

Algoma University
Financial Statements
For the year ended April 30, 2013

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Tel: 705 945 0990
Fax: 705 942 7979
Toll-free: 800 520 3005
www.bdo.ca

BDO Canada LLP
747 Queen Street E
PO Box 1109
Sault Ste. Marie ON P6A 5N7 Canada

Independent Auditor's Report

To the Board of Governors of Algoma University

We have audited the accompanying financial statements of Algoma University, which comprise the statement of financial position as at April 30, 2013, April 30, 2012 and May 1, 2011 and the statements of operations, change in net assets and cash flows for the years ended April 30, 2013 and April 30, 2012, 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 accounting standards for 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Algoma University as at April 30, 2013, April 30, 2012 and May 1, 2011 and the results of its operations, change in its net assets and cash flows for the years ended April 30, 2013 and April 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario
October 3, 2013

Algoma University
Statement of Financial Position

| April 30 | 2013 | 2012 | May 1, 2011 |
|--|----------------------|----------------------|----------------------|
| Assets | | | |
| Current | | | |
| Cash | \$ 5,129,315 | \$ 275,074 | \$ 2,157,248 |
| Due from Algoma University Foundation (Note 9) | 241,516 | 237,357 | 198,762 |
| Due from associated entities (Note 10) | 44,324 | 39,646 | 46,801 |
| Accounts receivable - fees | 723,231 | 412,076 | 618,366 |
| Accounts receivable - other | 630,660 | 1,325,852 | 2,496,603 |
| Inventory | 4,690 | 4,593 | 6,648 |
| Prepaid expenses | 446,816 | 326,149 | 287,612 |
| | <u>7,220,552</u> | <u>2,620,747</u> | <u>5,812,040</u> |
| Capital assets (Note 4) | 50,173,518 | 46,454,234 | 42,404,896 |
| Deferred pension charge (Note 3) | 629,087 | 794,363 | 1,197,340 |
| | <u>\$ 58,023,157</u> | <u>\$ 49,869,344</u> | <u>\$ 49,414,276</u> |

Liabilities and Net Assets

| | | | |
|--|----------------------|----------------------|----------------------|
| Current | | | |
| Accounts payable and accrued liabilities | \$ 2,573,449 | \$ 2,289,558 | \$ 3,986,187 |
| Fees received in advance | 629,980 | 429,228 | 295,077 |
| Deferred government grants and program revenue | 2,141,717 | 2,185,892 | 2,440,846 |
| Current portion of long term debt (Note 6) | 856,749 | 619,823 | 547,742 |
| | <u>6,201,895</u> | <u>5,524,501</u> | <u>7,269,852</u> |
| Long term debt (Note 6) | 16,847,633 | 10,778,574 | 10,002,799 |
| Deferred contributions related to capital assets | 28,367,351 | 28,539,251 | 28,612,040 |
| | <u>51,416,879</u> | <u>44,842,326</u> | <u>45,884,691</u> |
| Net assets | | | |
| Unrestricted: | | | |
| Operating | 663,430 | (1,543,222) | (866,390) |
| Invested in capital assets | 4,101,784 | 6,308,436 | 3,242,315 |
| Internally restricted (Note 5) | 1,841,064 | 261,804 | 1,153,660 |
| | <u>6,606,278</u> | <u>5,027,018</u> | <u>3,529,585</u> |
| | <u>\$ 58,023,157</u> | <u>\$ 49,869,344</u> | <u>\$ 49,414,276</u> |

On behalf of the Board:


_____ Chair


_____ Vice-Chair

Algoma University
Statement of Changes in Net Assets

| April 30 | Unrestricted | | Invested in Capital Assets | Internally Restricted | Total 2013 | Total 2012 |
|---|-------------------|---------------------|-------------------------------|--------------------------|---------------------|---------------|
| | Operating | Capital Assets | | | | |
| Balance, beginning of year, | \$ (1,543,222) | \$ 6,308,436 | \$ 261,804 | \$ 5,027,018 | \$ 3,529,565 | |
| Excess of revenue over expenses | 1,579,260 | - | - | 1,579,260 | 1,497,433 | |
| Amortization of deferred capital contribution | (1,178,137) | 1,178,137 | - | - | - | |
| Amortization of capital assets | 2,127,814 | (2,127,814) | - | - | - | |
| Investment in capital assets | 1,256,975 | (1,256,975) | - | - | - | |
| Internal restrictions | | | | | | |
| Current year (Note 5) | (1,579,260) | - | 1,579,260 | - | - | |
| Balance, end of year | \$ 663,430 | \$ 4,101,784 | \$ 1,841,064 | \$ 6,606,278 | \$ 5,027,018 | |

