The Conestoga College Institute of Technology and Advanced Learning

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of The Conestoga College Institute of Technology and Advanced Learning (the “**College**”) are the responsibility of management and have been approved by the Board of Governors (the “**Board**”).

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 series of standards applicable to government not-for-profit organizations. Where 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 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 Finance and Audit Committee (the “**Committee**”).

The Committee is appointed by the Board and includes within its ranks four Board members. The Committee meets periodically 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 Deloitte LLP, the external auditors, in accordance with Canadian generally accepted auditing standards, on behalf of the Board. Deloitte LLP has full and free access to the Committee.

John W. Tibbits	**Eric Johnstone**
President	Vice President & Chief Financial Officer

June 19, 2023

Deloitte.

Deloitte LLP
195 Joseph St
Kitchener ON N2G 1J6
Canada

Tel: 519-650-7600
Fax: 519-650-7601
www.deloitte.ca

Independent Auditor's Report

To the Board of Governors of
The Conestoga College Institute of Technology and Advanced Learning

Opinion

We have audited the consolidated financial statements of The Conestoga College Institute of Technology and Advanced Learning (the "College"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of revenue and expenditures, cash flows, changes in fund balances, and remeasurement gains and losses for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2023, and the results of its operations, its remeasurement gains and losses, changes in fund balances, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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.

As part of an audit in accordance with Canadian GAAS, 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 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 financial statements, including the disclosures, and whether the 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 Entity 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 19, 2023

Statement 1

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Consolidated Statement of Financial Position

March 31, 2023, with comparative figures for March 31, 2022

Assets	**2023**	**2022**
Current Assets:		
Cash and cash equivalents (Note 11)	$682,406,760	$406,710,894
Grants receivable	6,523,510	5,055,693
Accounts receivable	10,441,286	9,339,185
Current portion of pledges receivable (Note 3)	4,025,792	3,300,000
Inventory	973,198	1,034,317
Prepaid expenses	4,462,136	733,209
	708,832,682	**426,173,298**
Long-term investments (Note 2 and 11)	5,319,924	5,695,384
Long-term pledges receivable (Note 3)	3,316,995	7,703,296
Capital assets (Note 4)	387,161,721	350,244,738
	$1,104,631,322	**$789,816,716**
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	$34,881,808	$47,180,847
Vacation pay accrual	13,999,278	12,592,941
Deferred revenue (Note 5)	526,435,673	305,982,898
Current portion of long-term debt (Note 6)	2,489,183	2,420,575
Deferred contributions (Note 7)	3,438,127	2,891,581
	581,244,069	**371,068,842**
Asset retirement obligation – building (Note 1 and 10)	4,306,322	-
Long-term debt (Note 6)	16,513,503	19,002,686
Deferred capital contributions (Note 8)	141,500,643	143,914,862
Post-employment benefits and compensated absences (Note 9)	7,242,000	6,531,000
	750,806,537	**540,517,390**
Fund Balances (Deficits)		
Unrestricted:		
Operations	33,245,803	15,347,465
Vacation	(13,999,278)	(12,592,941)
Post-employment benefits and compensated absences	(7,242,000)	(6,531,000)
Investment in capital assets (Note 4)	222,352,070	184,906,615
Restricted fund balances:		
Internally restricted (Note 11)	112,000,000	62,000,000
Externally Restricted (Note 11)	529,351	480,360
Endowed (Note 11)	7,337,153	5,709,645
	354,223,099	**249,320,144**
Accumulated remeasurement losses	(398,314)	(20,818)
	$1,104,631,322	**$789,816,716**

Contingencies and commitments (Note 12)

See accompanying notes to consolidated financial statements

APPROVED BY THE BOARD

Frank Boutzis, Board Chair

John Tibbits, President

Statement 2

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Consolidated Statement of Revenue and Expenditures

