

Financial Statements



MARCH 31, 2011

 **MOHAWK**
COLLEGE

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INSPIRING LEARNING, LEADERSHIP, CITIZENSHIP AND INNOVATION

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY

FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Board of Governors of Mohawk College of Applied Arts and Technology

We have audited the accompanying financial statements of Mohawk College of Applied Arts and Technology ("College"), which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation 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 College'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 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 the College as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Burlington, Ontario
June 10, 2011

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2011

Statement 1

		2011 \$	2010 \$
ASSETS			
CURRENT			
Cash and investments	(note 2)	51,487,088	48,739,808
Accounts receivable		10,285,000	9,036,805
Grants receivable		5,720,288	8,907,305
Inventories		1,775,160	1,779,871
Prepaid expenses and other assets		822,924	738,122
		<u>70,090,460</u>	<u>69,201,911</u>
LONG-TERM			
Long-term investments	(note 3)	877,589	873,472
Long-term receivable	(note 4)	213,860	-
Construction in progress		2,087,702	5,814,201
Capital assets	(note 5)	117,091,953	95,537,827
		<u>120,271,104</u>	<u>102,225,500</u>
		<u>190,361,564</u>	<u>171,427,411</u>
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		27,788,618	27,856,508
Deferred revenue	(note 6)	9,374,232	10,888,096
Current portion of obligation under capital lease		-	91,462
Current portion of long-term debt	(note 8)	1,732,501	2,118,285
Demand loan	(note 9)	10,788,631	11,205,723
		<u>49,683,982</u>	<u>52,160,074</u>
LONG-TERM LIABILITIES			
Long-term debt	(note 8)	6,792,047	6,839,373
Interest rate swap	(note 9)	2,542,608	2,691,479
Sick leave benefits		3,346,608	3,789,244
Post retirement and employment benefits	(note 10)	1,245,000	1,282,000
		<u>13,926,263</u>	<u>14,602,096</u>
DEFERRED CONTRIBUTIONS			
Deferred contributions	(note 11a)	3,030,108	2,855,998
Deferred contributions related to construction in progress	(note 11b)	514,567	5,626,739
Deferred contributions related to expenses of future periods	(note 11c)	1,750,270	4,159,699
Deferred contributions related to capital assets	(note 11d)	86,872,082	66,900,648
		<u>92,167,027</u>	<u>79,543,084</u>
NET ASSETS (statement 3)			
Net assets invested in capital assets	(note 12)	13,365,911	9,321,458
Unrestricted net assets:			
Operating		7,690,042	2,405,000
Vacation pay		(8,680,381)	(8,704,924)
Sick leave benefits		(3,346,608)	(3,789,244)
Post retirement and employment benefits		(1,245,000)	(1,282,000)
Financial instruments		(2,608,160)	(2,408,646)
Restricted net assets:			
Endowment contributions	(note 13)	12,674,388	11,380,236
Internally restricted assets	(note 14)	16,734,100	18,200,277
		<u>34,584,292</u>	<u>25,122,157</u>
		<u>190,361,564</u>	<u>171,427,411</u>

Approved by the Board of Directors
on Friday, June 10, 2011

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2011

Statement 2

	2011 \$	2010 \$
REVENUE		
Operating grants	92,317,530	90,765,072
Capital support grants	1,770,165	1,150,178
Tuition fees	50,902,676	48,317,687
Ancillary	14,013,766	14,350,195
Amortization of deferred contributions	4,355,692	4,154,236
Amortization of deferred contributions related to capital assets	4,211,763	3,285,111
Other	8,392,724	8,912,293
	<u>175,964,316</u>	<u>170,934,772</u>
EXPENDITURES		
Academic	88,226,294	87,798,876
Student services	19,683,734	17,887,111
Administrative services	21,743,270	22,797,447
Plant	13,915,881	13,100,153
Supplementary	1,545,739	1,402,957
Ancillary	9,212,292	9,336,120
Scholarship, bursary and award payments	4,355,692	4,154,236
Amortization expense	7,966,712	7,870,176
Interest on long-term liabilities	947,205	935,721
	<u>167,596,819</u>	<u>165,282,797</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u><u>8,367,497</u></u>	<u><u>5,651,975</u></u>

