

Financial Statements of

**THE ALGONQUIN COLLEGE OF
APPLIED ARTS AND TECHNOLOGY**

Year ended March 31, 2011

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Financial Statements and Supplementary Schedules

Year ended March 31, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Algonquin College of Applied Arts and Technology, which comprise the statement of financial position as at March 31, 2011, the statements of operations, changes in net assets and cash flows for the year then ended, 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 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.

Auditors' 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 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 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 Algonquin College of Applied Arts and Technology as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly curved line.

Chartered Accountants, Licensed Public Accountants

June 13, 2011

Ottawa, Canada

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 25,530,161	\$ 33,702,717
Short-term investments (note 4)	36,619,278	30,957,394
Accounts receivable	21,442,403	20,752,191
Inventory (note 3)	2,094,369	2,081,103
Prepaid expenses	872,192	395,877
	86,558,403	87,889,282
Investments (note 4)	36,606,082	19,844,197
Endowment assets (note 5)	15,004,261	13,087,152
Capital assets (note 6)	200,033,002	147,424,376
	\$ 338,201,748	\$ 268,245,007
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,770,197	\$ 23,244,378
Accrued salaries and employee deductions payable	9,755,749	7,003,571
Deferred revenue (note 7)	20,268,829	19,621,958
Current portion of long-term debt (note 8)	1,745,192	1,635,931
	57,539,967	51,505,838
Long-term debt (note 8)	45,425,093	47,170,286
Vacation, sick leave and post-employment benefits (note 12(c))	15,541,410	15,417,638
Deferred capital contributions (note 9)	134,331,273	78,290,245
Interest rate swaps (note 8(b))	10,357,273	10,841,444
Net assets (deficiency):		
Unrestricted	1,000,000	1,000,000
Investment in capital assets (note 10(a))	27,543,653	23,382,538
Vacation, sick leave and post-employment benefits (note 12(c))	(15,541,410)	(15,417,638)
Interest rate swaps (note 8(b))	(10,357,273)	(10,841,444)
Internally restricted (note 19(b))	57,357,501	53,808,948
Endowment fund (note 11)	15,004,261	13,087,152
	75,006,732	65,019,556
Commitments and guarantee (note 15)		
Contingencies (note 16)		
	\$ 338,201,748	\$ 268,245,007

See accompanying notes to financial statements.

On behalf of the Board of Governors:

 Chairman
 Member

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Operations

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenue (schedule A):		
Grants and reimbursements	\$ 99,991,198	\$ 100,729,592
Student tuition fees	71,105,525	64,636,752
Contract educational services	24,405,942	23,581,150
Ancillary services (schedule B)	38,867,968	38,237,725
Other	11,829,285	11,387,347
Amortization of deferred capital contributions (note 9)	4,900,219	5,428,307
	251,100,137	244,000,873
Expenditures:		
Salaries and benefits	138,682,349	131,165,187
Building maintenance and utilities	9,281,739	8,684,432
Instructional supplies and equipment	3,751,853	3,549,404
Bursaries and other student aid	7,316,672	7,064,216
Interest	557,394	546,994
Amortization and write-off of capital assets (note 10)	11,182,215	11,589,133
Ancillary services (schedule B)	32,107,904	32,150,480
Other	40,790,343	39,958,864
	243,670,469	234,708,710
Change in vacation, sick leave and post employment benefits liabilities (note 12(c))	123,772	67,296
	243,794,241	234,776,006
Excess of revenue over expenditures	\$ 7,305,896	\$ 9,224,867

See accompanying notes to financial statements

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

	Unrestricted	Investment in capital assets (note 10(a))	Vacation, sick leave and post employment benefits (note 12(c))	Interest rate swaps (note 8(b))	Internally restricted (note 19(b))	Endowment fund (note 11)	2011 Total	2010 Total
Net assets (deficiency), beginning of year	\$ 1,000,000	\$ 23,382,538	\$ (15,417,638)	\$ (10,841,444)	\$ 53,808,948	\$ 13,087,152	\$ 65,019,556	\$ 43,273,162
Excess of revenue over expenditures	7,305,896	—	—	—	—	—	7,305,896	9,224,867
Change in vacation, sick leave and post-employment benefits liabilities (note 12(c))	123,772	—	(123,772)	—	—	—	—	—
Internally imposed restrictions	(3,548,553)	—	—	—	3,548,553	—	—	—
Net change in investment in capital assets (note 10(b))	(3,881,115)	3,881,115	—	—	—	—	—	—
Donation of land (note 13)	—	280,000	—	—	—	—	280,000	2,686,780
Endowment contributions and investment income (note 11)	—	—	—	—	—	1,917,109	1,917,109	3,608,556
Change in fair value of interest rate swaps (note 8(b))	—	—	—	484,171	—	—	484,171	6,226,191
Net assets (deficiency), end of year	\$ 1,000,000	\$ 27,543,653	\$ (15,541,410)	\$ (10,357,273)	\$ 57,357,501	\$ 15,004,261	\$ 75,006,732	\$ 65,019,556