Year ended March 31, 2023, with comparative figures for March 31, 2022

Revenue	**2023**	**2022**
Tuition Fees	$389,238,232	$280,443,669
Grants	90,207,219	104,148,878
Other Student Fees	47,559,838	32,731,055
Ancillary operations	23,220,444	15,791,185
Contracted services	5,831,127	5,333,915
Other	13,122,532	11,820,758
Interest	20,426,654	2,489,952
Restricted revenue	1,484,463	1,758,997
Amortization of deferred capital contributions (Note 8)	9,994,437	8,943,419
Total revenue	**601,084,946**	**463,461,828**
Expenditures		
Salaries and benefits	284,765,124	244,101,885
Professional and contract fees	66,195,304	46,010,679
Student related expenses	28,667,412	19,052,208
Supplies and staff related expenses	9,814,844	6,551,747
Facilities related expenses	50,218,767	29,618,342
Other expenses	20,930,998	11,144,049
Reimbursed expenses	5,715,657	11,718,703
Amortization of capital assets	23,452,252	17,698,604
Scholarships, bursaries and work-study	5,103,725	20,084,226
Total expenditures	**494,864,083**	**405,980,443**
Excess of revenue over expenditures	**$106,220,863**	**$57,481,385**

See accompanying notes to consolidated financial statements

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Consolidated Statement of Cash Flows

Year ended March 31, 2023, with comparative figures for March 31, 2022

Net Inflow (Outflow) of Cash Related to the Following Activities	**2023**	**2022**
Operating		
Excess of revenue over expenditures – Restricted Fund	$48,991	$23,745
Excess of revenue over expenditures – Operating Fund	106,171,872	57,457,640
Items not involving cash:		
Amortization of capital assets	23,452,252	17,698,604
Amortization of deferred capital contributions	(9,994,437)	(8,943,419)
Post-employment benefit and compensated absences expense	1,396,000	912,000
	121,074,678	**67,148,570**
Cash paid for post-employment benefits and compensated absences	(685,000)	(878,000)
Changes in non-cash working capital items:		
Grants receivable	(1,467,817)	499,240
Accounts receivable	(1,102,101)	(3,339,080)
Inventory	61,119	673,079
Prepaid expenses	(3,728,927)	(4,929)
Accounts payable and accrued liabilities	(12,299,039)	17,577,649
Vacation pay accrual	1,406,337	1,333,121
Deferred revenue	220,452,775	69,824,203
	323,712,025	**152,833,853**
Financing		
Net change in deferred contributions	546,546	483,607
Endowment contributions	1,627,508	208,649
Repayment of long-term debt	(2,420,575)	(2,353,943)
	(246,521)	**(1,661,687)**
Capital		
Deferred grants and capital contributions	7,580,218	6,457,397
Purchase of capital assets	(59,008,329)	(56,620,134)
	(51,428,111)	**(50,162,737)**
Investing		
Decrease in pledges receivable	3,660,509	3,830,000
Net purchase of investments	(2,036)	(178,774)
	3,658,473	**3,651,226**
Net cash inflow	275,695,866	104,660,655
Cash and cash equivalents, beginning of year	406,710,894	302,050,239
Cash and cash equivalents, end of year	**$682,406,760**	**$406,710,894**

See accompanying notes to consolidated financial statements

Statement 4

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Consolidated Statement of Changes in Fund Balances

Year ended March 31, 2023, with comparative figures for March 31, 2022

	Operations	Post-employment benefits and vacation	Investment in Capital Assets	Internally Restricted Fund	Externally Restricted Fund	Endowment Fund	2023 Total	2022 Total
Balances March 31, 2022 as previously reported	**$15,347,465**	**($19,123,941)**	**$184,906,615**	**$62,000,000**	**$480,360**	**$5,709,645**	**$249,320,144**	$165,180,110
Adjustment on first-time adoption of section PS 3280 (Note 1)	–	–	(2,945,416)	–	–	–	(2,945,416)	–
Balances March 31, 2022 as restated	15,347,465	(19,123,941)	181,961,199	62,000,000	480,360	5,709,645	246,374,728	165,180,110
Excess of revenue over expenditures (expenditures over revenue)	119,629,687	–	(13,457,815)	–	48,991	–	106,220,863	57,481,385
Vacation pay	1,406,337	(1,406,337)	–	–	–	–	–	–
Post-employment benefits and compensated absences	711,000	(711,000)	–	–	–	–	–	–
Capital asset additions financed with operating funds	(51,428,111)	–	51,428,111	–	–	–	–	–
Repayment of long-term debt	(2,420,575)	–	2,420,575	–	–	–	–	–
Transfer to Internally Restricted Fund (Note 11)	(50,000,000)	–	–	50,000,000	–	–	–	–
Donated land (Note 4)	–	–	–	–	–	–	–	26,450,000
Endowment contributions (Note 11)	–	–	–	–	–	1,627,508	1,627,508	208,649
Fund balances (deficits), end of year	**$33,245,803**	**($21,241,278)**	**$222,352,070**	**$112,000,000**	**$529,351**	**$7,337,153**	**$354,223,099**	**$249,320,144**