Algoma University
Statement of Operations

| April 30 | 2013 | 2012 |
|--|---------------------|---------------------|
| Revenue | | |
| Student fees | \$ 8,882,499 | \$ 6,090,736 |
| Government grants | 15,074,514 | 14,661,863 |
| Library | 32,150 | 46,939 |
| Miscellaneous programs | 715,849 | 521,558 |
| Extension operations | 1,094,960 | 443,422 |
| Ancillary operations | 2,413,493 | 1,805,205 |
| Non-credit operations | 1,738,303 | 1,568,721 |
| Amortization of deferred capital contributions | 1,178,137 | 1,092,722 |
| | 31,129,905 | 26,231,166 |
| Expenses | | |
| Salaries and benefits | | |
| Academic | 9,004,547 | 7,613,806 |
| Non-academic | 6,977,519 | 6,278,435 |
| Library | 479,978 | 401,091 |
| Administration | 1,770,377 | 1,723,192 |
| Academic departments | 343,773 | 328,484 |
| Advertising and communications | 1,057,910 | 946,504 |
| Utilities | 428,431 | 373,607 |
| Repairs and maintenance | 611,061 | 493,141 |
| Student services | 506,003 | 437,701 |
| Municipal taxes | 69,000 | 62,550 |
| Insurance | 62,144 | 48,517 |
| Faculty recruitment | 43,948 | 80,353 |
| Extension operations | 1,386,553 | 868,654 |
| Ancillary operations | 2,755,668 | 1,860,568 |
| Non-credit operations | 1,925,919 | 1,422,570 |
| Amortization of capital assets | 2,127,814 | 1,794,560 |
| | 29,550,645 | 24,733,733 |
| Excess of revenue over expenses | \$ 1,579,260 | \$ 1,497,433 |

**Algoma University
Statement of Cash Flows**

For the year ended April 30

2013

2012

| | | |
|---|---------------------|--------------------|
| Cash flows from operating activities | | |
| Excess of revenues over expenses | \$ 1,579,260 | \$ 1,497,433 |
| Items not involving cash | | |
| Amortization of capital assets | 2,127,814 | 1,794,560 |
| Amortization of deferred contributions | <u>(1,178,137)</u> | <u>(1,092,722)</u> |
| | 2,528,937 | 2,199,271 |
| Changes in non-cash working capital balances | | |
| Accounts receivable - fees | (311,155) | 206,290 |
| Accounts receivable - other | 695,192 | 1,170,751 |
| Inventories | (97) | 2,055 |
| Prepaid expenses | (120,667) | (38,537) |
| Deferred pension charge | 165,276 | 402,977 |
| Accounts payable and accrued liabilities | 283,893 | (1,696,627) |
| Due to/from Algoma University Foundation | (4,159) | (38,595) |
| Due to/from associated entities | (4,678) | 7,155 |
| Fees received in advance | 200,752 | 134,151 |
| Deferred government grants and program revenue | <u>(44,175)</u> | <u>(254,954)</u> |
| | <u>3,389,119</u> | <u>2,093,937</u> |
| Cash flows from investing activities | | |
| Purchase of capital assets | (5,847,099) | (5,843,898) |
| Deferred capital contribution | <u>1,006,236</u> | <u>1,019,931</u> |
| | <u>(4,840,863)</u> | <u>(4,823,967)</u> |
| Cash flows from financing activities | | |
| Net increase in long term debt | <u>6,305,985</u> | <u>847,856</u> |
| Increase (decrease) in cash and equivalents | 4,854,241 | (1,882,174) |
| Cash and cash equivalents, beginning of year | <u>275,074</u> | <u>2,157,248</u> |
| Cash and cash equivalents, end of year | <u>\$ 5,129,315</u> | <u>\$ 275,074</u> |

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

April 30, 2013

1. Summary of significant accounting policies

Nature of Operations Algoma University is a provincially funded university offering educational programs and upgrading to the accessing communities.