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APLIED ARTS AND TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used for):		
Operations:		
Excess of revenue over expenditures	\$ 7,305,896	\$ 9,224,867
Items, which do not involve cash:		
Amortization of capital assets	11,145,031	11,525,054
Write-off of capital assets	37,184	64,079
Amortization of deferred capital contributions	(4,900,219)	(5,428,307)
Change in vacation, sick leave and post-employment benefits liabilities (note 12(b))	123,772	67,296
Change in non-cash working capital (note 17)	4,745,075	5,233,464
	18,456,739	20,686,453
Financing:		
Principal repayments of long-term debt	(1,635,932)	(1,534,528)
Contributions to endowment fund (note 11)	1,917,109	3,608,556
Donation of land (note 13)	280,000	2,686,780
	561,177	4,760,808
Investments:		
Additions to investments	(22,423,769)	(13,709,047)
Capital asset additions (note 10(b))	(63,790,841)	(24,879,521)
Capital contributions received (note 9)	60,941,247	14,995,379
Additions to endowment assets	(1,917,109)	(3,608,556)
	(27,190,472)	(27,201,745)
Decrease in cash and cash equivalents	(8,172,556)	(1,754,484)
Cash and cash equivalents, beginning of year	33,702,717	35,457,201
Cash and cash equivalents, end of year	\$ 25,530,161	\$ 33,702,717
Consisting of:		
Cash on deposit	\$ 25,530,161	\$ 26,171,538
Fixed income securities	—	7,531,179
	\$ 25,530,161	\$ 33,702,717
Interest paid in the year	\$ 3,101,804	\$ 3,347,576

See accompanying notes to financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements

Year ended March 31, 2011

1. Description:

The Algonquin College of Applied Arts and Technology was incorporated as a College in 1966 under the laws of the Province of Ontario. The College is dedicated to providing post-secondary education.

The College is a registered charity and therefore is, under Section 149 of the Income Tax Act, exempt from payment of income tax.

The financial statements reflect the assets, liabilities, net assets, revenue, expenditures and other transactions of all of the operations and organizations controlled by the College. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue; restricted purpose endowment funds, and the ancillary operations of the College.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include the following significant accounting policies:

(a) Basis of presentation:

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

These financial statements do not reflect the assets, liabilities and results of operations of the various student organizations at the College.

(b) Revenue:

- (i) Unrestricted contributions are recognized as revenue when received or receivable. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenditures are recognized. Contributions to endowment funds are recognized as direct increases in net assets in the period received.

Operating grants are recorded as revenue in the period to which they relate. Grant amounts relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Grants approved but not received are accrued.

- (ii) Contributions received for capital assets are deferred and amortized into revenue over the same term and on the same basis as the related capital asset. Contributions of land are recognized as direct increases in investment in capital assets in the period received.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Significant accounting policies (continued):

(b) Revenue (continued):

- (iii) Student tuition fees are recorded in the accounts based on the academic period of the specific courses. Tuition fees are deferred to the extent that the courses extend beyond the fiscal year of the College.
- (iv) Contract educational services are recorded in the accounts based on the services provided in the College's fiscal year on a percentage of completion basis.
- (v) Restricted investment income is recognized as revenue in the year that the related expenditures are incurred. Unrestricted investment income is recognized as revenue when earned.

(c) Cash and cash equivalents:

Cash and cash equivalents include deposits with financial institutions that can be withdrawn without prior notice or penalty and short-term deposits with an original maturity of ninety days or less.

(d) Financial instruments:

(i) Investments:

Investments are designated as held to maturity and are measured at amortized cost using the effective interest method. Purchases of investments are recorded on the settlement date. Transaction costs related to the acquisition of investments are expensed.