See accompanying notes to consolidated financial statements

Statement 5

THE CONESTOGA COLLEGE INSTITUTE OF TECHNOLOGY AND ADVANCED LEARNING

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2023, with comparative figures for March 31, 2022

	2023	**2022**
Accumulated remeasurement losses at beginning of year	$(20,818)	$98,427
Change in unrealized losses on investments	(377,496)	(119,245)
Accumulated remeasurement losses at end of year	**$(398,314)**	**$(20,818)**

See accompanying notes to consolidated financial statements

The Conestoga College Institute of Technology and Advanced Learning ("Conestoga") was established pursuant to Ontario regulation 34/03 made under the Ontario Colleges of Applied Arts and Technology Act, 2002. Conestoga is an agency of the Crown and provides postsecondary, vocationally oriented education in the areas of applied arts, business, health sciences, and technology.

Conestoga operates on a not-for-profit basis and is a registered charity and, as such, is exempt from income taxes under the Income Tax Act (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURE

BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of Conestoga and its wholly-owned subsidiary, Conestoga College Communications Corp., a not-for-profit corporation that is licensed by the Canadian Radio-Television and Telecommunications Commission to operate a radio station.

BASIS OF PRESENTATION

The consolidated financial statements of Conestoga have been prepared 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 ("PSAB for Government NPOs") and includes the following significant accounting policies.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts on deposit with financial institutions and money market funds that are readily convertible to cash.

REVENUE RECOGNITION

Conestoga follows the deferral method of accounting for contributions which include donations and government grants.

Tuition fees are recorded over the term of the semester. Fees received for semesters not yet completed or for semesters commencing in a subsequent fiscal period are recorded as deferred revenue.

Contracted services and ancillary revenues including parking, bookstore, residence, and other sundry revenues are recognized when products are delivered or services are provided to the student or client, the sales prices are fixed and determinable, and collection is reasonably assured.

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.

Externally restricted contributions and restricted investment income are recognized as revenue in the year in which the related expenses are incurred.

Restricted contributions for the purchase of depreciable capital assets are deferred and recognized as revenue over the useful life of the related asset. Contributions of non-depreciable assets are recorded as a direct increase to net assets.

Endowment contributions are recognized as direct increases in endowed net assets.

Restricted investment income that must be maintained as an endowment is credited to net assets. Unrestricted investment income is recognized as revenue of the unrestricted fund when earned.

USE OF ESTIMATES

The preparation of the consolidated financial statements, in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Areas of key estimation include determination of allowance for doubtful accounts, amortization of capital assets, amortization of deferred capital contributions, asset retirement obligation, vacation pay accrual, and actuarial estimation of post-employment benefits and compensated absences liabilities.

VALUATION OF INVENTORY

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis.

PLEDGES RECEIVABLE

Pledges receivable includes corporate pledges for major capital projects as well as the portion of the student capital development fee receivable which is applied to Conestoga's building assets. Pledges receivable are recognized if the amount to be received is reasonably estimated and the ultimate collection is reasonably assured.

CAPITAL ASSETS

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to Conestoga's ability to provide services or the value of 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. Any unamortized deferred capital contribution amount related to an impaired capital asset is recognized in revenue in the consolidated statement of revenue and expenditure, provided that all restrictions have been complied with.

Construction in progress costs are capitalized as incurred. Once put in use, the assets are transferred to their appropriate capital asset category and are amortized on a basis consistent with the policy below.

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which have been estimated to be as follows:

Site Improvements	10 years
Buildings and Building Improvements	20 to 40 years
Furniture, Equipment and Vehicles	5 years
Information Technology	2 to 5 years
Leasehold Improvements	Term of the lease

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (ARO's) are provisions for legal obligations for the retirement of Conestoga's tangible capital assets that are either in productive use or no longer in productive use.