Basis of Consolidation These financial statements do not reflect the assets, liabilities and results of operations of the various student organizations, the Northern Ontario Research, Development, Ideas and Knowledge Institute (Nordik Research Institute), the Coalition for Algoma Passenger Trains (CAPT), the Invasive Species Research Institute (ISRI), the Health Informatics Institute (HII) or Algoma University Foundation.

Inventories Inventories are valued at the lower of cost or net realizable value, with cost being determined substantially on a first-in, first-out basis.

Revenue Recognition The university follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Tuition fees for courses which are offered substantially after the fiscal year end are deferred.

Use of Estimates The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Specifically, estimates related to rate of return on assets used in valuing the future pension benefit obligation are affected by the uncertainty of predictions concerning future events. Should the underlying assumptions change, the estimated pension benefit obligation disclosed in notes to the financial statements may change by a material amount.

Capital Assets Capital assets are recorded at cost, except for art work which is recorded at fair value at the date of contribution, being appraised value. Amortization, based on the estimated useful life of the asset, is provided by the straight line basis over the following periods:

| | | |
|--------------------------|---|----------|
| Buildings | - | 40 years |
| Furniture and equipment | - | 5 years |
| Parking lot | - | 15 years |
| Computer software system | - | 5 years |

Construction in progress is capitalized as work is completed. Upon completion of the projects, capitalized construction in progress costs are transferred to the various categories of capital assets and will be amortized on a basis consistent with similar assets.

April 30, 2013

1. Summary of significant accounting policies (continued)

Pension Expense The university maintains a defined benefit plan covering the faculty and management staff. Contributions to the pension plan are made in accordance with the Pension Commission of Ontario actuarial requirements.

Salaries and benefits include the pension plan expense, which is calculated at the cost provided in exchange for the employee's service rendered during the year. The amount charged or credited to operations is based on amounts determined by the university's actuary using the projected benefit method pro-rated on services and management's best estimates.

The assets of the plan are determined at market values. Pension expense includes amortization of experience gains and losses. These amounts are being amortized over the expected average remaining service life of plan participants.

Subsequent to 2006, faculty, management and staff are eligible to participate in a group retirement savings plan.

Cost Allocation Only costs which can be identified with departments are allocated. Unidentifiable costs are included with general and administrative expenditures.

Financial Instruments Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, they are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

Algoma University
Notes to Financial Statements

April 30, 2013

2. First time adoption

Effective May 1, 2012, the university adopted the requirements of the new accounting framework, Canadian Accounting Standards for Not-For-Profit Organizations (ASNPO) or Part III of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the university's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires mandatory application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 - Significant Accounting Policies have been applied in preparing the financial statements for the year ended April 30, 2013, the comparative information presented in these financial statements for the year ended April 30, 2012 and in the preparation of an opening ASNPO statement of financial position at the date of transition of May 1, 2011.

The university issued financial statements for the year ended April 30, 2012 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in adjustments to the previously reported assets, net assets, excess revenue over expenses and cash flows of the university, along with changes to the previously reported assets and net assets at the date of transition of May 1, 2012.

As a result, the following adjustments to the previously reported assets and net assets were required at the date of transition of May 1, 2011:

| | |
|--|-------------------|
| Opening unrestricted operating net assets, as previously stated | \$ 1,204,195 |
| Write-off of accounts receivable - fees greater than two years old | <u>(457,596)</u> |
| Opening unrestricted operating net assets, as restated | <u>\$ 746,599</u> |
| Opening accounts receivable - fees, as previously stated | \$ 1,075,962 |
| Write-off of accounts receivable - fees greater than two years old | <u>(457,596)</u> |
| Opening accounts receivable - fees, as restated | <u>\$ 618,366</u> |

The following adjustments to the previously reported assets and net assets were required at April 30, 2012:

| | |
|---|-----------------------|
| Opening unrestricted operating net assets, as previously stated | \$ (1,524,513) |
| Adjust for accounts receivable - fees adjustment on opening balance sheet | (457,596) |
| Decrease 2012 bad debt expense for adjustment to opening balance sheet | 457,596 |
| Adjust 2012 allowance based on student fees greater than two years old | <u>(18,709)</u> |
| Opening unrestricted operating net assets, as restated | <u>\$ (1,543,222)</u> |
| Opening accounts receivable - fees, as previously stated | \$ 430,785 |
| Adjust allowance based on student fees greater than two years old | <u>(18,709)</u> |
| Opening accounts receivable - fees, as restated | <u>\$ 412,076</u> |