(ii) Endowed investments:

Endowed investments are designated as available for sale and are recorded at fair value. Realized investment income and unrealized gains or losses from the change in fair value are recorded in the statement of changes in net assets. Fair value is determined at quoted market prices. Sales and purchases of endowed investments are recorded on the settlement date. Transaction costs related to the acquisition of endowed investments are recorded against the realized investment income of the endowment fund.

(iii) Interest rate swaps:

The College is party to interest rate swap agreements used to manage the exposure to market risks from changing interest rates. The College's policy is not to utilize derivative financial instruments for trading or speculative purposes.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Significant accounting policies (continued):

(d) Financial instruments (continued):

(iii) Interest rate swaps (continued):

The College formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. This process includes linking the interest rate swaps to specific long-term debt on the statement of financial position. The College also formally assesses, both at the hedge's inception and on an on-going basis, whether the interest rate swaps that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items.

For the interest rate swap agreements, the difference between the swap interest rate and the actual interest rate on the long-term debt is recognized as an adjustment to interest expense on long-term debt.

(iv) Other financial instruments:

The College has classified accounts receivable as loans and receivables and accounts payable and accrued liabilities, accrued salaries and employee deductions payable, and long-term debt as other liabilities.

Upon initial recognition, these financial assets and liabilities are measured at fair value. Subsequent to initial recognition, these financial assets and liabilities are measured at amortized cost using the effective interest method of amortization.

(e) Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(f) Capital assets:

Capital assets in excess of \$1,000 are recorded at cost with the following exceptions:

- (i) Furniture and library holdings are charged to expenditures in the year of acquisition.
- (ii) Computer software is charged to expenditures in the year of acquisition.
- (iii) Land originally acquired at the Woodroffe campus is recorded at a nominal value of \$1 with subsequent additions recorded at cost.

Donated capital assets are recorded at the value of the receipt issued to the donor, which reflects estimated fair value of the capital asset at the time of the donation.

Construction in progress is not amortized until the project is complete and the facilities are available for use.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Significant accounting policies (continued):

(f) Capital assets (continued):

Amortization is provided on a straight-line basis over the estimated useful lives as follows:

Asset	Useful life
Buildings	40 years
Site improvements	10 years
Parking lots	10 years
Equipment	5 years
Laptop/desktop computers	48 months
Automotive equipment	5 years

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimate undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(g) Expenditures:

In the statement of operations, the College presents its expenditures by object, except for Ancillary services which are presented by function.

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

(h) Contributed services:

Volunteers contribute an indeterminable number of hours per year to assist the College in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Significant accounting policies (continued):

(i) Employee benefit plans:

The College accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

The College is an employer member of the Colleges of Applied Arts and Technology Pension Plan, which is a multi-employer, defined benefit pension plan. The College has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

(j) Use of estimates:

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 revenue and expenditures during the period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

Significant management estimates include assumptions used in determining the fair value of investments, endowment assets and interest rate swaps.

3. Inventory:

	2011	2010
Bookstore	\$ 1,849,107	\$ 1,835,770
Food services	220,436	214,519
Stationery and supplies	7,842	11,646
Publishing centre	16,984	19,168
	<hr/>	<hr/>
	\$ 2,094,369	\$ 2,081,103

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

4. Investments:

Investments consist of the following:

	2011	2010
Money market funds	\$ —	\$ 48,921
Fixed income securities	71,605,009	49,258,546
Bond funds	1,150,449	1,006,223
Equity	469,902	487,901
	<u>\$ 73,225,360</u>	<u>\$ 50,801,591</u>

The College's fixed income notes have effective interest rates ranging from 3.03% to 6.9% and maturity dates ranging from May 2011 to August 2015.

5. Endowment assets:

Endowment assets represent funds held or receivable by the College which have been permanently endowed. The carrying value of endowed investments is recorded at fair value.

The endowment assets consist of the following:

Fair value	2011	2010
Receivable from Government of Ontario for Ontario Trust for Student Support matching funds (note 21(c))	\$ 383,012	\$ 967,326
Endowed investments:		
Cash equivalents	1,232,541	1,346,557
Bonds	4,169,647	3,378,620
Equities	9,219,061	7,394,649
	<u>\$ 15,004,261</u>	<u>\$ 13,087,152</u>

Cost	2011	2010
Receivable from Government of Ontario for Ontario Trust for Student Support matching funds (note 21(c))	\$ 383,012	\$ 967,326
Endowed investments:		
Cash equivalents	1,232,583	1,346,557
Bonds	4,059,893	3,270,320
Equities	7,853,026	6,687,242
	<u>\$ 13,528,514</u>	<u>\$ 12,271,445</u>

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

5. Endowment assets (continued):

Endowed investments are managed by investment managers under an investment policy approved by the Board of Governors. The investment policy limits investments to Canadian and foreign equities traded on a public market, Canadian and the United States government and corporate bonds with a minimum rating of A-, and cash equivalents.