An ARO liability is recognized when, as at the financial reporting date:

(a) there is a statutory, contractual, or legal obligation to incur retirement costs in relation to a tangible capital asset;

(b) the past transaction or event giving rise to the liability has occurred;

(c) it is expected that future economic benefits will be given up; and

(d) a reasonable estimate of the amount can be made.

Liabilities are recognized by Conestoga in the period in which an obligation arises for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the tangible capital assets. The obligations are measured initially at management's best estimate of the present value of the estimated future cash flows required to settle the retirement obligation. For tangible capital assets that are still in productive use, there is a corresponding increase to the carrying value of the related tangible capital asset. For assets that are not recorded or are no longer in productive use, the liability is expensed in the period. In subsequent periods, the liability is accreted over time and adjusted for changes in the liability estimate, as applicable or timing of the future cash flows. The capitalized asset retirement costs are amortized on the same basis as the related asset, and accretion expense is included in the Consolidated Statement of Revenue and Expenditures.

VACATION PAY

Conestoga recognizes vacation pay as an expense on an accrual basis.

POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES

Conestoga provides defined benefit retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, vesting sick leave and non-vesting sick leave. Conestoga has adopted the following policies with respect to accounting for these employee benefits:

- The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustment to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis.

- The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.

- The cost of vesting and non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.

- The discount rate used in the determination of the above-mentioned liabilities is equal to Conestoga's internal rate of borrowing.

FINANCIAL INSTRUMENTS

Conestoga classifies its financial instruments as either fair value or amortized cost. Conestoga's accounting policy for each category is as follows:

Fair value
This category includes derivatives, cash and investments. They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized when they are transferred to the statement of operations of the appropriate fund.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from fund balances and recognized in the statement of operations.

Amortized cost
This category includes grants receivable, accounts receivable, pledges receivable, accounts payable and accrued liabilities and long-term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are included in the carrying value of the instrument.

Write-downs on the financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations.

ADOPTION OF PS 3280 ASSET RETIREMENT OBLIGATIONS

Effective April 1, 2022, Conestoga adopted PS 3280, *Asset Retirement Obligations* using the modified retroactive application method without restatement. Under this method, Conestoga recognized:

- A liability for any existing asset retirement obligations;
- An asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets;
- An adjustment to the opening balance of the accumulated surplus/deficit.

The change follows the effective implementation date for Asset Retirement Obligations in accordance with PS 3280 for fiscal years beginning on or after April 1, 2022. The standard was applied retroactively upon adoption. As a result, Conestoga has recorded the following adjustments from applying the standard to the opening balances:

	March 31, 2022 as previously reported	Impact on Opening Balances	March 31, 2022 as adjusted
Statement of financial position			
Tangible capital assets	$350,244,738	$1,360,906	$351,605,644
Asset retirement obligation - building	-	4,306,322	4,306,322
Investment in Capital Assets	184,906,615	(2,945,416)	181,961,199

2. FINANCIAL INSTRUMENTS CLASSIFICATION

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	Fair Value	Amortized Cost	2023 Total
Cash and cash equivalents	$682,406,760	-	$682,406,760
Investments	5,319,924	-	5,319,924
Grants receivable	-	6,523,510	6,523,510
Accounts receivable	-	10,441,286	10,441,286
Pledges receivable	-	7,342,787	7,342,787
Accounts payable and accrued liabilities	-	34,881,808	34,881,808
Long-term debt	-	19,002,686	19,002,686

	Fair Value	Amortized Cost	2022 Total
Cash and cash equivalents	$406,710,894	-	$406,710,894
Investments	5,695,384	-	5,695,384
Grants receivable	-	$5,055,693	5,055,693
Accounts receivable	-	9,339,185	9,339,185
Pledges receivable	-	11,003,296	11,003,296
Accounts payable and accrued liabilities	-	47,180,487	47,180,487
Long-term debt	-	21,423,261	21,423,261

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

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 date (unobservable inputs).