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2011

FOR THE YEAR ENDED MARCH 31, 2011										Statement 3	
	Invested in Capital Assets \$	Unrestricted Operating \$	Vacation, sick leave & post retire & employment benefits \$	Financial Instruments \$	Internally Restricted \$	Endowment Contributions \$	2011 Total \$	2010 Total \$			
Balance, beginning of year	9,321,458	2,405,000	(13,776,168)	(2,408,646)	18,200,277	11,380,236	25,122,157	16,491,247			
Excess (deficiency) of revenues over expenditures	(3,754,948)	12,188,369	504,179		(570,103)	-	8,367,497	5,651,975			
Investment in capital assets	7,799,401	(4,993,009)	-	-	(2,806,392)	-	-	-			
Change in internally imposed restrictions	-	(1,910,318)	-	-	1,910,318	-	-	-			
Change in fair value of investments	-	-	-	(348,385)	-	-	(348,385)	(72,124)			
Change in fair value of interest rate swaps	-	-	-	148,871	-	-	148,871	1,452,480			
Endowment contributions	-	-	-	-	-	1,294,152	1,294,152	1,598,579			
Balance, end of year	13,365,911	7,690,042	(13,271,989)	(2,608,160)	16,734,100	12,674,388	34,584,292	25,122,157			

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2011

Statement 4

	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenditures	8,367,497	5,651,975
Adjustments to reconcile excess of revenue over expenditures to cash provided by operating activities:		
Amortization expense	7,966,712	7,870,176
Net income of Mohawk College Enterprise	(4,017)	-
Decrease in post retirement & employment benefits	(37,000)	(11,000)
Decrease in sick leave benefits	(442,636)	(48,183)
Unrealized loss included in cash and investments	(348,385)	(72,124)
Less amortization of deferred contributions related to capital assets	(4,211,763)	(3,285,111)
	11,290,408	10,105,733
Changes in non-cash working capital items		
Grants receivable	3,187,017	1,121,358
Accounts receivable	(1,248,195)	(1,171,203)
Inventories	4,711	(143,968)
Prepaid expenses	(84,802)	(22,834)
Accounts payable and accrued liabilities	(67,890)	6,492,530
Deferred revenue	(1,513,864)	2,448,641
	11,567,385	18,830,257
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets, net	(29,520,838)	(13,266,415)
Investments	(100)	-
Long term receivables	(213,860)	-
Construction in progress, net of deferred contribution	(1,385,673)	82,024
	(31,120,471)	(13,184,391)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for endowment	1,294,152	1,598,579
Contributions for other restricted purposes, net	174,110	211,684
Contributions for capital purposes, net	24,183,197	5,907,171
Contributions for expenses of future periods	(2,409,429)	1,071,243
Proceeds of long-term debt	1,685,175	5,868,300
Repayment of long-term debt	(2,118,285)	(1,531,238)
Repayment of demand loan	(417,092)	(389,941)
Repayment of obligation under capital lease	(91,462)	(351,836)
	22,300,366	12,383,962
INCREASE IN CASH AND INVESTMENTS	2,747,280	18,029,828
CASH AND INVESTMENTS, BEGINNING OF YEAR	48,739,808	30,709,980
CASH AND INVESTMENTS, END OF YEAR	51,487,088	48,739,808

See accompanying notes to the financial statements

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

1) SIGNIFICANT ACCOUNTING POLICIES:

General

Mohawk College of Applied Arts and Technology, established in 1966, is an Ontario College of Applied Arts and Technology duly established pursuant to Ontario regulation 34/03 made under the Ontario Colleges of Applied Arts and Technology Act, 2002. The College is an agency of the Crown and provides post secondary, vocationally oriented education in the areas of applied arts, business, health sciences and technology.

(a) Revenue recognition

The College follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants from the Ministry of Training, Colleges and Universities (MTCU) and other government agencies are recorded as revenue in the year to which they relate. Grants approved but not received at the end of the fiscal year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year.

Revenue from tuition fees, contracts and sales from ancillary operations is recognized when the services are provided or the goods are sold.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

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

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(b) Cash and investments

Cash and investments consist of cash on hand, bank balances and investments in money market and short-term bond portfolios. These investments are classified as available for sale and are recorded at fair value on a settlement date basis. Fair value is determined based on quoted bid prices. In circumstances where bid price information is not available, the investment has been valued using the final trade price. Unrealized gains or losses from the change in fair value are recorded in the statement of changes in net assets. Transaction costs related to the investments are expensed.