The bonds have interest rates of 3.1% to 7.8% and maturity dates ranging from May 2012 to February 2022.

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

The College also considers its intent and ability to hold an investment for a sufficient period of time for the value of the unrealized loss to recover. Based on the evaluation as of March 31, 2011, no unrealized losses are considered to be other than temporary.

6. Capital assets:

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Land	\$ 7,336,877	\$ –	\$ 7,336,877	\$ 7,056,877
Buildings	154,453,092	59,948,593	94,504,499	98,365,824
Site improvements	22,719,009	10,875,418	11,843,591	10,629,023
Parking lots	4,514,418	3,486,998	1,027,420	516,880
Computers and equipment	59,851,610	47,994,501	11,857,109	11,916,267
Automotive equipment	369,439	241,942	127,497	88,528
Construction-in-progress	73,336,009	–	73,336,009	18,850,977
	\$ 322,580,454	\$ 122,547,452	\$ 200,033,002	\$ 147,424,376

Cost and accumulated amortization at March 31, 2010 amounted to \$261,173,945 and \$113,749,569 respectively.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

7. Deferred revenue:

Details of the year-end balance are as follows:

	2011	2010
Student tuition fees	\$ 13,079,220	\$ 10,956,330
Grants and reimbursements	537,668	3,132,958
Contract education services	2,512,805	973,824
Student aid	651,684	569,190
Miscellaneous projects	3,487,452	3,989,656
	<u>\$ 20,268,829</u>	<u>\$ 19,621,958</u>

Student tuition fees are for academic courses which extend beyond the fiscal year of the College.

Grants and reimbursements are unexpended externally restricted grants to be spent on future specific projects, including improvements and investments in the College's campus facilities, information systems, equipment and programs.

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

Student aid represents the unexpended donations and interest to be spent on student scholarships and bursaries in future years.

Miscellaneous projects include contributions, deposits and prepayments related to small, miscellaneous activities of the College.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

8. Long-term debt and interest rate swaps:

(a) Long-term debt:

The College has entered into the following long-term debt agreements to finance the construction of student residences and the Police and Public Safety Institute.

	2011	2010
Residence I building loan, bearing interest at prime plus 1.00%, maturing in 2025 (note 8(b))	\$ 10,062,651	\$ 10,446,474
Residence II building loan, bearing interest at prime plus 0.25%, maturing in 2027 (note 8(b))	14,239,922	14,725,891
Residence III building loan, bearing interest at prime plus 0.25%, maturing in 2029 (note 8(b))	15,207,876	15,672,536
Police and Public Safety Institute loan, bearing interest at prime plus 1.00%, maturing in 2025 (note 8(b))	7,659,836	7,961,316
	47,170,285	48,806,217
Less current portion	1,745,192	1,635,931
	\$ 45,425,093	\$ 47,170,286

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

2012	\$ 1,745,192
2013	1,861,773
2014	1,986,167
2015	2,118,896
2016	2,260,523
Thereafter	37,197,734
	\$ 47,170,285

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

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

(b) Interest rate swaps:

The College has entered into interest rate swap agreements to manage the volatility of interest rates. The College converted a net notional \$59.0 million of floating rate long-term debt relating to the three phases of the Residence and the Police & Public Safety Institute (see note 8(a)). The fixed rates received under the interest rate swaps range from 5.97% to 6.95%. The maturity dates of the interest rate swaps are the same as the maturity dates of the associated long-term debt, ranging from 2025 to 2029.

These interest rate swaps qualify, and have been designated by the College, as cash flow hedging items against the floating rate long-term debt. The College has assessed the hedging relationship as effective. The fair value of the interest rate swaps of \$10,357,273 (2010 - \$10,841,444) is recorded on the statement of financial position. Because the hedging relationship is effective, the change in fair value of the interest rate swaps is recorded in the statement of changes in net assets, with no impact on the College's excess of revenue over expenditures.