Algoma University
Notes to Financial Statements

April 30, 2013

2. First time adoption (continued)

A reconciliation of excess (deficiency) of revenue over expenses reported in the organization's most recent previously issued financial statements to its net income under ASNPO for the same period is as follows:

| | |
|---|---------------------|
| Excess of revenue over expenses for the year ended April 30, 2012, as previously stated | \$ 982,034 |
| Decrease in bad debt expense | <u>438,887</u> |
| Excess of revenue over expenses for the year ended April 30, 2012, as restated | <u>\$ 1,420,921</u> |

The following exemption was used at the date of transition to Canadian accounting standards for not-for-profit organizations:

Business Combinations

The university elected to not be required to restate classifications related to assets or liabilities related to Windsor Park Retirement Residence prior to the date of transition to accounting standards for not-for-profit organizations.

Algoma University
Notes to Financial Statements

April 30, 2013

3. Pension plans

Defined benefit pension plan

The university maintains a defined benefit plan covering faculty hired prior to 2006. Actuarial reports, which were based on projections of employee's compensation levels to the time of retirement, indicate the net assets available to provide for benefits, and the present value of accrued pension benefits at June 30, are as follows:

| | 2013 | 2012 |
|----------------------------|----------------|----------------|
| Asset, at market value | \$ 19,136,000 | \$ 17,653,000 |
| Pension benefit obligation | 23,625,000 | 24,757,000 |
| Plan surplus (deficit) | \$ (4,489,000) | \$ (7,104,000) |

The pension benefit obligation was determined at June 30, 2013 by rolling forward pension benefit obligation as at July 1, 2011, the date of the latest actuarial valuation, with adjustments for interest, current service costs and benefit payments.

The plan assets at June 30 consist of the following asset categories:

| | 2013 | 2012 |
|------------------------------|-------|-------|
| Canadian equities | 42 % | 42 % |
| Foreign equities | 27 % | 25 % |
| Fixed income | 30 % | 32 % |
| Cash and short term deposits | 1 % | 1 % |
| | 100 % | 100 % |

The pension expense for the year ended April 30, 2013 was determined by prorating the pension expense for the years ended June 30, 2013 and 2012. The pension expense amounts totaled \$912,833 (2012 - \$882,667) and is included in salaries and benefits on the statement of operations. Employer contributions paid and payable during the year were \$747,557 (2012 - \$479,690).

The discount rate used is 4.4% (2012 - 4.0%), the estimated rate of salary increases used is 3.5% (2012 - 3.5%) and the estimated rate of return on assets used is 6.0% (2012 - 6.0%).

The cumulative difference between the amounts expensed and the funding contributions has been reflected on the statement of financial position as a deferred pension charge. The difference between the plan deficit of (\$4,489,000) and the deferred pension charge of \$629,087 is due to unamortized net actuarial losses.

Group Retirement Savings Plan

Employees hired subsequent to 2006 are eligible to participate in a group retirement savings plan. Employer contributions totaled \$579,552 for 2013 (2012 - \$473,349) and were fully expensed.

Algoma University
Notes to Financial Statements

April 30, 2013

4. Capital assets

| | 2013 | | 2012 | |
|-----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Land | \$ 438,966 | \$ - | \$ 438,966 | \$ - |
| Library books | 645,303 | 645,303 | 645,303 | 645,303 |
| Buildings | 58,114,954 | 11,363,313 | 50,657,854 | 9,939,337 |
| St. Thomas house | 354,503 | 8,863 | - | - |
| Furniture and equipment | 6,790,991 | 5,535,375 | 6,005,093 | 4,998,181 |
| Parking lot | 2,129,431 | 856,828 | 2,129,431 | 714,866 |
| Artwork | 54,593 | - | 54,593 | - |
| Computer software system | 79,095 | 79,095 | 79,095 | 63,276 |
| Construction in progress | | | | |
| - New residence | - | - | 2,750,403 | - |
| - Other | 54,459 | - | 54,459 | - |
| | \$ 68,662,295 | \$ 18,488,777 | \$ 62,815,197 | \$ 16,360,963 |
| Net book value | | \$ 50,173,518 | | \$ 46,454,234 |

5. Net assets internally restricted

The following balances represent net assets set aside by the Board of Governors for the specific purpose of:

| | 2013 | 2012 |
|-------------------------|---------------------|-------------------|
| Operating | \$ 261,804 | \$ 261,804 |
| Future capital projects | 1,579,260 | - |
| | \$ 1,841,064 | \$ 261,804 |