(c) Financial instruments

The College utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the College is not exposed to significant interest, currency or credit risks arising from its financial instruments and the carrying amounts approximate fair values.

Risks arising from financial instruments:

i) **Interest Rate Risk**

The College manages its investments based on cash flow needs and with a view of optimizing its investment income. The effective interest rate on bonds held varies from 0.90% to 5.44%. The maturities of these bonds range from May 2011 to November 2018.

ii) **Market Risk**

The College is subject to market risk with respect to its investments. The values of these investments will fluctuate as a result of changes in market prices or other factors affecting the value of the investments.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

(d) Accounts, grants and long-term receivables

Accounts, grants and long-term receivables have been classified as loans and receivables and are recorded initially at fair value and subsequently at amortized cost using the effective interest rate method. Interest income or expense is included in the statement of operations over the expected life of the instrument.

(e) Inventories

Inventories consist primarily of items held for resale in the Campus Stores. Inventories are valued at the lower of cost and net realizable value. The inventory that has been expensed during the fiscal year is \$5,020,252 (2010 - \$5,241,318).

(f) Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Donated capital assets are recorded at their fair market value at the date of donation. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to residual value.

Construction in progress is recorded separately on the statement of financial position until construction is complete and the asset is put into operational use. These costs are representative of the Fennell Campus Renewal projects and the Energy Savings Capital program. Remaining commitments related to the Fennell Campus Renewal project at March 31, 2011 total \$281,913.

Capital assets are amortized on a straight-line basis using the following rates:

Asset Class	Rate
Land	n/a
Buildings	40 years
Portables & roof replacement	20 years
Site improvements	10 years
Major equipment	10 years
Furniture & equipment	5 years
Vehicles	5 years
Computers & software	3 years

In the event that facts and circumstances indicate that the College's long lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value of discounted cash flow value is required. The College considers that no circumstances exist that would require such an evaluation.

(g) Accounts payable and accrued liabilities, long-term debt and demand loan

Accounts payable and accruals, long-term debt and demand loan have been classified as other liabilities and are recorded initially at fair value and subsequently at amortized cost using the effective interest method. Interest income or expense is included in the statement of operations over the expected life of the instrument.

(h) Interest rate swaps

The College is party to an interest rate swap agreement that manages 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.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

The College formally documents the relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedge transactions. This process includes linking the interest rate swap to the demand loan on the statement of financial position. The College also formally assesses, both at the hedge's inception and on an ongoing basis, whether the interest rate swap that is used in the hedging transaction is highly effective in offsetting changes in cash flows of the hedged items.

(i) Vacation Pay

The College recognizes vacation pay as an expense on the accrual basis. This amount is included in Accounts payable and accrued liabilities.

(j) Vested Sick Leave

The College has provided for vested sick leave benefits during the year. Eligible Faculty employees, hired before April 1, 1991 and Administrative employees hired before 1986 are entitled to receive on termination or retirement, accumulated sick days multiplied by their actual daily rate to a maximum of six months salary. Previously the Ministry of Training, Colleges and Universities funded these expenditures. Since 2005 the program is administered and financially supported for the most part by The College Compensation and Appointments Council.

(k) Post retirement and employment benefits

The College recognizes employee future benefits (health, dental, life insurance and other retirement obligations) as they are earned during the employees' tenure of service. The accrued benefit obligation and the current service cost were actuarially determined.

(l) Student organizations and The Mohawk College Foundation

These financial statements do not reflect the assets, liabilities and results of operations of the various student organizations or The Mohawk College Foundation which is a separate public foundation.

(m) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. In estimating accrued liabilities the College relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Actual results could differ from those estimates as additional information becomes available in the future.