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase and construction of capital assets. Investment income earned on government contributions received is also included in deferred capital contributions. The amortization of the deferred capital contributions is recorded as revenue in the statement of operations.

In 2005, the Algonquin College Foundation launched a building campaign to raise \$2 million for the construction of the Automotive Technology Trades Centre. Construction of the Automotive Technology Trades Centre was completed in 2007; however, pledges continue to be received. Total contributions received to March 31, 2011 amount to \$556,577.

In 2008, the Foundation launched building campaigns to raise \$7 million for the construction of the Algonquin Centre for Construction Excellence, \$2.5 million for the expansion of the Pembroke campus, and \$1 million for the expansion of the Perth campus. The unused portion of contributions received will be used as construction continues on these projects. Total contributions received to March 31, 2011 amount to \$3,015,026.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

9. Deferred capital contributions (continued):

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

	2011	2010
Balance, beginning of year	\$ 78,290,245	\$ 68,723,173
Less amortization of deferred capital contributions	(4,900,219)	(5,428,307)
Add capital contributions received:		
Industry and individual contributions:		
Automotive Technology Trades Centre	47,917	92,916
Algonquin Centre for Construction Excellence	1,580,613	299,750
Pembroke campus expansion	308,667	672,065
Perth campus expansion	79,387	7,200
Other capital projects	65,425	56,900
Government contributions:		
Algonquin Centre for Construction Excellence	44,364,933	10,659,068
Perth campus expansion	7,297,916	1,001,084
Other capital projects	2,191,988	2,136,624
Contributions from the Students' Association:		
Pembroke campus expansion	1,433,333	—
Perth campus expansion	533,333	—
Student Commons building	3,029,927	—
Add investment income related to contributed funds	7,808	69,772
	60,941,247	14,995,379
Balance, end of year	\$ 134,331,273	\$ 78,290,245

The portion of deferred capital contributions that were unused at the end of the year are as follows:

	2011	2010
Algonquin Centre for Construction Excellence	\$ 6,364,473	\$ 2,249,321
Pembroke campus expansion	881,562	572,895
Perth campus expansion	1,766,174	232,408
Balance, end of year	\$ 9,012,209	\$ 3,054,624

The used portion of deferred capital contributions was \$125,319,064 (2010 - \$75,235,621).

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

10. Investment in capital assets:

(a) The investment in capital assets consists of the following:

	2011	2010
Capital assets	\$ 200,033,002	\$ 147,424,376
Less amounts financed by:		
Deferred capital contributions – used (note 9)	(125,319,064)	(75,235,621)
Long-term debt	(47,170,285)	(48,806,217)
	<u>\$ 27,543,653</u>	<u>\$ 23,382,538</u>

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

	2011	2010
Capital asset additions:		
Total additions	\$ 63,790,841	\$ 24,879,521
Less:		
Donated equipment	(65,425)	(56,900)
Building/construction in progress financed with donations	(82,992)	(259,572)
Building/construction in progress financed with contributions from the Students' Association	(4,463,260)	–
Donated land	(280,000)	(2,686,780)
Other capital assets financed with capital contributions	(50,371,985)	(19,370,737)
Capital asset purchases with College funds	8,527,179	2,505,532
External financing:		
Decrease in long-term debt	1,635,932	1,534,528
Amortization of deferred capital contributions	4,900,219	5,428,307
Amortization of capital assets	(11,145,031)	(11,525,054)
Write-off of capital assets	(37,184)	(64,079)
Net change in investment in capital assets	<u>\$ 3,881,115</u>	<u>\$ (2,120,766)</u>

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

11. Endowment fund:

Endowed funds consist of external contributions that either the donor or the College has designated as a permanent endowment. The endowed funds cannot be expended by the College. The annual income earned on the endowed funds may be expended only for the externally restricted purpose specified by the donor or the College. Total endowments include \$14,132,109 (2010 - \$12,301,922) in endowed funds relating to the Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support (note 21). Included in the student aid portion of the deferred revenue (note 7) is \$209,046 (2010 - \$203,959) of investment income available for distribution relating to the Ontario Student Opportunity Trust Fund.

The endowment fund generated \$548,566 (2010 - \$350,117) of a realized investment revenue and \$660,041 (2010 - \$1,808,247) of unrealized gains in the year.

