated financial statements

March 31, 2020

18. Subsequent event

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus, the “COVID-19 outbreak”. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As a result of this, on March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020, through to at least May 29, 2020. In addition, the Canadian government has imposed travel restrictions to Canada until further notice.

On March 24, 2020, the College closed its campuses and learning sites and they remain closed to the date of the auditor’s report. The plan for continuing education throughout the summer and fall semesters offered by the College will be through online curriculum which could have implications on number of course offerings and enrollment. Additionally, the continued closure of the College’s campuses will have a negative impact on campus service revenues.

A significant portion of the College’s tuition revenues is derived from international students. If the Canadian border remains closed, this will impact the College’s ability to earn revenue from International students who may choose to defer their studies until in class sessions resume and travel restrictions are lifted.

As the impacts of COVID-19 continue, there could be further impact on the College, its students and its funding sources. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, and its workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the College is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

The Algonquin College of Applied Arts and Technology

Supplementary information - Revenue - Schedule A
as at March 31, 2020

	2020	2019
	\$	\$
Grants and reimbursements:		
Post secondary activity	101,425,411	109,229,936
Apprentice programs	5,292,698	5,403,404
Special bursaries	1,692,377	1,702,345
	108,410,486	116,335,685
Student tuition fees:		
Full-time post secondary	137,959,260	121,246,677
Full-time non-funded	845,174	1,749,768
Part-time	12,357,734	12,212,232
Adult training	1,005,115	1,060,258
Student information technology fees	8,522,972	7,645,258
	160,690,254	143,914,193
Contract educational services:		
Provincially funded programs	23,455,879	20,615,705
International programs	2,246,374	2,022,152
Corporate and other programs	17,292,871	17,659,042
	42,995,124	40,296,898
Campus Services (Schedule B)	33,175,277	37,188,621
Other:		
Early Learning Centre	1,110,247	1,064,470
Student ancillary fees	6,929,582	6,447,576
Investment income	3,471,711	2,084,036
Miscellaneous	14,492,972	14,134,014
	26,004,512	23,730,096
Amortization of deferred capital contributions (Note 12)	7,720,677	7,365,994
Total revenue	378,996,330	368,831,488

The Algonquin College of Applied Arts and Technology

Supplementary information - Campus services summary - Schedule B
as at March 31, 2020

							2020	
	Gross revenue	Internal revenue	Net revenue	Expenses	Internal expenses	Net expenses	Contribution including internal transactions	Contribution net of internal transactions
	\$	\$	\$	\$	\$	\$	\$	\$
Food services	9,621,855	(562,356)	9,059,499	9,749,018	(562,356)	9,186,661	(127,163)	(127,163)
Bookstore	11,845,752	(3,734,179)	8,111,573	11,486,751	(3,621,010)	7,865,741	359,001	245,832
Parking and lockers	5,313,863	(97,869)	5,215,993	1,863,977	(34,330)	1,829,646	3,449,886	3,386,347
Publishing centre	1,902,259	(1,814,635)	87,624	1,334,749	(1,273,266)	61,483	567,510	26,141
Residence	10,504,245	-	10,504,245	8,555,708	-	8,555,708	1,948,537	1,948,537
Director's office	196,343	-	196,343	806,523	-	806,523	(610,180)	(610,180)
Overhead allocation	-	-	-	-	(1,862,486)	(1,862,486)	-	1,862,486
Total	39,384,317	(6,209,040)	33,175,277	33,796,725	(7,353,449)	26,443,277	5,587,591	6,732,000

							2019	
	Gross revenue	Internal revenue	Net revenue	Expenses	Internal expenses	Net expenses	Contribution including internal transactions	Contribution net of internal transactions
	\$	\$	\$	\$	\$	\$	\$	\$
Food services	10,309,973	(538,875)	9,771,098	10,089,096	(538,875)	9,550,221	220,877	220,877
Bookstore	15,802,006	(4,456,950)	11,345,056	14,626,067	(4,456,950)	10,169,117	1,175,939	1,175,939
Parking and lockers	5,566,801	(80,288)	5,486,514	1,835,775	(26,477)	1,809,298	3,731,027	3,677,217
Publishing centre	1,877,608	(1,787,643)	89,965	1,530,735	(1,457,391)	73,344	346,872	16,620
Residence	10,339,936	-	10,339,936	8,342,155	-	8,342,155	1,997,781	1,997,781
Director's office	156,052	-	156,052	659,788	-	659,788	(503,736)	(503,736)
Overhead allocation	-	-	-	-	(1,791,077)	(1,791,077)	-	1,791,077
Total	44,052,376	(6,863,756)	37,188,621	37,083,617	(8,270,769)	28,812,847	6,968,760	8,375,774

See accompanying notes to the financial statements.