2) CASH AND INVESTMENTS:

The College's bank accounts are held at two chartered banks. Other investments are held with the College's investment management firm. The bank account earned interest at prime less 1.85%. The investments earned interest from 0.25% to 4.94%.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

3) LONG TERM INVESTMENTS:

		2011	2010
		\$	\$
Investment in Land	(i)	873,472	873,472
Investment in Mohawk College Enterprise	(ii)	4,117	-
		<u>877,589</u>	<u>873,472</u>

- (i) In October 1995, the College purchased land in conjunction with Hillfield-Strathallan College for undetermined future use.
- (ii) Mohawk College (the College) controls Mohawk College Enterprise Corporation (MCE) and is the only registered holder of issued and outstanding MCE shares (2011 - \$100; 2010 - \$0) and accounts for the investment using the equity method. MCE undertakes and carries out education training programs and consulting projects for and on behalf of businesses and industries. MCE is the exclusive provider of corporate training on behalf of the College. MCE is a for profit organization and was incorporated under the Business Corporations Act (Ontario) by Certificate of Incorporation dated April 1, 2010. The Board of Directors is approved by the College and the Shareholder Declaration provides for limitations on certain activities and actions on the part of MCE without the express consent of the College.

Mohawk College Enterprise Financial Position	2011
	\$
Total assets	<u>611,949</u>
Total liabilities	607,832
Total net assets	<u>4,117</u>
	<u>611,949</u>
Mohawk College Enterprise Income Statement	2011
	\$
Total revenue	2,565,867
Total expenses	<u>2,561,085</u>
Net income before taxes	4,782
Income tax	<u>765</u>
Net income after taxes	<u>4,017</u>

4) LONG TERM RECEIVABLE:

The College has entered into a loan agreement with MCE to provide financing up to \$500,000 for MCE working capital needs. The total amount borrowed including interest at prime rate plus 3% per annum as at March 31, 2011 is \$213,860. MCE may pay the indebtedness in whole or in part on demand. Mohawk College waives their right to demand repayment during the next fiscal year.

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

5) CAPITAL ASSETS:

	Cost	Accumulated	2011	2010
	\$	Amortization	Net Book	Net Book
		\$	Value	Value
			\$	\$
Land	3,172,775	-	3,172,775	3,136,775
Buildings	115,773,055	29,814,388	85,958,667	72,885,650
Portables & roof replacement	3,288,607	651,403	2,637,204	2,799,573
Site improvements	21,808,741	6,471,621	15,337,120	7,000,254
Major equipment	13,644,991	8,446,257	5,198,734	5,161,168
Furniture & equipment	17,335,614	14,647,331	2,688,283	1,814,445
Vehicles	662,976	249,666	413,310	233,231
Computers	13,725,494	12,039,634	1,685,860	2,506,731
Computers – Leased	12,394	12,394	-	-
	<u>189,424,647</u>	<u>72,332,694</u>	<u>117,091,953</u>	<u>95,537,827</u>

6) DEFERRED REVENUE:

Deferred revenue consists of the following:

	2011	2010
	\$	\$
MTCU grants	1,052,057	4,276,723
Student fees	6,736,187	5,138,561
Contracts	926,545	911,081
Student residence	241,680	252,206
Other	417,763	309,525
	<u>9,374,232</u>	<u>10,888,096</u>

7) PENSION PLANS:

Qualifying employees participate in the contributory retirement pension plans governed by the Colleges of Applied Arts and Technology (CAAT) Pension Plan Board of Trustees.

The College makes contributions to these plans equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long term viability of the Plan. As at March 31, 2011, the College's contributions amounted to \$8,171,759 (2010 - \$7,563,790 for all plans). There is no indication that the College may be liable for any funding payments in excess of current contributions.

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 MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

8) LONG TERM DEBT:

	2011	2010
	\$	\$
Unsecured loan payable to Ontario Financing Authority, at 4.798%, payable in blended quarterly instalments of \$167,234, due September 10, 2011.	290,821	926,564
Unsecured loan payable to Ontario Financing Authority, at 1.9405%, payable in blended monthly instalments of \$69,910, due March 2, 2012.	761,605	1,577,153
Unsecured loan payable to Ontario Financing Authority, at 1.885%, payable in blended semi-annual instalments of \$329,687, due March 23, 2013.	1,274,332	1,900,814
Interest free and unsecured loan payable to Varian Medical Systems, payable in annual instalments of \$45,597, due July 18, 2014. The effective interest rate is 3.0%.	128,976	169,489
Unsecured construction period loan advances up to a maximum of \$6,512,000 payable to Ontario Financing Authority. Interest on advances subject to thirty-day Ontario Treasury Bill Rate plus 0.40%. Upon the earlier of the substantial completion date, or August 31, 2011, interest on total advance amount plus accrued interest subject to Province of Ontario's twenty year cost of funds plus 0.40%.	6,068,814	4,383,638
	8,524,548	8,957,658
Less current portion	1,732,501	2,118,285
	<u>6,792,047</u>	<u>6,839,373</u>
Principal repayments for the next five years:		
	2012	1,732,501
	2013	982,406
	2014	347,709
	2015	303,441
	2016	303,441
	Thereafter	4,855,050
		<u>\$ 8,524,548</u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