The College's endowment policy is to annually distribute investment income equal to 4% of the endowment fund book value at the end of the preceding fiscal year. In the year, \$508,115 (2010 - \$437,000) was distributed from the endowment fund to deferred revenue-student aid for use in the year.

The purpose of this policy is to allow the College to distribute a consistent amount of income from the endowed funds on an annual basis regardless of the investment income actually earned in the fiscal year.

The endowment fund balance consists of:

	2011	2010
Permanently endowed contributions	\$ 13,958,913	\$ 12,742,296
Cumulative amount distributed in excess of realized investment income	(430,400)	(470,851)
	13,528,513	12,271,445
Unrealized gains due to changes in fair value of endowment assets	1,475,748	815,707
Endowment fund balance	\$ 15,004,261	\$ 13,087,152

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

12. Employee benefits plans:

(a) Pension plan:

Substantially all of the employees of the College are members of the Colleges of Applied Arts and Technology ("CAAT") Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the CAAT. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the highest five consecutive years prior to retirement, termination or death. The College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long term viability of the Plan.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 2, 2011 indicated an actuarial surplus of \$88 million.

Contributions to the Plan made during the year by the College on behalf of its employees amounted to \$10,275,361 (2010 - \$9,268,785) and are included in salaries and benefits on the Statement of Operations.

(b) Post-employment benefits:

The College provides extended health care, dental insurance and life insurance benefits to certain of its employees under a multi-employer plan under CAAT. This coverage may be extended to the post-employment period. The most recent actuarial valuation of employee future benefits was completed by the Plan's Actuary as at March 31, 2008, and was extrapolated for accounting purposes to March 31, 2011.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The College recognizes as expense for current services the amount of its required contribution in a given year and the change in the accrued benefit liability in the year.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

12. Employee benefits plans (continued):

(b) Post-employment benefits (continued):

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

	2011	2010
Discount rate	4.75%	4.75%
Dental benefits cost and premium escalation	4.5%	7.5% in 2008 decreasing to 4.5% by 2023
Medical benefits		
cost escalation - hospital and other medical	4.5%	4.5%
- vision/hearing	4.5%	4.5%
- drugs	10.5% in 2011 decreasing to 4.5% by 2026	10.5% in 2008 decreasing to 4.5% by 2023
Medical premium escalation	8.0% in 2011 decreasing to 4.5% by 2026	8.0% in 2008 decreasing to 4.5% by 2023
Expected return on assets	3.3% per annum	3.3% per annum

(c) Net asset deficiency – vacation, sick leave and post-employment benefits:

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

	2011	2010
Post-employment benefits	\$ 3,142,401	\$ 2,814,430
Vacation	9,450,437	9,498,919
Sick leave	2,948,572	3,104,289
	<u>\$ 15,541,410</u>	<u>\$ 15,417,638</u>

13. Donations of land:

The City of Pembroke transferred 5.629 hectares of land to the College in December 2010 for the new site of the Pembroke campus. The land has been recorded at its estimated value of \$280,000 at the date of transfer.

The City of Ottawa transferred 1.2481 hectares of land to the College in November 2009 for the Algonquin Centre for Construction Excellence building project. The land has been recorded at its estimated value at \$2,686,780 at the date of transfer.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

14. Financial instruments:

(a) Concentrations of credit risk:

The College is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing mostly with creditworthy counterparties such as government agencies and public companies. The College also enforces approved collection policies for student accounts.

The largest credit exposure to a single institution at March 31, 2011 was \$1,220,310 (2010 - \$1,558,889) with the Algonquin Students' Association Inc. related to a guarantee of borrowings for the Student Fitness Centre.

In addition, the College has committed, upon receiving appropriate notification, to apply fees collected on behalf of the Algonquin Students' Association to ensure that the bank loan to the Students' Association related to the construction of the Sportsfield remains current.

(b) Fair values:

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accrued salaries and employee deductions payable, approximate their fair value due to the relatively short periods to maturity of the instruments.

The carrying value of long-term debt approximates fair value as interest is charged at a variable market rate.

The fair value of investments is disclosed in note 4.

Endowment assets and interest rate swaps are presented at their fair value on the statement of financial position.

(c) Interest rate risk:

The College is exposed to interest rate risk with respect to its interest-bearing investments, long-term debt and interest rate swaps, as disclosed in notes 4, 5, and 8.