	Level 1	Level 2	Level 3	2023 Total
Cash and cash equivalents	$682,406,760	-	-	$682,406,760
Investments	1,262,519	$4,057,405	-	5,319,924
Total	$683,669,279	$4,057,405	-	$687,726,684

	Level 1	Level 2	Level 3	2022 Total
Cash and cash equivalents	$406,710,894	-	-	$406,710,894
Investments	1,417,392	$4,277,992	-	5,695,384
Total	$408,128,286	$4,277,992	-	$412,406,278

	Level	2023 Fair Value	2023 Book Value	2022 Fair Value	2022 Book Value
Canadian Equities	1	$254,867	$236,389	$299,880	$233,427
Canadian Fixed Income Investments	2	189,778	250,000	220,012	250,000
Foreign Equities	1	1,007,652	926,882	1,117,512	961,213
Canadian Fixed Income Mutual Funds	2	2,169,423	2,416,575	2,287,661	2,444,260
Foreign Equity Mutual Funds	2	1,071,914	1,169,901	1,099,669	1,169,761
Other	2	626,290	718,491	670,650	657,541
		$5,319,924	$5,718,238	$5,695,384	$5,716,202

3. PLEDGES RECEIVABLE

Pledges receivable includes corporate pledges of $1,600,000 (2022-$1,600,000) for major capital projects, as well as the student capital development fees which are related to the Recreation Centre building assets and the Waterloo Campus assets of $5,742,787 (2022-$9,403,296).

4. CAPITAL ASSETS

(a) Capital assets consist of the following:

	Capital Costs	Accumulated Amortization	2023 Net Book Value
Land	$80,096,850	-	$80,096,850
Site Improvements	8,061,646	$6,717,185	1,344,460
Buildings and Building Improvements	374,711,826	107,176,754	267,535,072
Furniture, Equipment and Vehicles	46,613,931	27,812,771	18,801,161
Information Technology	30,317,297	26,992,702	3,324,595
Leasehold Improvements	22,211,458	14,601,474	7,609,983
Construction in Progress	8,449,600	-	8,449,600
	$570,462,607	$183,300,886	$387,161,721

	Capital Costs	Accumulated Amortization	2022 Net Book Value
Land	$70,601,001	-	$70,601,001
Site Improvements	8,061,646	$6,424,888	1,636,757
Buildings and Building Improvements	300,357,737	97,607,421	202,750,316
Furniture, Equipment and Vehicles	48,678,879	36,075,332	12,603,547
Information Technology	26,985,143	25,306,076	1,679,067
Leasehold Improvements	18,845,189	9,081,179	9,764,010
Construction in Progress	51,210,040	-	51,210,040
	$524,739,635	$174,494,897	$350,244,738

In September 2021, the College finalized an agreement with the Town of Milton to transfer property from the Town of Milton to Conestoga College for future development in the Milton Education Village. The value of the land, which includes 14 acres of developable land, is assessed at $26,450,000 and was recorded as a land donation. The agreement includes direction for the College regarding use and development requirements.

(b) Investment in capital assets

The net book value of capital assets is financed by:

	2023	2022
Capital assets	$387,161,721	$350,244,738
Deferred capital contributions	(141,500,643)	(143,914,862)
Long-term debt	(19,002,686)	(21,423,261)
Asset retirement obligation - building	(4,306,322)	-
Investment in capital assets ending balance	$222,352,070	$184,906,615

Excess of expenditure over revenue	2023	2022
Amortization of deferred capital contributions	$9,994,437	$8,943,419
Amortization of capital assets	(23,452,252)	(17,698,604)
Excess of expenditures over revenue for the year	($13,457,815)	($8,755,185)

5. DEFERRED REVENUE

Details of the year-end balance are as follows:

	2023	2022
Prepaid tuition fees for future semesters	$463,855,719	$258,119,903
Student tuition fees	35,058,898	21,860,491
Student fees and student financial aid	14,219,222	11,647,768
Grants and reimbursements	6,647,113	5,856,804
Other projects	6,654,721	8,497,932
	$526,435,673	$305,982,898

Prepaid tuition fees represent fees paid in advance for future semesters.

Student tuition fees are for academic courses in process at the end of the year.

Student fees represent unspent student fees collected during the year and student financial aid represents amounts set aside for the work study program.

Grants and reimbursement are unexpended externally restricted grants to be spent on specific projects.

Other projects include contributions, donations, and deposits related to small projects and activities of the College.