11) DEFERRED CONTRIBUTIONS:

a) Deferred contributions:

Deferred contributions represent unspent externally restricted scholarships, bursaries, grants and donations for student awards and student assistance. It also includes unspent endowment investment income.

	2011	2010
	\$	\$
Balance, beginning of year	2,855,998	2,644,314
Add: Ministry grants	1,313,248	1,344,509
Tuition set-aside fees	2,420,254	2,394,187
Cash donations	196,483	206,100
Restricted investment income	499,763	420,814
Other income	100,054	310
Deduct: Award payments & administrative expenses	(4,355,692)	(4,154,236)
Balance, end of year	<u>3,030,108</u>	<u>2,855,998</u>

b) Deferred contributions related to construction in progress:

Deferred contributions related to construction in progress pertain to the Energy Savings Capital Program.

c) Deferred contributions related to expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations intended to support primarily college-wide equipment and facility improvements and also provide student financial assistance.

d) Deferred contributions related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets.

	2011	2010
	\$	\$
Balance, beginning of year	66,900,648	64,278,588
Additional contributions received from:		
Ministry of Training, Colleges and Universities	19,654,966	4,942,494
Other Ministries	-	4,934
Donations	4,506,552	938,304
Other	21,679	21,439
	<u>91,083,845</u>	<u>70,185,759</u>
Less amortization in current year	(4,211,763)	(3,285,111)
Balance, end of year	<u><u>86,872,082</u></u>	<u><u>66,900,648</u></u>

THE MOHAWK COLLEGE OF APPLIED ARTS AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

12) INVESTMENT IN CAPITAL ASSETS:

The College's investment in capital assets, not including construction in progress, is calculated as follows:

	2011	2010
	\$	\$
Capital assets, at cost	189,424,647	161,495,413
Investment in land	873,472	873,472
Less:		
Accumulated amortization	(72,332,694)	(65,957,586)
Obligation under capital lease – current portion	-	(91,462)
Long term debt – current portion	(1,732,501)	(2,118,285)
Demand loan	(10,788,631)	(11,205,723)
Long term debt	(5,206,300)	(6,773,723)
Deferred contributions related to capital assets	(86,872,082)	(66,900,648)
Investment in capital assets	<u>13,365,911</u>	<u>9,321,458</u>

13) ENDOWMENT CONTRIBUTIONS:

The College has the following endowment funds:

	2011	2010
	\$	\$
Ontario Student Opportunity Trust Funds	5,583,328	5,583,328
Ontario Trust for Student Support	5,127,635	3,950,109
Other	1,963,425	1,846,799
	<u>12,674,388</u>	<u>11,380,236</u>

14) INTERNALLY RESTRICTED FUNDS:

Net assets internally restricted by the Board of Governors represent specific initiatives, liabilities and other provisions. Internally restricted net assets are not available for other purposes without approval of the Board of Governors.

15) THE MOHAWK COLLEGE FOUNDATION:

The College has an economic interest in the Mohawk College Foundation, which raises funds from the community and alumni to finance certain expenditures of the College. The Foundation's accounts are not included in these financial statements. The Foundation is incorporated under the Province of Ontario as a public foundation and is a registered charity under the Income Tax Act.

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16) CAPITAL DISCLOSURES:

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

The College considers its capital to be its net assets (see Statement 3 and Notes 12 to 14). The College's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide services to its clients and to allow for future expansion. Annual budgets are developed and monitored to ensure the College's capital is maintained at an appropriate level.

17) FUTURE FOR NOT FOR PROFIT ORGANIZATIONS:

In December 2010, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs). Government (public sector) NPOs have a choice of:

1. Public Sector Accounting standards with the current series of NPO-specific standards added with some minor changes; or
2. Public Sector Accounting standards.

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.