(d) Currency risk:

The College believes that it is not exposed to significant currency risks arising from its financial instruments.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

15. Commitments and guarantee:

- (a) The College has committed to make the following future minimum payments under various vehicle, premises rental and equipment leases:

2012	\$ 752,892
2013	408,129
2014	347,149
<hr/>	
	\$ 1,508,170

- (b) At March 31, 2011, commitments for the construction of the Algonquin Centre for Construction Excellence and the Perth campus expansion amounted to approximately \$21,030,000 (2010 - \$55,466,000).

- (c) Letters of credit:

The College is contingently liable under letters of credit amounting to \$595,258 (2010 - \$65,000) which have been issued in the normal course of business.

- (d) Guarantee:

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

16. Contingencies:

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

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

17. Change in non-cash working capital:

	2011	2010
Increase in accounts receivable	\$ (690,212)	\$ (7,266,270)
Increase in inventory	(13,266)	(6,120)
Increase in prepaid expenses	(476,315)	(73,321)
Increase in accounts payable and accrued liabilities	2,525,819	8,061,945
Increase (decrease) in accrued salaries and employee deductions payable	2,752,178	(270,398)
Increase in deferred revenue	646,871	4,787,628
	<u>\$ 4,745,075</u>	<u>\$ 5,233,464</u>

18. Related parties:

The College is related to the Algonquin College Foundation by virtue of its economic interest in the Foundation. The objectives of the Foundation are to solicit, receive, manage and distribute money and other property to support education at the College. The Foundation was incorporated without share capital on December 4, 1995 under the Ontario Corporations Act.

During the year, the College received \$4,606,451 (2010 - \$3,903,200) from the Foundation consisting of:

	2011	2010
Endowed contributions	\$ 1,776,077	\$ 2,161,025
Deferred capital contributions	1,976,095	1,071,931
Other restricted contributions	854,279	670,244
	<u>\$ 4,606,451</u>	<u>\$ 3,903,200</u>

The College provides the Foundation with office premises without charge and pays the salaries of all employees involved with the Foundation.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

19. Capital disclosures:

(a) Capital:

The College considers its operating capital to consist of long-term debt, net assets invested in capital assets, internally restricted net assets and unrestricted net assets. The College's overall objective for its capital is to fund capital assets, future projects and ongoing operations. The College manages its capital by appropriating amounts to internally restricted net assets for anticipated future projects, contingencies and other capital requirements. These allocations are disclosed in note 19(b).

The College also considers its endowments, as disclosed in notes 5 and 11, as part of its capital. The College's objective with regard to endowments is to grow the endowment principal and maximize investment income to increase funding for student aid.

The College may not incur a deficit without the approval of the Minister of Training, Colleges and Universities of Ontario. The College would be required to eliminate any accumulated deficit within a prescribed period of time.

The College is not subject to any other externally imposed capital requirements and its approach to capital management remains unchanged from the prior year.

(b) Internally restricted net assets:

Internally restricted net assets are funds restricted by the College for future projects to improve and invest in the College's campus facilities, information systems, equipment, programs, student aid and employee retraining.

Internally restricted assets consist of the following:

	2011	2010
Appropriations	\$ 450,743	\$ 2,130,576
Specific reserves:		
Other projects and initiatives	10,051,599	9,123,605
Ancillary services reserve fund	4,751,239	3,977,651
Employment stabilization funds	410,069	369,385
Other student aid	6,167	14,368
Reserve funds:		
Future capital expansion - sale of Rideau Campus	6,395,604	6,319,767
Future capital expansion	33,179,313	29,785,882
Rural campus reserve fund	2,112,767	2,087,714
Balance, end of year	\$ 57,357,501	\$ 53,808,948

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

20. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2011.

21. Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support:

The College's endowments disclosed in note 6 include monies provided by the Government of Ontario through matching programs to award student aid as a result of raising an equal amount of endowed donations. The College has recorded the following amounts under these programs:

(a) Ontario Student Opportunity Trust Fund PHASE I

Schedule of Changes in Endowment Fund Balance For the year ended March 31, 2011

Fund balance at beginning of year	\$ 994,793
Cash donations received	—
Fund balance at end of year	\$ 994,793 (A)

Schedule of Changes in Expendable Funds Available for Awards for the year ended March 31, 2011

Balance, beginning of year	\$ 49,335
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	38,181
Bursaries awarded (total number: 72)	(48,284)
Balance, end of year	\$ 39,232 (B)
Endowment total based on book value (=A+B)	\$ 1,034,025

The fair value of this endowment as at March 31, 2011 is \$1,061,352 (2010 - \$1,046,972).

