

Financial Statements of

**ASSOCIATION OF CANADIAN
COMMUNITY COLLEGES**

Years ended March 31, 2013 and 2012



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INDEPENDENT AUDITORS' REPORT

To the Members of the Association of Canadian Community Colleges

Report on the Financial Statements

We have audited the accompanying financial statements of the Association of Canadian Community Colleges, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 in our audits 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 Association of Canadian Community Colleges as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations, changes in net assets and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal Requirements

As required by the Canada Corporations Act, we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

May 31, 2013

Ottawa, Canada

ASSOCIATION OF CANADIAN COMMUNITY COLLEGES

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash	\$ 6,539,118	\$ 5,422,362	\$ 3,964,031
Amounts receivable	683,499	796,566	615,846
Prepaid expenses	254,883	289,266	258,364
Project advances (note 3)	154,105	149,334	200,554
Project contributions receivable (note 3)	—	—	605,771
	<u>7,631,605</u>	<u>6,657,528</u>	<u>5,644,566</u>
Investments (note 4)	2,100,948	2,027,632	1,949,756
Capital assets (note 5)	1,391,674	1,698,136	258,766
	<u>\$ 11,124,227</u>	<u>\$ 10,383,296</u>	<u>\$ 7,853,088</u>


Liabilities and Net Assets

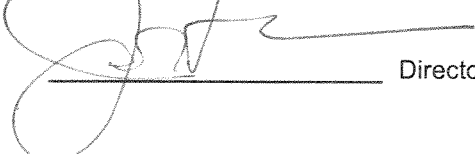
Current liabilities:

Accounts payable and accrued liabilities (note 6)	\$ 1,010,273	\$ 849,820	\$ 794,466
Project expenses payable (note 3)	2,028,956	3,353,188	3,758,411
Deferred membership fees	1,124,053	893,512	1,059,763
Deferred contributions (note 3)	4,422,940	2,719,197	—
	<u>8,586,222</u>	<u>7,815,717</u>	<u>5,612,640</u>
Lease inducements	286,902	308,420	4,128
Net assets:			
Unrestricted	517,457	240,569	1,352,808
Invested in capital assets	1,104,772	1,389,716	254,638
Internally restricted (note 7(b))	628,874	628,874	628,874
	<u>2,251,103</u>	<u>2,259,159</u>	<u>2,236,320</u>
Commitments (note 8)			
Contingencies and guarantees (note 9)			
	<u>\$ 11,124,227</u>	<u>\$ 10,383,296</u>	<u>\$ 7,853,088</u>

See accompanying notes to financial statements.

Approved by the Board:

 Director

 Director

ASSOCIATION OF CANADIAN COMMUNITY COLLEGES

Statements of Operations

Years ended March 31, 2013 and 2012

	2013	2012
Revenue:		
Projects (note 3)	\$ 19,774,881	\$ 20,402,020
Less: direct project expenses	14,564,340	15,242,407
Net project contribution	5,210,541	5,159,613
Membership fees	1,974,235	1,888,704
Special levy	459,108	801,958
Other	344,974	359,515
	7,988,858	8,209,790
Expenses:		
Human resources	6,103,812	6,038,866
Program activities	471,288	351,631
Operating	325,822	387,758
Occupancy	371,887	402,946
Special levy	459,108	801,958
Amortization of capital assets	264,997	203,792
	7,996,914	8,186,951
Excess (deficiency) of revenue over expenses	\$ (8,056)	\$ 22,839

See accompanying notes to financial statements.