6. LONG-TERM DEBT

	2023	2022
Residence Loan from Ontario Financing Authority bearing interest at 3.511%. Repayable in May and November each year in a blended payment of $634,494, due May 4, 2027.	$5,239,854	$6,296,954
Student Recreation Centre Loan from Ontario Financing Authority bearing interest at 2.273%. Repayable in April and October each year in a blended payment of $849,795, due October 6, 2031.	13,762,833	15,126,307
	19,002,686	21,423,261
Less: Current portion	2,489,183	2,420,575
	$16,513,503	$19,002,686

The Consolidated Statements of Revenue and Expenditures and Changes in Fund Balances include interest expense related to long-term debt in the amount of $519,059 (2022-$585,507).

The estimated principal portion of long-term debt payments are as follows:

2024	$2,489,183
2025	2,559,830
2026	2,632,579
2027	2,707,495
2028	2,150,151
Thereafter	6,463,448
Total	$19,002,686

7. DEFERRED CONTRIBUTIONS

Deferred contributions reported in the Restricted Fund relate to donations received for student bursaries and interest earned on related endowed and unspent funds, to the extent they are unspent. Changes in the deferred contributions balance in the Restricted Fund are as follows:

	2023	2022
Beginning balance	$2,891,581	$2,407,974
Add: donations and grant received during year	998,422	2,091,018
Add: net interest on endowed and unspent funds	970,134	230,877
Less: amounts recognized as revenue in the year	(1,422,010)	(1,838,288)
Ending balance	$3,438,127	$2,891,581

8. DEFERRED CAPITAL CONTRIBUTIONS

Contributions restricted for the purpose of capital purchases are deferred and then amortized over the life of the asset at the corresponding rate of amortization.

	Ministry Funded Grants	Other	2023 Total	2022 Total
Opening balance	$111,129,732	$32,785,130	$143,914,862	$146,400,885
Deferred	4,483,024	3,097,194	7,580,218	6,457,396
Amortization	(7,392,335)	(2,602,102)	(9,994,437)	(8,943,419)
Ending balance	$108,220,421	$33,280,222	$141,500,643	$143,914,862

The majority of Other Deferred Capital Contributions include funding received from federal funding agencies, municipal agencies, corporate entities, etc.

9. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES LIABILITY

The following tables outline the components of Conestoga's post-employment benefits and compensated absences liabilities and the related expenses.

2023

	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$2,198,000	$9,107,000	-	$11,305,000
Value of plan assets	(537,000)	-		(537,000)
Unamortized actuarial gains (losses)	4,000	(3,530,000)	-	(3,526,000)
Total liability	$1,665,000	$5,577,000	-	$7,242,000

2022

	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total liability
Accrued employee future benefits obligations	$1,837,000	$6,636,000	$62,000	$8,535,000
Value of plan assets	(502,000)	-	-	(502,000)
Unamortized actuarial gains (losses)	-	(1,494,000)	(8,000)	(1,502,000)
Total liability	$1,335,000	$5,142,000	$54,000	$6,531,000

2023

	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$333,000	$816,000	$5,000	$1,154,000
Interest on accrued benefit obligation	4,000	206,000	2,000	212,000
Amortized actuarial (gains) losses	-	80,000	(50,000)	30,000
Total expense	$337,000	$1,102,000	$(43,000)	$1,396,000

2022

	Post-employment benefits	Non-vesting sick leave	Vesting sick leave	Total expense
Current year benefit cost	$7,000	$597,000	$5,000	$609,000
Interest on accrued benefit obligation	2,000	130,000	2,000	134,000
Amortized actuarial (gains) losses	($46,000)	178,000	37,000	169,000
Total expense	($37,000)	$905,000	$44,000	$912,000

Above amounts exclude pension contributions to the Colleges of Applied Arts and Technology ("CAAT") pension plan, a multi-employer plan, described below.

Retirement Benefits

CAAT Pension Plan

All full-time employees of the College, and any part-time employees who opt to participate, are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), a multi-employer jointly sponsored defined benefit plan for public colleges in Ontario and other employers. 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.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates related to full-time members. 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 the regulators as at January 1, 2023 indicated an actuarial surplus of $4.7 billion. The College made contributions to the Plan and its associated retirement compensation arrangement of $21,400,245 (2022-$17,601,214), which has been included in the consolidated statement of revenue and expenditures.