Algoma University
Notes to Financial Statements

April 30, 2013

6. Long term debt

| | 2013 | 2012 |
|--|----------------------|----------------------|
| First Mutual capital lease, repaid during the year | \$ - | \$ 8,206 |
| Scotiabank student centre loan, repayable \$4,167 monthly plus interest at 4.55%, secured by property and general security agreement, maturing December 2014 | 600,000 | 650,000 |
| Scotiabank consolidated loan, repayable \$33,873 monthly including interest at 4.50%, secured by property and general security agreement, maturing December 2014 ¹ | 2,595,638 | 2,878,371 |
| Bank of Montreal parking lot loan, repayable \$5,600 monthly plus interest at 2.75%, maturing January 2016 | 962,400 | 1,004,400 |
| Scotiabank Essar Convergence Centre and WPRR Inc. loan, repayable \$35,200 including interest at 4.3%, secured by property and general security agreement, maturing March 2016 | 5,270,560 | 5,461,839 |
| Scotiabank Essar Convergence Centre and WPRR Inc. loan, repayable \$8,280 including interest at 3.31%, secured by property and general security agreement, maturing March 2018 | 1,341,596 | 1,395,581 |
| Scotiabank Students' Residence loan, repayable \$32,816 monthly including interest at 3.0%, secured by property and general security agreement, maturing April 2018 | 6,934,188 | - |
| | 17,704,382 | 11,398,397 |
| Less current portion | 856,749 | 619,823 |
| | \$ 16,847,633 | \$ 10,778,574 |

Interest on long term debt during the year amounted to \$527,119 (2012 - \$407,353).

¹ The above loan was consolidated in the 2007 fiscal year end. Had the consolidation not occurred the four individual loans would have had balances as follows:

| | |
|------------------|---------------------|
| Residence loan 1 | \$ 486,181 |
| Residence loan 2 | 1,066,897 |
| Residence loan 3 | 381,307 |
| West wing loan | 661,253 |
| | \$ 2,595,638 |

Algoma University
Notes to Financial Statements

April 30, 2013

6. Long term debt (continued)

Principal payments required on long term debt for the next five years and thereafter, assuming refinancing under similar terms, are as follows:

| Year | Amount |
|------------|----------------------|
| 2014 | \$ 856,749 |
| 2015 | 886,696 |
| 2016 | 917,888 |
| 2017 | 950,379 |
| 2018 | 984,239 |
| Thereafter | <u>13,108,431</u> |
| | <u>\$ 17,704,382</u> |

The university has an operating line of credit due on demand in the amount of \$2,000,000 available. The facility bears interest at the bank's prime lending rate minus 0.5% with advances made in multiples of \$25,000. As at April 30, 2013, the entire facility was available to the university.

7. Contingent liabilities

The university is a member of the Canadian Universities Reciprocal Insurance Exchange ("CURIE"). CURIE is a pooling of property damage and public liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment in the event members' premiums are insufficient to cover losses and expenses. No assessment has been made for the year ended April 30, 2013.

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

8. Government remittances

The university is owed from the government for the following remittances:

| | 2013 | 2012 |
|----------------|-------------------|-------------------|
| HST receivable | \$ 214,434 | \$ 315,776 |
| EHT payable | (28,684) | (22,514) |
| WSIB payable | <u>(5,755)</u> | <u>(4,755)</u> |
| | <u>\$ 179,995</u> | <u>\$ 288,507</u> |

Algoma University
Notes to Financial Statements

April 30, 2013

9. Algoma University Foundation

Algoma University has representation on the Board of Directors and shares management personnel with Algoma University Foundation ("the foundation"). The foundation is engaged in fundraising and related activities for the purpose of providing scholarships to the students of the university and other funding to the university. The foundation is a registered charity under the Income Tax Act. The financial information below for Algoma University Foundation is not included in the consolidated financial statements presenting the assets, liabilities and results of operations for Algoma University.