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

21. Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support (continued):

(b) Ontario Student Opportunity Trust Fund PHASE II

Schedule of Changes in Endowment Fund Balance for the Period of April 1, 2010 to March 31, 2011

Fund balance at beginning of year	\$ 2,002,396
Cash donations received	—
Fund balance at end of year	\$ 2,002,396 (A)

Schedule of Changes in Expendable Funds Available for Awards for the Period April 1, 2010 to March 31, 2011

Balance, beginning of year	\$ 17,268
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	78,164
Bursaries awarded (total number: 134)	(90,068)
Balance, end of year	\$ 5,364 (B)
Endowment total based on book value (=A+B)	\$ 2,007,760

The fair value of this endowment as at March 31, 2011 is \$2,158,064 (2010 - \$2,093,944).

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2011

21. Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support (continued):

(c) ONTARIO TRUST FOR STUDENT SUPPORT

Schedule of Changes in Endowment Fund Balance For the Period April 1, 2010 to March 31, 2011

Balance, beginning of year	\$ 8,898,024
Eligible cash donations received between April 1, 2010 and March 31, 2011 in compliance with the November 2005 Program Guidelines and Reporting Requirements	608,752
Matching funds received from MTCU in 2010-11	225,738
Matching funds receivable from MTCU in 2010-11	383,012
Fund balance at end of year	\$ 10,115,526 (A)

Schedule of Changes in Expendable Funds Available for Awards For the Period April 1, 2010 to March 31, 2011

Balance, beginning of year	\$ 126,839
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	363,149
Bursaries awarded (total number: 331)	(280,942)
Balance, end of year	\$ 209,046 (B)
Endowment total based on book value (=A+B)	\$ 10,324,572

The fair value of this endowment as at March 31, 2011 is \$10,912,693 (2010 - \$9,161,006).

Awards Issued for the Period of April 1, 2010 to March 31, 2011

OSAP Recipients		Non-OSAP Recipients		Total	
Number	Amount	Number	Amount	Number	Amount
161	\$136,747	170	\$144,195	331	\$280,942

All recipients were full-time students.

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Revenue

Schedule A

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Grants and reimbursements:		
Post secondary activity	\$ 91,707,363	\$ 92,621,652
Apprentice programs	5,374,263	5,212,515
Special bursaries	2,909,572	2,895,425
	99,991,198	100,729,592
Student tuition fees:		
Full-time post secondary	53,576,561	47,500,627
Full-time non-funded	1,821,816	1,925,188
Part-time	11,000,167	10,564,265
Adult training	1,797,433	1,927,418
Student information technology and mobile computing fee	2,909,548	2,719,254
	71,105,525	64,636,752
Contract educational services:		
Provincially funded programs	10,447,386	9,485,937
International programs	271,683	327,706
Corporate and other programs	13,686,873	13,767,507
	24,405,942	23,581,150
Ancillary operations (schedule B)	38,867,968	38,237,725
Other:		
Early Learning Centre	942,095	983,308
Student ancillary fees	3,890,269	3,510,471
Investment income	1,119,495	288,070
Miscellaneous	5,877,426	6,605,498
	11,829,285	11,387,347
Amortization of deferred capital contributions (note 9)	4,900,219	5,428,307
Total revenue	\$ 251,100,137	\$ 244,000,873

THE ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

Ancillary Services Summary

Schedule B

Year ended March 31, 2011, with comparative figures for 2010

	Revenue	Expenditures	2011 Contribution	2010 Contribution
Food services	\$ 8,545,778	\$ 7,469,553	\$ 1,076,225	\$ 664,692
Bookstore	16,092,155	14,628,555	1,463,600	1,630,624
Parking and lockers	4,089,003	1,424,617	2,664,386	2,571,629
Publishing centre	1,952,284	1,488,759	463,525	426,651
Residence	8,031,604	6,519,679	1,511,925	1,160,606
Other	157,144	576,741	(419,597)	(366,957)
Totals	\$ 38,867,968	\$ 32,107,904	\$ 6,760,064	\$ 6,087,245

The Residence contribution is used to fund the principal payments of the residence building loans (note 8(a)). Residence expenditures include \$2,589,282 (2010 - \$2,800,582) paid in interest on the residence building loans in the year.