ASSOCIATION OF CANADIAN COMMUNITY COLLEGES

Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

March 31, 2013	Unrestricted	Invested in capital assets	Internally restricted (note 7)	Total
Balance, beginning of year	\$ 240,569	\$ 1,389,716	\$ 628,874	\$ 2,259,159
Deficiency of revenue over expenses	(8,056)	-	-	(8,056)
Purchase of capital assets	(36,191)	36,191	-	-
Reduction in cost of leasehold improvements (note 5)	77,656	(77,656)	-	-
Amortization of capital assets	264,997	(264,997)	-	-
Amortization of lease inducements	(21,518)	21,518	-	-
Balance, end of year	\$ 517,457	\$ 1,104,772	\$ 628,874	\$ 2,251,103

March 31, 2012	Unrestricted	Invested in capital assets	Internally restricted (note 7)	Total
Balance, beginning of year	\$ 1,352,808	\$ 254,638	\$ 628,874	\$ 2,236,320
Excess of revenue over expenses	22,839	-	-	22,839
Purchase of capital assets	(1,643,162)	1,643,162	-	-
Amortization of capital assets	203,792	(203,792)	-	-
Amortization of lease inducements	(6,258)	6,258	-	-
Lease inducements received	310,550	(310,550)	-	-
Balance, end of year	\$ 240,569	\$ 1,389,716	\$ 628,874	\$ 2,259,159

See accompanying notes to financial statements.

ASSOCIATION OF CANADIAN COMMUNITY COLLEGES

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (8,056)	\$ 22,839
Items not involving cash:		
Amortization of capital assets	264,997	203,792
Amortization of lease inducements	(21,518)	(6,258)
Amortization of discount on bonds	(73,316)	(77,876)
Change in non-cash operating items:		
Decrease (increase) in amounts receivable	113,067	(180,720)
Decrease (increase) in prepaid expenses	34,383	(30,902)
Decrease (increase) in project advances	(4,771)	51,220
Decrease in project contributions receivable	-	605,771
Increase in accounts payable and accrued liabilities	160,453	55,354
Decrease in project expenses payable	(1,324,232)	(405,223)
Increase in deferred contributions	1,703,743	2,719,197
Increase (decrease) in deferred membership fees	230,541	(166,251)
	1,075,291	2,790,943
Investing activity:		
Purchase of capital assets	(36,191)	(1,643,162)
Reduction in cost of leasehold improvements (note 5)	77,656	-
	41,465	(1,643,162)
Financing activity:		
Lease inducement received	-	310,550
Increase in cash	1,116,756	1,458,331
Cash, beginning of year	5,422,362	3,964,031
Cash, end of year	\$ 6,539,118	\$ 5,422,362

See accompanying notes to financial statements.

ASSOCIATION OF CANADIAN COMMUNITY COLLEGES

Notes to Financial Statements

Years ended March 31, 2013 and 2012

1. Description:

The Association of Canadian Community Colleges (the "Association") was incorporated in 1972 without share capital, under Part II of the Canada Corporations Act. The Association is a registered charity and as such is exempt from income tax.

The mission of the Association is to provide leadership in supporting member institutions in their provision of lifelong learning opportunities, which promote both individual development and that of society and the economy.

On April 1, 2012, the Association adopted Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provisions in Canadian accounting standards for not-for-profit organizations, the Association has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2010 and all comparative information provided has been presented by applying Canadian accounting standards for not-for-profit organizations.

There were no adjustments to net assets as at April 1, 2011 or excess of revenue over expenses for the year ended March 31, 2012 as a result of the transition to Canadian accounting standards for not-for-profit organizations.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Basis of presentation:

The Association follows the deferral method of accounting for contributions for not-for-profit organizations.

(b) Revenue recognition:

- (i) 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 are recognized as revenue using the percentage of completion method based on the proportion of total contract expenses incurred during the fiscal year. Contributions relating to specific projects extending beyond the end of the year are deferred to the extent that matching expenses have not been incurred. A loss is recognized on projects when total expenses are expected to exceed total contributions.

ASSOCIATION OF CANADIAN COMMUNITY COLLEGES

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

(ii) Membership fees are recognized as revenue in the period in which they apply.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has not elected to carry all such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Capital assets:

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. When a capital asset no longer contributes to the Association's ability to provide services, its carrying amount is written down to its residual value.