The summary financial statements for Algoma University Foundation for the years ended April 30, 2013 and April 30, 2012 are as follows:

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| Balance Sheet: | | |
| Assets | <u>\$ 4,151,836</u> | <u>\$ 3,874,768</u> |
| Liabilities | <u>\$ 697,125</u> | <u>\$ 755,345</u> |
| Net assets | <u>3,454,711</u> | <u>3,119,423</u> |
| | <u>\$ 4,151,836</u> | <u>\$ 3,874,768</u> |
| Statement of Operations: | | |
| Revenue | <u>\$ 1,090,965</u> | <u>\$ 524,958</u> |
| Expenses | <u>889,060</u> | <u>559,763</u> |
| Excess (deficiency) of revenue over expenses | <u>\$ 201,905</u> | <u>\$ (34,805)</u> |
| Cash Flows: | | |
| Cash flows from operating activities | <u>\$ 137,908</u> | <u>\$ 302,766</u> |
| Cash flows from investing activities | <u>(381,705)</u> | <u>(108,173)</u> |
| Cash flows from financing activities | <u>61,300</u> | <u>72,126</u> |
| Increase (decrease) in cash | <u>(182,497)</u> | <u>266,719</u> |
| Cash, beginning of year | <u>400,825</u> | <u>134,106</u> |
| Cash, end of year | <u>\$ 218,328</u> | <u>\$ 400,825</u> |

Included in assets above are other assets consisting of artwork totaling \$355,000 which are recorded at fair value at the date of contribution, being the appraised value. An appraisal has not been obtained in recent years.

Included in liabilities above is \$241,516 due to Algoma University.

Algoma University
Notes to Financial Statements

April 30, 2013

10. Related party balances

The following are amounts due from the Northern Ontario Research, Development, Ideas and Knowledge Institute (Nordik Research Institute), the Coalition for Algoma Passenger Trains (CAPT), the Invasive Species Research Institute (ISRI) and the Health Informatics Institute (HII):

| | <u>2013</u> | <u>2012</u> |
|---|------------------|------------------|
| Due (to)/from Nordik Research Institute | \$ 47,148 | \$ 15,534 |
| Due (to)/from CAPT | - | (92) |
| Due (to)/from ISRI | (6,345) | 23,141 |
| Due (to)/from HII | <u>3,521</u> | <u>1,063</u> |
| Total due (to)/from associated entities | <u>\$ 44,324</u> | <u>\$ 39,646</u> |

11. Comparative figures

Comparative figures have been restated where necessary to conform to the presentation adopted during the fiscal year.

12. Capital disclosure

The university considers its capital to be its net assets. The university's objectives when managing its capital are to safeguard its ability to continue as a going concern, to continue to provide services to the university community and to allow for future expansion. Annual budgets are developed and compared to actual results as the year unfolds to ensure the organization's capital is maintained at an appropriate level.

13. Financial instruments

The university's management monitors, evaluates and manages the principal risks assumed with financial instruments on a daily basis. The risks that arise from transacting financial instruments include liquidity risk, credit and concentration of credit risk.

Liquidity risk

Liquidity risk arises from the university's management of accounts payable and other current liabilities. It is the risk that the university will encounter difficulty in meeting its financial obligations as they fall due. The university's policy to minimize this risk is to ensure an adequate line of credit exists for the university.

Credit and concentration of credit risk

Credit risk arises principally from the university's cash and accounts receivable. The cash is held at a reputable institution. The university is also exposed to normal credit risk resulting from the possibility that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The majority of the university's receivables are from student fees and the university sends any overdue accounts more than two years old to the credit bureau for collection. In addition, students are not allowed to register for a future semester if their fees from previous semesters are not paid in full.

April 30, 2013

14. Prior period adjustments

The following adjustments became known in the current fiscal year and are as follows:

a) It was determined during the current year's audit that buildings acquired prior to 1999 were not being amortized over the correct term. As a result, assets were overstated and expenses were understated. The financial statement amounts that are presented for comparative purposes have been restated to correct this error as follows:

| | |
|---|-----------|
| Decrease in 2011 capital assets | \$209,450 |
| Decrease in 2011 invested in capital assets | \$209,450 |
| Decrease in 2012 capital assets | \$180,551 |
| Decrease in 2012 invested in capital assets | \$180,551 |

b) It was determined during the current year's audit that deferred contributions related to buildings acquired prior to 1999 were not being amortized over the correct term. As a result, liabilities were overstated and revenue was understated. The financial statement amounts that are presented for comparative purposes have been restated to correct this error as follows:

| | |
|---|-----------|
| Decrease in 2011 deferred contributions related to capital assets | \$669,593 |
| Increase in 2011 invested in capital assets | \$669,593 |
| Decrease in 2012 deferred contributions related to capital assets | \$717,206 |
| Increase in 2012 invested in capital assets | \$717,206 |

c) It was determined during the current year's audit that an adjustment made in the previous year to record the 2011 holdback on the BioScience Centre was not reflected on the invested in capital assets amount. The financial statement amounts that are presented for comparative purposes have been restated to correct this error as follows:

| | |
|---|-------------|
| Decrease in 2011 operating net assets | \$1,612,989 |
| Increase in 2011 invested in capital assets | \$1,612,989 |