Post- Employment Benefits

Conestoga extends post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. Conestoga recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council. The results are extrapolated from the most recent February 2023 actuarial valuation.

The major actuarial assumptions employed for the valuations are as follows:

a) Discount rate

   The present value as at March 31, 2023 of the future benefits is determined using a discount rate of 3.4% (2022-2.9%).

b) Medical premiums

   Medical premiums are assumed to increase 6.16% per annum in 2023 (2022-6.29%), grading down to 4.0% per annum by 2040.

c) Dental costs

   Dental costs are assumed to increase at 4.0% per annum in 2023 (2022-4.0%).

Compensated Absences

Non-Vesting Sick Leave

Conestoga allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that the employees' illness or injury exceeds the current year's allocation of days. Sick days are paid out at the salary in effect at the time of usage. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council. The results are extrapolated from the most recent August 2022 actuarial valuation.

Vesting Sick Leave

Conestoga has provided for vesting sick leave benefits during the year. Eligible employees after 10 years of service are entitled to receive 50% of their accumulated sick leave credits on termination or retirement to a maximum of 6 months' salary. The program to accumulate sick leave credits ceased for employees hired after March 31, 1991. The related benefit liability was determined by an actuarial valuation study commissioned by the College Employer Council. The results are extrapolated from the most recent March 2023 actuarial valuation.

The assumptions used in the valuation of vesting and non-vesting sick leave are the College's best estimated of expected rates of:

	2023	2022
Wage and salary escalation	1.0-2.0%	1.0-2.0%
Discount rate	3.4%	2.9%

10. ASSET RETIREMENT OBLIGATIONS

Conestoga has several buildings containing asbestos requiring remediation upon decommissioning. The *Canadian Environmental Protection Act* (CEPA) governs the protection of the environment and human health with respect the hazardous waste such as asbestos. There are regulations specifically regarding the handling of asbestos, such as the "Prohibition of Asbestos and Products Containing Asbestos Regulations" which are published under the authority of CEPA. In addition, the Canada Occupational Health and Safety Regulations (10.26.1 Schedule, Division II – Hazardous Substances Other than Hazardous Products) outlines requirements for asbestos exposure control plans, as well as requirements on disposal of asbestos and decontamination.

The liability is the estimated maximum costs provided by an independent consultant to settle the asset retirement obligations. The total undiscounted future cash flows are estimated at $4,306,322.

11. ENDOWED AND RESTRICTED FUND BALANCES

Internally Restricted Fund Balance

The Internally restricted fund includes funds restricted by the College for approved future capital projects. The balance at March 31, 2023 is $112,000,000 (2022-$62,000,000).

Externally Restricted Fund Balance

The Union Employment Stability Fund is required under the terms of the collective agreements for academic and support staff and is to be used to enhance employment stability. Under the agreements Conestoga makes annual contributions on a per capita basis. Disbursements must be authorized by a joint Union/College Committee.

	Student Bursary/ Scholarship/ Loan	Union Employment Stability	2023 Total	2022 Total
Externally Restricted Fund Balance	$37,883	$491,468	$529,351	$480,360

Endowment and Restricted Fund

Included in cash, cash equivalents, and investments are amounts restricted for endowments, bursaries, scholarships, and restricted funds. Endowed assets represent funds held by Conestoga which have been permanently endowed. The annual income earned on the endowed funds may be used only for the externally restricted purpose specified by the donor. Restricted funds may be expended only for the purpose specified by the donor. The changes during the year in endowed and restricted fund assets are noted below:

	Endowment Fund	Externally Restricted Fund	2023 Total	2022 Total
Opening balance included in cash and cash equivalents and investments	$5,688,827	$3,371,941	$9,060,768	$8,649,252
Unrealized investment losses	(377,496)	-	(377,496)	(119,245)
Transfer to operations	-	-	-	(185,240)
Contributions	1,627,508	3,351,985	4,979,493	2,299,667
Bursary and scholarship activity	-	(2,756,448)	(2,756,448)	(1,583,666)
Ending balance included in cash and cash equivalents and investments	$6,938,839	$3,967,478	$10,906,317	9,060,768
Deferred contributions and accumulated unrealized investment losses	398,314	(3,438,127)	(3,039,813)	(2,870,763)
Ending fund balance	$7,337,153	$529,351	$7,866,504	$6,190,005

12. CONTINGENCIES AND COMMITMENTS

As of March 31, 2023, outstanding capital asset commitments approximate $30,550,000 primarily related to the construction and expansion of Conestoga's facilities. The internally restricted net assets and unrestricted net assets will be used to fund these future commitments.