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

Asset	Rate
Furniture and equipment	3 years
Computer equipment	3 years
Leasehold improvements	term of lease

ASSOCIATION OF CANADIAN COMMUNITY COLLEGES

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Significant accounting policies (continued):

(e) Lease inducements:

Lease inducements are amortized on a straight-line basis over the term of the lease.

(f) Foreign exchange:

Transactions conducted in a foreign currency are translated into Canadian dollars at the average exchange rate for the period. Assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at year-end. Foreign exchange gains and losses are included in income.

(g) Expenses:

In the statement of operations, the Association presents its expenses by function except for occupancy expense and amortization of capital assets.

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

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

3. Project activities:

The Association coordinates and implements a number of educational and research projects funded by a variety of agencies. The Canadian International Development Agency (CIDA) funds a large number of these projects. Most of the project activities are conducted by member institutions of the Association. The Association is responsible for the completion of the projects and ensuring that the project expenditures are in accordance with the funding agreements.

The Association receives funds in advance of the projects from its funding agencies. These funds are restricted in use to the projects.

Project advances are amounts forwarded to member institutions performing the project work prior to the project expenses being incurred. Project expenses payable consist of expenses incurred in the year on projects, which have not yet been paid by the Association.

ASSOCIATION OF CANADIAN COMMUNITY COLLEGES

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

3. Project activities (continued):

Deferred contributions consist of project amounts received from funding agencies for which project expenses have not been incurred and the special levy received from the Association's members. Project contributions receivable consist of project expenses that have been incurred which are reimbursable from the funding agency. The changes in the deferred contributions and receivable balances are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Receivable balance, beginning of year	\$ 2,719,197	\$ (605,771)	\$ (1,504,712)
Cash received during the year for projects	20,844,799	23,690,053	23,558,246
Recognized as revenue during the year	(19,774,881)	(20,402,020)	(22,659,305)
Special levy	633,825	36,935	-
Deferred (receivable) balance, end of year	\$ 4,422,940	\$ 2,719,197	\$ (605,771)

4. Investments:

Investments consist of the following:

	March 31, 2013		March 31, 2012		April 1, 2011	
	Fair value	Cost	Fair value	Cost	Fair value	Cost
Bonds	\$ 2,165,644	\$ 2,100,948	\$ 2,093,919	\$ 2,027,632	\$ 1,990,435	\$ 1,949,756

Investments are managed by investment managers in accordance with an investment policy approved by the Board of Directors. The Association's investment policy limits investments to:

- Canadian chartered bank securities being, bearer discount notes, deposit receipts, term deposits, certificates of deposits and bankers acceptances;
- Government obligations including treasury bills, notes, strip coupons, debentures and/or bonds, issued directly by the federal government or an agency or any of the provinces;
- Bonds, debentures and other similar securities issued by selected Canadian financial institutions.

All debt instruments must have a credit rating of A or higher or R-1 or higher.

ASSOCIATION OF CANADIAN COMMUNITY COLLEGES

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

4. Investments (continued):

The Association's bonds have effective interest rates ranging from 2.50% to 4.91% and maturity dates ranging from November 03, 2013 to June 03, 2022.

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

5. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 337,397	\$ 187,940	\$ 149,457
Computer equipment	642,407	505,576	136,831
Leasehold improvements	1,237,474	132,088	1,105,386
	\$ 2,217,278	\$ 825,604	\$ 1,391,674

March 31, 2012	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 564,039	\$ 339,794	\$ 224,245
Computer equipment	744,486	527,113	217,373
Leasehold improvements	1,306,355	49,837	1,256,518
	\$ 2,614,880	\$ 916,744	\$ 1,698,136

April 1, 2011	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 401,418	\$ 285,243	\$ 116,175
Computer equipment	681,462	549,278	132,184
Leasehold improvements	234,107	223,700	10,407
	\$ 1,316,987	\$ 1,058,221	\$ 258,766

During the year, the Association disposed of \$356,137 (2012 - \$345,269) of fully amortized capital assets. The Association received a credit of \$77,656 that reduced the cost of leasehold improvements acquired in the prior year.