Tel: 705 945 0990
Fax: 705 942 7979
Toll-free: 800 520 3005
www.bdo.ca

BDO Canada LLP
747 Queen Street E
PO Box 1109
Sault Ste. Marie ON P6A 5N7 Canada

Independent Auditor's Comments on Supplementary Financial Information

To the Board of Governors of
Algoma University

We have audited the financial statements of Algoma University, which comprise the statement of financial position as at April 30, 2013, and the statements of operations, change in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated October 3, 2013 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. The individual schedules of supplemental financial information are presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario
October 3, 2013

Algoma University
Schedule of Ancillary Operations

| For the year ended April 30, 2013 | Downtown Residence | George Leach Centre | Varsity | Other Ancillary Services | Campus Residence | Parking Lot | Student Bar | Student Centre | Total |
|---|-----------------------|---------------------------|----------------|--------------------------------|---------------------|----------------|----------------|-------------------|------------------|
| Revenue | \$ 480,426 | \$ 573,681 | \$ 148,293 | \$ 73,575 | \$ 876,170 | \$ 200,704 | \$ 30,187 | \$ 28,457 | \$ 2,413,493 |
| Expenses | | | | | | | | | |
| Cost of sales | - | 1,444 | - | - | - | - | 14,263 | - | 15,707 |
| Salaries and benefits | 41,895 | 332,490 | 134,590 | - | 159,417 | - | 44,702 | - | 713,094 |
| Utilities | 141,144 | 55,966 | - | - | 153,525 | - | - | - | 350,635 |
| Maintenance | 334,418 | 91,597 | - | - | 106,458 | 10,712 | - | - | 543,185 |
| Interest | 177,665 | - | - | - | 189,879 | 29,225 | - | - | 425,226 |
| Other operating expenses | 50,785 | 142,654 | 325,422 | - | 26,072 | 155,051 | 7,837 | 28,457 | 707,821 |
| | <u>745,907</u> | <u>624,151</u> | <u>460,012</u> | <u>-</u> | <u>635,351</u> | <u>194,988</u> | <u>66,802</u> | <u>28,457</u> | <u>2,755,668</u> |
| Excess (deficiency) of revenue over expenses | \$ (265,481) | \$ (50,470) | \$ (311,719) | \$ 73,575 | \$ 242,819 | \$ 5,716 | \$ (36,615) | \$ - | \$ (342,175) |
| For the year ended April 30, 2012 | | | | | | | | | |
| Excess (deficiency) of revenue over expenses | \$ (40,418) | \$ (51,854) | \$ (157,612) | \$ 37,721 | \$ 146,047 | \$ 46,142 | \$ (35,389) | \$ - | \$ (55,363) |

Algoma University
Schedule of Non-credit Operations

| | First Generation Project | Research | Masters of Science | ESL | Shingwauk Residential School Project | Total |
|--|--------------------------------|------------|-----------------------|-------------|--|--------------|
| For the year ended April 30, 2013 | | | | | | |
| Revenue | \$ 170,000 | \$ 587,764 | \$ - | \$ 779,471 | \$ 201,068 | \$ 1,738,303 |
| Expenses | | | | | | |
| Salaries and benefits | 115,510 | - | - | 419,146 | 190,475 | 725,131 |
| Other operating expenses | 67,258 | 591,649 | - | 417,076 | 124,805 | 1,200,766 |
| | 182,768 | 591,649 | - | 836,222 | 315,280 | 1,925,919 |
| Excess (deficiency) of revenue over expenses | \$ (12,768) | \$ (3,885) | \$ - | \$ (56,751) | \$ (114,212) | \$ (187,616) |
| For the year ended April 30, 2012 | | | | | | |
| Excess (deficiency) of revenue over expenses | \$ (48,980) | \$ 28,099 | \$ (14,042) | \$ 190,008 | \$ (8,934) | \$ 146,151 |