Effective June 2019, the Province of Ontario enacted Bill 124 “Protecting a Sustainable Public Sector for future Generations Act, 2019”. This legislation limited compensation increases to 1.0% per year for a three-year moderation period for both unionized and non-unionized employees in the Ontario public sector. The starting dates of the moderation period varied across entities and employee groups. On November 29, 2022, the Ontario Superior Court of Justice struck down Bill 124, finding it unconstitutional and declaring it to be “void and of no effect”. On December 29, 2022, the Ontario government filed a Notice of Appeal with the Ontario Court of Appeal. The impact, if any, to the organization because of the Ontario Superior Court decision is not determinable at this time. As such, no provision has been made in the financial statements.

Conestoga has entered into various agreements to lease premises. The minimum payments required to the maturity dates of existing leases are as follows:

2024	$5,383,413
2025	3,778,671
2026	710,093
2027	529,899
2028	479,299
Thereafter	450,845

13. FINANCIAL INSTRUMENTS RISK MANAGEMENT

CREDIT RISK

Accounts receivable and certain long-term pledges receivable are ultimately due from students. Credit risk is mitigated by financial approval processes before a student is enrolled and the highly diversified nature of the student population. Students with funds owing to Conestoga are not able to receive marks, a T2202a tax form or register for the next term. Continuing education students are required to pay in advance before they can be registered in a course.

	Total	Current	Past Due 31-60 days	Past Due 61-90 days	Past Due Over 90
Grants receivables	$6,523,510	$6,523,510	-	-	-
Pledges receivable	7,342,787	7,342,787	-	-	-
Student receivables	3,132,130	269,240	185,588	62,474	2,614,828
Other receivables	10,065,956	8,506,315	333,329	25,225	1,201,087
Less: bad debt allowance	(2,756,800)	-	-	-	(2,756,800)
Net receivables	$24,307,583	$22,641,852	$518,917	$87,699	$1,059,115

Conestoga estimates its aggregate exposure to credit risk as the sum of its reported balances owing from third parties recorded on the Consolidated Statement of Financial Position.

There have been no significant changes from the previous year in the exposure to risk or policies procedures and methods used to measure the risk.

INTEREST RATE RISK

From time to time, Conestoga enters interest rate swap contracts as part of its risk management strategy to minimize exposure to interest rate fluctuations related to floating rate loans and mortgages. Conestoga has fixed the interest rate on $19,002,686 of long-term debt and therefore is not exposed to any interest rate risk on these financial instruments.

CURRENCY RISK

Conestoga does not have any material transactions or financial instruments denominated in foreign currencies.

There have been no significant changes from the previous year in the exposure to risk or policies procedures and methods used to measure the risk.

LIQUIDITY RISK

Liquidity risk arises through an excess of financial obligations over available financial assets at any point in time. Conestoga's objective in managing liquidity risk is to maintain sufficient readily available resources in order to meet its financial obligations as they fall due. Management monitors rolling forecasts of Conestoga's liquidity reserve (comprises undrawn borrowing facility, cash and cash equivalents) on the basis of expected cash flow. Conestoga currently settles its financial obligations out of cash. The following table sets out the contractual maturities at the fiscal year end (representing undiscounted contractual cash-flows of financial liabilities).

	Up to 1 year	**1-5 years**	**>5 years**
Accounts payable	$34,881,808	-	-
Long-term debt	2,489,183	$11,611,554	$4,901,949

There have been no significant changes from the previous year in the exposure to risk or policies procedures and methods used to measure the risk.

14. SUBSEQUENT EVENTS

On April 12, 2023, Conestoga finalized the purchase of a property in Guelph for $27,000,000. Conestoga plans to use this property as a new full-service campus as early as September 2025.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.