ASSOCIATION OF CANADIAN COMMUNITY COLLEGES

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

6. Accounts payable and accrued liabilities:

As at year end, the Association had \$Nil payable for government remittances.

7. Net assets:

(a) Capital:

The Association's overall objective with its net assets is to fund capital assets, future projects and ongoing operations. The Association manages its net assets by establishing internally restricted net assets and appropriating amounts to the internally restricted net assets for anticipated future projects or programs. These allocations are disclosed in note 7(b).

The Association is not subject to externally imposed capital requirements and its overall strategy with respect to net assets remains unchanged from the year ended March 31, 2010.

(b) Internally restricted net assets:

	March 31, 2013	March 31, 2012	April 1, 2011
International development	\$ 413,874	\$ 413,874	\$ 413,874
Awards program	215,000	215,000	215,000
	<u>\$ 628,874</u>	<u>\$ 628,874</u>	<u>\$ 628,874</u>

(i) The objective of the international development internally restricted net asset is for funding new international development opportunities.

(ii) The objective of the awards program internally restricted net asset is to fund future awards of excellence program.

ASSOCIATION OF CANADIAN COMMUNITY COLLEGES

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

8. Commitments:

The Association has committed to make the following future minimum payments under premises and equipment leases:

2014	\$ 426,170
2015	450,275
2016	463,791
2017	448,830
2018	470,670
Thereafter	4,283,520
	<hr/>
	\$ 6,543,256

9. Contingencies and guarantees:

(a) Project revenues:

Project revenues of the Association are subject to conditions regarding the expenditures of the funds. The Association's accounting records, as well as those of member institutions subcontracted to execute the projects, are subject to audit by CIDA and other funding agencies to identify instances, if any, in which the amounts charged to projects have not complied with the agreed terms and conditions, and which, therefore, would be refundable to the funding agency. Adjustments to the financial statements as a result of these audits will be recorded in the period in which they become known.

(b) Guarantee:

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

(c) Letters of guarantee:

The Association is contingently liable under letters of guarantee amounting to \$Nil (2012 - \$646,218) which have been issued in the normal course of business and which relate to overseas projects.

ASSOCIATION OF CANADIAN COMMUNITY COLLEGES

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

10. Financial instruments:

(a) Foreign currency risk:

Foreign currency exposure arises from the Association's cash holdings in foreign currencies. Amounts received in foreign currencies are generally disbursed in the same currency, effectively hedging the Association's exposure to currency fluctuations. The Association holds cash for projects in the following non-U.S. foreign currencies:

Project	Amount	Currency
PEDP II	75,452	Bangladeshi Taka
Canadian Immigrant Integration Project	2,048,935	Indian Rupees
Canadian Immigrant Integration Project	537,199	Philippine Peso
Canadian Immigrant Integration Project	155,956	Chinese Yuan Renminbi
Canadian Immigrant Integration Project	53,639	British Pounds
Secondary Education Sector Development	638,197	Bangladeshi Taka
Education for Employment	8,515,718	Tanzanian Shilling
Education for Employment	3,789,070	West African CFA Franc
Education for Employment	91,912	New Mozambican Metical
Education for Employment	13,355	Trinidadian Dollar
Education for Employment	564,519	Guyanese Dollar

These amounts are the equivalent of approximately \$190,475 in Canadian dollars.

The Association also has U.S. Dollar cash resources of \$304,612, which are the equivalent of approximately \$312,165 in Canadian dollars.

(b) Fair value:

The carrying value of cash, amounts receivable, cash restricted for projects, project advances, project contributions receivable, accounts payable and accrued liabilities and project expenses payable approximates their fair value because of the relatively short period to maturity of the instruments.

The fair value of investments is disclosed in note 3.

(c) Interest rate and credit risk:

The Association believes that it is not exposed to significant interest rate or credit risk arising from its financial instruments.